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TOBACCO INDUSTRY PROFILE

1978

*All data for 1977,
unless otherwise stated*

Consumption

Total U.S. consumption including overseas armed forces was about:

- 620 billion cigarettes
- 4.95 billion large cigars and cigarillos
- 1.9 billion little cigars
- 47 million pounds of pipe and roll-your-own tobacco
- 88.7 million pounds of chewing tobacco
- 24.4 million pounds of snuff

The output of cigarettes from U.S. factories was 665.9 billion.

Of the total, 10.2 billion cigarettes were shipped to overseas forces, 1.1 billion to Puerto Rico and U.S. islands and 66.8 billion to other countries.

Per capita U.S. cigarette consumption, based on the population 18 and over, was 4,064 compared with the record 4,345 in 1963 and the recent low 3,985 in 1970.

Expenditures

U.S. expenditures for tobacco products were estimated to total \$17.1 billion, a record high and an increase of about \$710 million over 1976.

About \$15.8 billion was for cigarettes, \$600 million for all cigars and \$700 million for pipe and roll-your-own tobacco, chewing tobacco and snuff.

World Production

Total world production of tobacco is estimated at 11.9 billion pounds, about 2.6 percent less than last year's record yield.

Major tobacco-producing nations were: People's Republic of China (2,148,900,000), United States (1,926,686,108), India (912,896,800), USSR (661,200,000), Brazil (618,222,000), Turkey (492-373,600), Japan (387,932,652), Bulgaria (330,600,000), Republic of Korea (305,150,412), Greece (247,575,320), Italy (241,778,800) and Canada (227,999,392).

Tobacco Institute, 1978, 6 p.

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United States Tobacco Production

TOBACCO GROWERS

Tobacco is grown on around 400,000 farms. There were 537,089 allotments to grow tobacco issued by the federal government.* The acreage harvested was about 965,580 with an average yield of 2,003 pounds per acre.

Tobacco growing requires a great deal of labor. There are over a half million farm families directly and indirectly involved in producing tobacco in the U.S. aided by additional seasonal workers. Between 275 and 300 man-hours of labor are required to produce and market 1 acre of tobacco. In comparison, it takes about 3½ man-hours for an acre of food grains (wheat and rice).

TOBACCO SALES

About 95 percent of the nation's tobacco is sold at auction in 174 markets in 12 states. The balance is sold directly from the farms or by farmers' cooperatives.

There were 853 auction warehouses at the tobacco markets in Florida, Georgia, Indiana, Kentucky, Maryland, Missouri, North Carolina, Ohio, South Carolina, Tennessee, Virginia and West Virginia.

CROP INCOME

Tobacco was the fifth largest cash crop behind corn, soybeans, wheat and cotton. The crop was worth more than \$2.33 billion, representing 4 percent of the total for all cash crops. The Department of Agriculture estimates cash receipts from the crop as having been:

[millions]			
North Carolina	\$866	Maryland	30
Kentucky	619	Ohio	29
South Carolina	171	Indiana	24
Tennessee	164	Wisconsin	14
Virginia	163	Pennsylvania	14
Georgia	150	Massachusetts	11
Connecticut	34	Missouri	5
Florida	31	West Virginia	4

Tobacco is also grown in Alabama, Arkansas, Illinois, Kansas, Louisiana, Minnesota and the Commonwealth of Puerto Rico.

*The allotment total is larger than the number of farms because some farms are allotted growth of more than one type of tobacco.

Government Tobacco Programs

FARM QUOTAS	The Department of Agriculture administers laws to stabilize tobacco production and assure fair prices. Most tobacco farmers, through periodic referenda, have continually favored marketing quotas. Because of the production controls, less tobacco is produced at higher prices than would be likely without them.
LOANS	When growers approve marketing quotas for a certain type of tobacco, price supports for it are mandatory. Under the price support program the Commodity Credit Corporation (CCC) makes loans to farmers through their associations with the tobacco as collateral. The associations handle and sell the tobacco and repay the loans as the tobacco is sold. The realized cost of the price support program since its start in 1933 has been about .12 percent of the cost for all farm commodity price support operations.
GRADING	The Department of Agriculture also grades all tobacco before it is sold. Government grade standards are the basis for CCC loans. Daily market news reports inform growers of prices and market conditions. The 1977 fiscal year inspection and market news service costs amounted to \$5.6 million.
FOREIGN PROGRAMS	Sales of leaf tobacco abroad on reasonable credit terms under Public Law 480 amounted to 29.8 million pounds worth \$55,725,000.

Government Receipts From Taxes

TOTAL EXCISES	More than half of the proceeds of domestic retail sales of cigarettes to civilians went to federal, state and local government treasuries in the form of cigarette excises. Federal, state and local governments collected \$6,053,853,000 in direct taxes on tobacco products in Fiscal Year 1977. 98.7 percent represented taxes on cigarettes—some \$5,976,765,000. Taxes on other tobacco products totaled about \$77,088,000. Since 1863, when cigarettes were added to the tobacco products taxed by the federal government, governments at all levels have collected over \$125.2 billion in tobacco taxes. Cigarettes have accounted for 93.9 percent of that figure or over \$117.5 billion.
FEDERAL	The federal government's share was \$2,321,641,000 with cigarette taxes, at 8 cents per pack, accounting for 98.2 percent, or almost \$2,279,246,000. About \$42,395,000 in taxes were collected on other tobacco products.
STATE	State taxes on all tobacco products totaled an estimated \$3,607,791,000. Of the total, over \$3,573,236,000, or 99 percent, represented cigarette taxes and \$34,555,000 were collected from sales of other tobacco products.
LOCAL	364 city and county government tobacco taxes came \$124,421,000. Of that amount, \$124,283,000, or 99.9 percent, represented taxes on cigarettes. Local governments also collected \$138,000 in taxes on other tobacco products.

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SHIPPING Over 99 percent of all the leaf tobacco exported was shipped from the east. The major custom district ports were:

	Pounds	Value
Norfolk	327,745,000	\$545,023,000
Wilmington	240,235,000	435,842,000
New Orleans	14,445,000	22,896,000
Baltimore	10,430,000	17,866,000
New York	7,989,000	22,174,000
Charleston	5,970,000	13,039,000

Cigarettes accounted for about 96 percent of the value of manufactured tobacco products exported. The major ports shipping cigarettes overseas were:

	Units	Value
Norfolk	37,743,380,000	\$351,640,000
Baltimore	10,974,671,000	99,388,000
Miami	5,758,589,000	51,975,000
New York	4,439,122,000	40,785,000
San Francisco	2,570,225,000	23,952,000
Los Angeles	1,438,666,000	13,657,000

Tobacco and Health Research

To insure absolute objectivity, the tobacco industry has supported hundreds of independent research efforts with completely nonrestrictive funding. These studies have resulted in more than 2000 professional papers, published in medical and other scientific journals throughout the world.

The combined commitment by the tobacco industry for these projects is more than \$74 million. In many years the industry's smoking/health research funds have exceeded those of any government department. They now surpass the combined grants of the major voluntary health organizations.

SOURCES: U.S. Department of Agriculture. Agricultural Marketing Service, *Annual Report on Tobacco Statistics*, Agricultural Stabilization and Conservation Service, *Tobacco Allotted by Counties and Kinds and Tobacco in the National Economy*; Economic, Statistics, and Cooperative Service, *Tobacco Situation*; Foreign Agricultural Service, *Foreign Agriculture Circular (Tobacco)*; Statistical Reporting Service, *Crop Production and Farm Numbers*.
 U.S. Department of Commerce: Bureau of the Census, *Census of Manufacturers and Census of Agriculture*; Bureau of Domestic Commerce, *U.S. Industrial Outlook*.
 U.S. Department of Labor: Bureau of Labor Statistics, *Employment and Earning*.
 U.S. Department of the Treasury: Bureau of Alcohol, Tobacco and Firearms, *ATF Summary Statistics*.
 Tobacco Tax Council, *The Tax Burden on Tobacco*, 5407 Patterson Avenue, Richmond, Virginia 23226.
 National Association of Tobacco Distributors, *The Coordinator*, 58 East 79th Street, New York, New York 10021.

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Manufacturing

FACTORIES There are about 156 tobacco product factories with federal permits to manufacture cigarettes and cigars. About 32 other facilities, large and small, manufacture chewing, pipe, and roll-your-own tobacco and snuff. These factories are located in 22 states.

Manufacturers of cigarettes are concentrated in North Carolina, Virginia, Kentucky and Georgia. Facilities for cigars are located primarily in Florida and Pennsylvania. Chewing, pipe, and roll-your-own tobacco and snuff facilities are found in a much wider range of states.

EMPLOYMENT Tobacco manufacturers employ about 56,400 production workers representing hundreds of millions in payroll dollars. Some 34,700 are employed by the cigarette manufacturers alone. Another 8,200 work for cigar manufacturers and some 12,000 are estimated to be employed in the stemming and redrying industry. The balance is employed by chewing, pipe, and roll-your-own tobacco and snuff manufacturers.

Distribution and Sales

RETAIL There are about 1.35 million retail outlets distributing tobacco products ranging from the individual vending machine to the tobacco departments of large chain-operated stores. Related employment numbers in the millions.

WHOLESALE There are also over 1,720 primary tobacco wholesalers and another 1,100 miscellaneous wholesalers distributing tobacco products. The 1977 trade estimate of the wholesale value of tobacco and related products is \$11,523,246,343. Of this amount, cigarettes accounted for more than \$10.8 billion, cigars were more than \$412.9 million and chewing, pipe, roll-your-own tobacco and snuff another \$144.7 million. Other smokers' articles, like pipes, accounted for the balance.

Supply Network

RELATED INDUSTRIES The dependence on a complex industrial and service network greatly extends the importance of tobacco in the nation's economy. The need for farm and manufacturing materials, supplies and equipment as well as services ranging from transportation to advertising gives employment to additional millions and adds hundreds of millions of dollars to personal and business income in almost every state.

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Exports and Imports

The United States is the leading exporter of tobacco and the third largest tobacco importer. Recently about one-third of the U.S. tobacco crop has been exported. In 1977, U.S. exports of leaf tobacco and manufactured products totaled some \$1.73 billion, a record high. Imports came to approximately \$365 million. The difference represents a positive net contribution of over \$1.33 billion to the U.S. balance of payments in calendar year 1977.

LEAF These totals include over 628 million pounds of exported unmanufactured leaf tobacco. Value of the leaf exported was \$1.1 billion, compared with \$920.5 million in 1976.

Imports of unmanufactured leaf came to a record 339 million pounds, valued at \$326.7 million. The quantity was a 6 percent increase from the earlier record 320 million pounds in 1975.

More than half of the leaf imported, about 137.9 million pounds, was oriental and for use in domestic cigarette manufacture. Turkey continued to be the major supplier of this kind of leaf followed by Greece, Yugoslavia and Lebanon.

PRODUCTS The value of exported manufactured products was more than \$637 million.

The value of imported manufactured products was \$46 million compared with \$46.7 million in 1976.

CIGARETTES Over 66.8 billion cigarettes, 9 percent more than in 1976, and valued at \$615 million, up 21 percent over the previous year, went to about 161 countries. The leading importers were Belgium-Luxembourg, Hong Kong, the Netherlands Antilles, Japan, Iran, Saudi Arabia, Spain, Federal Republic of Germany, Kuwait, United Arab Emirates, the Canary Islands, Syria, Lebanon and Panama.

About 361.2 million foreign cigarettes valued at \$3.1 million, were imported.

OTHER PRODUCTS Cigar exports were 116.7 million units, and were valued at about \$5.55 million. The quantity represents a 7 percent decrease over 1976.

About 91.6 million foreign cigars and cheroots were imported with a value of over \$23 million.

Exports of pipe and roll-your-own tobacco in bulk were 9.8 million pounds and 1.48 million pounds in packages. Their value was \$14.7 million and \$2.02 million respectively. Exports also included over 94,750 pounds of snuff and chewing tobacco worth \$221,000.

Imports of smoking and other manufactured tobaccos came to 12 million pounds valued at \$20 million.

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