

Jan 26, 1993

SENATOR BOB DOLE

TALKING POINTS

TOBACCO INSTITUTE

***THANK YOU. IT'S A
PLEASURE TO BE HERE TODAY.**

***I BRING GREETINGS THIS
MORNING FROM FARMERS IN
THE AREA OF COFFEYVILLE,
KANSAS. BURLEY, AN
INGREDIENT IN BLENDED**

**TOBACCOS, HAS BEEN GROWN
IN THAT AREA SINCE 1909--
WHICH, COINCIDENTALLY, WAS
STROM THURMOND'S FIRST
YEAR IN THE SENATE.**

***I WANT TO SPEND JUST A
FEW MINUTES THIS MORNING
SHARING SOME THOUGHTS ON
THE FIRST WEEK OF CLINTON
ADMINISTRATION, AND THE**

**AGENDA OF THE 103RD
CONGRESS, AND THEN I'LL BE
HAPPY TO TAKE YOUR
QUESTIONS.**

***I THOUGHT PRESIDENT
CLINTON'S INAUGURAL SPEECH
WASN'T ALL THAT BAD. HE
TALKED ABOUT SACRIFICE, AND,
OF COURSE, HE TALKED ABOUT
CHANGE.**

***SOME ARE SAYING,
HOWEVER, THAT IT SEEMS THAT
THE ONLY THING HE'S
CHANGING IS HIS MIND.**

***THROUGHOUT THE
CAMPAIGN HE SAID HE'D
"FOCUS LIKE A LASER BEAM ON
THE ECONOMY," AND HE
PROMISED TO CUT THE DEFICIT
IN HALF IN FOUR YEARS.**

***HE'S ALREADY THROWN
THAT PROMISE OUT THE
WINDOW, AND, FROM WHAT
WE'RE HEARING FROM HIS
CABINET OFFICIALS, IT MAY BE
MID-FEBRUARY OR MARCH
UNTIL WE LEARN THE DETAILS
OF HIS "LASER BEAM" ECONOMIC
GAME PLAN.**

***I DON'T THINK THERE'S ANY
DOUBT THAT TAX INCREASES
WILL BE PART OF THAT
PLAN...I'VE ALREADY INDICATED
THAT I MIGHT LOOK FAVORABLY
ON AN INCREASE--BUT ONLY IF
IT'S TIRED TO MEANINGFUL
SPENDING REDUCTIONS.**

***AND WITH ALL THAT HE'S
PROMISED IN OTHER AREAS, I**

**DON'T THINK THE PRESIDENT
WILL COME UP WITH THOSE
REDUCTIONS. ABOUT THE ONLY
PROGRAM HE PROMISED TO GO
AFTER WAS THE HONEY
SUPPORT PROGRAM, WHICH
ISN'T GOING TO SAVE ALL THAT
MUCH MONEY.**

***I WAS ALSO DISAPPOINTED
IN A DECISION HE MADE ON HIS**

**FIRST FULL DAY IN OFFICE--A
DECISION THAT DIDN'T RECEIVE
MUCH PRESS ATTENTION IN
LIGHT OF THE CONTROVERSY
INVOLVING THE BAIRD
NOMINATION.**

***THAT DECISION WAS
RAISING THE GRAMM-RUDMAN
DEFICIT TARGETS RATHER THAN
COMING UP WITH A FEW BILLION**

**DOLLARS FOR DEFICIT
REDUCTION IN 1995. BY
INFLATING THE FUTURE DEFICIT
TARGETS, THE PRESIDENT MAY
HAVE AN EASIER TIME CUTTING
THE DEFICIT, BUT HE'S
SIGNALLING THAT HE'S WILLING
TO DO THAT THROUGH SMOKE
AND MIRRORS.**

***ANOTHER THING THAT
HASN'T CHANGED IS THE
SENATE DEMOCRAT AGENDA
WHICH SENATOR MITCHELL
ANNOUNCED THE OTHER DAY,
AND IT'S A LIST WE'VE ALL SEEN
BEFORE--MANDATED FAMILY
LEAVE...TAXPAYER FINANCED
CONGRESSIONAL**

**ELECTIONS...AND ON DOWN THE
LINE.**

***THIS YEAR, OF COURSE,
THEY HAVE A PRESIDENT WHO
IS WILLING TO SIGN THOSE
BILLS.**

***I'VE SAID THAT SENATE
REPUBLICANS ARE ALL FOR
CHANGE...AS LONG AS IT'S
CHANGE FOR THE BETTER. AND**

**I DON'T THINK A RETURN TO THE
BIG-GOVERNMENT, BIG-
SPENDING DAYS OF THE PAST IS
THE CHANGE AMERICANS WANT.**

***WE DON'T WANT TO CREATE
GRIDLOCK....ALL THE TIME....BUT
WE WON'T BE AFRAID TO STAND
UP FOR WHAT WE BELIEVE.**

***I'LL STOP HERE AND OPEN IT
UP FOR QUESTIONS.**

January 22, 1993

MEMORANDUM TO THE REPUBLICAN LEADER

FROM: David Taylor

SUBJECT: Deficit Update

For Your Information

As expected, President Clinton took action last night to notify Congress that he intends to modify the Gramm-Rudman deficit targets for 1994 and 1995. the revised targets will be published in his upcoming 1994 Budget.

Yesterday, White House Communications Director George Stephanopoulos indicated that the President was concerned about the impact of "\$50 billion in [arbitrary] cuts over the next 10 months. Half of that would come from defense... it doesn't seem particularly wise to have... deep cuts in defense at a time when we have servicemen serving both in Somalia and Iraq."

Based on current information, that statement is factually incorrect.

- o First of all, the deficit targets we are talking about are for 1994 and 1995, not 1993. The 1994 fiscal year doesn't even start until October.
- o Second, the most recent OMB estimates suggest that the adjustment for 1994 would be roughly \$26 billion in 1994 and \$47 billion in 1995.
- o Third, and perhaps most important, these sequesters are not inevitable. President Clinton could stick to the current targets and avoid a sequester if he is willing to make some tough choices in his 1994 budget. Based on OMB's most recent estimates, if Clinton were to produce \$11 billion in deficit reduction in his 1994 budget he could avoid a 1994 sequester.
- o Both OMB and CBO have disputed Stephanopoulos's figures.

On a more troubling note, the White House statement suggests how Clinton could manipulate the deficit figures to his advantage. By dramatically increasing the deficit targets and blaming the increase on his predecessor, Clinton could make his self-imposed task of \$145 billion in deficit reduction much easier to attain.

This is consistent with Clinton's original campaign promise on the deficit. Pledging to cut the deficit in half in four years sounded fiscally responsible, but when Clinton made the pledge, he thought he could get there without producing much in the way of deficit reduction.

The argument Clinton/Panetta could use to justify the change is relatively simple: "Darman cooked the books, and I want to be honest with the American people...."

SPEAK

Tuesday - Jan. 26
Boardroom - Tobacco Inst.
1875 I St., N.W.

THE TOBACCO INSTITUTE

1875 I STREET, NORTHWEST
WASHINGTON, DC 20006
202-457-4800 • 800-424-9876

RALPH VINOVIICH
Vice President for
Legislative Affairs

Honorarium - \$2,000.00
December 30, 1992 8:30 a.m. - 9:15 a.m.

The Honorable
Bob Dole
United States Senate
S-230
U.S. Capitol
Washington, DC 20510

24

Dear Bob:

In recent years you have been kind enough to speak to our Washington Working Group early in a new session of Congress and I would like to invite you to do so again at our first meeting in the new year, on Tuesday, January 26, 1993, at 8:30 a.m.

As you may recall, we meet here in our boardroom and the group is about thirty in number, consisting of our federal relations staff, our state relations staff, company representatives, and consultants. It is a bi-partisan group and you will recognize most of them from their previous service on the Hill.

We don't expect a "tobacco speech" obviously, and you can talk about anything you care to discuss. After fifteen minutes or so, we ask that you take a few questions and we promise to have you on your way by 9:15 a.m.

There will be an honorarium payable to the charity of your choice in the amount of \$2,000 and your letter designating the charity should be sent to the Institute, attention Susan Ruyle.

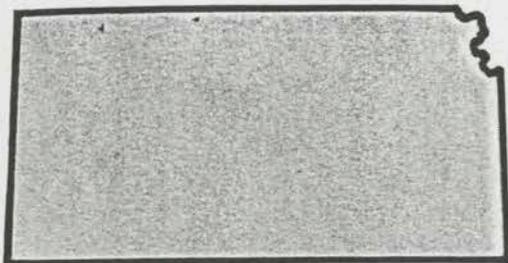
I hope you can be with us and look forward to seeing you then, if not before.

Sincerely,

Ralph Vinovich

RV:ara
Enclosure

My direct line is 457-4854



Tobacco in Kansas

Growing Through the Sunflower State Economy

A study by Chase Econometrics, published in 1985, examined tobacco's 1983 contribution to national and state economies.

One Chase finding demonstrates the magnitude of the golden leaf's effect on Kansas' economy. An estimated 1.9 percent of private sector jobs are related to tobacco. That's the equivalent of one in every 52 jobs of all kinds in the Sunflower State.

Almost a quarter are directly related to tobacco industry activity. The rest result from multiplier or ripple effects as tobacco workers, their employers and essential suppliers spend dollars for goods and services of other, nontobacco, industries. Thus tobacco dollars support additional jobs that generate other incomes and spending flows—because Kansans and others the world over enjoy America's tobacco.

Chase traced the effect of tobacco worker spending on demand for the basics, such as housing, cars, food and clothing, whose consumption in turn leads to a broad range of demands for intermediate goods. Chase found Kansas, 32nd in population, disproportionately

high among states in induced employment in agriculture, construction, a sector Chase labeled transportation, communications, and public utilities, and mining, primarily jobs in oil, natural gas and cement. Tobacco employee dollars supported 3,917 jobs, with \$85.7 million in wages and benefits, in those four sectors.

In all sectors, the induced impact was 14,115 jobs—2.7 percent of all manufacturing employment—and \$269 million in incomes.

Tobacco supplier impact on employment was high in Kansas' rubber and plastics industries, in wholesale trade and in finance, which included banking, insurance and real estate services. Tobacco-generated activity supported 1,573 jobs and \$42.1 million in incomes in those supplier sectors and 2,608 jobs, with more than \$53.1 million in wages and benefits, in all supplier sectors.

Overall, tobacco sales and the paychecks of tobacco companies and their suppliers generated or supported almost 19,044 jobs and some \$351.5 million in incomes in Kansas in 1983. The 19,000 tobacco related jobs are greater in number than the entire population of Dodge City, Garden City or Junction City.

From Farm to Sales Counter

Kansas Territory settlers brought tobacco seeds with them; Germans who smoked pipes when they couldn't get cigars, Frenchmen and Flemings accustomed to snuff, tobacco-chewing pioneers from the East and South. They planted those seeds with their first staple food crops.

By 1862, the year after Kansas became a state, a type of Virginia leaf was a cash crop. Cultivation peaked in the 1880s, when wheat and corn proved more profitable to farm.

Today burley, introduced near Coffeyville in 1909, is grown in three northeast counties along the Missouri. It is sold across the river in Weston, Missouri, as an ingredient of America's blended cigarettes and smoking and chewing tobacco.

Paying Taxes to Benefit All Kansans

Nationally and in most states, tobacco is more heavily taxed than any consumer product. In fiscal 1987, more than \$9.7 billion in tobacco product excise taxes was pumped into federal, state and local coffers. This tax money helps pay for everything from vocational training to public libraries.

In fiscal 1987, the U.S. Treasury received 16 cents for every pack of cigarettes sold in Kansas. The state collected 24 cents in excise and another 5 cents in sales tax per pack.

In FY 1987 other tobacco product taxes netted Kansas more than \$1.3 million.

All job numbers represent full-time equivalent employment as calculated by Chase Econometrics. The concept tends to understate the number of persons employed because some tobacco employment is seasonal, requiring part-time workers. Many individuals in distribution and retailing are also involved with products other than tobacco.

All tax data are for the year ending June 30, 1987, except average retail price, taxes as a percent of pre-tax average retail price and the sales tax rate, which are as of November 1, 1987.

Cigarette Tax Facts FY 1988

Federal tax	16¢
State tax	24¢
Sales tax	5¢
Total taxes per pack	45¢

Cigarette Sales & Taxes FY 1987

Packs sold	259,900,000
State tax net collection	\$60,896,000
Est. sales tax	\$12,995,000
Federal tax collection	\$41,584,000
Weighted avg. price per pack	123.9¢
Taxes as percent of avg. price before taxes	57%

1983 Tobacco Employment and Income Contributions to the Economy of Kansas

Industry & Suppliers

Wholesaling	
Jobs	311
Income	\$7,326,200
Retailing/vending	
Jobs	2,009
Income	\$21,880,600

Tobacco Industry Suppliers

Jobs	2,608
Income	\$53,156,700

Induced by Employee Spending

Jobs	14,115
Income	\$269,142,000

Total Tobacco-related Effects

Jobs	19,044
Income	\$351,505,500

About Kansas Tobacco 1987

Acres harvested	28
Pounds produced	48,821
Crop value	76,650
Tobacco farms 1982	9

Sources: Chase Econometrics, *The Economic Impact of the Tobacco Industry on the United States Economy in 1983*, 150 Monument Road, Bala Cynwyd, PA 19004.

The Tobacco Institute, *The Tax Burden on Tobacco*, Vol. 22, 1987, 1875 I Street NW, Washington, DC 20006

U.S. Department of Agriculture, Agricultural Stabilization & Conservation Service, Atchison, Leavenworth and Doniphan Counties, Mo.



The Tobacco Institute

Suite A-150
 12600 W. Colfax
 Lakewood, CO 80215
 303/231-9315

Let's set the record straight . . .

There is no tobacco subsidy!

One of the most misunderstood facets of tobacco is the government price support program, sometimes incorrectly called "the tobacco subsidy." Critics denounce a bureaucracy which—they say—gives money to farmers to grow the leaf while it discourages tobacco smoking. In fact there is *no* tobacco subsidy. There never was. So how could the government's farm and anti-smoking programs conflict?

There is a government *price support and production control* program that guarantees farmers a minimum price for

their tobacco in return for strict limits on production, much as similar programs do for corn, rice, peanuts and cotton—13 different commodities altogether.

How price support works

The money isn't a gift. It's a government-backed loan, to be paid back just like government loans for small businesses, students, home buyers.

All tobacco types are eligible for price support. The program is voluntary, with growers of each type being given the choice, via referendums every three years, to participate. Most elect to be bound by price support guidelines.

To participate, tobacco growers agree to strict acreage and poundage allotments set annually by the U.S. Department of Agriculture. Total allotments, the "national marketing quota," equal the amount USDA estimates is necessary to meet the needs of the domestic tobacco industry, foreign buyers and inventory set by law.

Price supports do more than control quantity. They establish a minimum price for tobacco sold at auction. This minimum price is especially important to the tens of thousands of farm families who

grow tobacco on acreage so small that no other crop grown there could support a family.

Most U.S. tobacco is sold at warehouse auction after grading by U.S. standards according to type and quality. The grade determines the per-pound support price.

If a grower's tobacco fails to bring an auction bid of at least one cent per pound above the support price, and if the grower meets USDA requirements, he is eligible for a government-backed loan based on the support price. The tobacco is taken as loan collateral by a cooperative owned and operated by growers. It's then processed and stored for future sale.

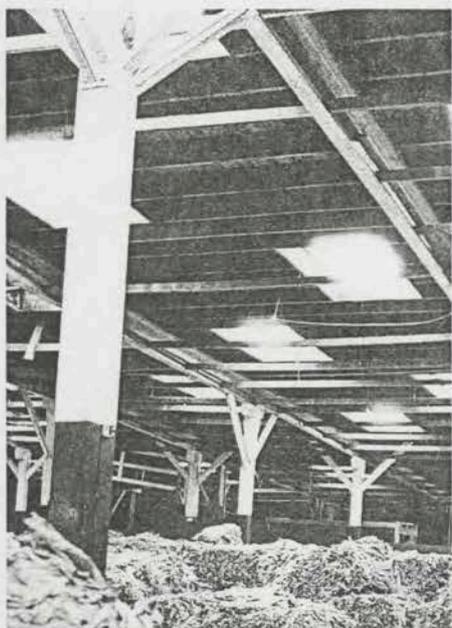
What it costs

Among the most imperishable of crops, tobacco can be stored for several years before being sold in a more favorable market. It may take several years to dispose of the loan collateral leaf from a single marketing year. But when the cooperative sells the tobacco, each loan is repaid *with interest*.

Until recently, on the rare occasions that sale proceeds did not cover a loan, the unpaid balance was written off as a

federal program cost. Since 1982, however, each participating tobacco grower has contributed to a fund held by his cooperative to ensure repayment of loans and interest. Beginning in 1986, buyers made half the contributions.

In past years when proceeds from loan tobacco exceeded the cost of the loan, interest and storage charges, profits were distributed to growers. Now they, too,



go into the repayment fund.

Permanent government efforts to stabilize sectors of the national economy, including agriculture, began in the depression of the 1930s. The 1932 tobacco crop had sold for only nine cents a pound. Many farmers, unable to sell their leaf at all, were using it as fuel.

Price stabilization and production control were—and are—designed to ensure the farmer a reasonable return for his considerable investment.

A no net cost program

The Commodity Credit Corporation administers commodity stabilization programs for USDA and, as with all the

would be incurred anyway because the agents work with other crops, too, and bookkeeping separation is not feasible.

As of 1984, CCC books showed a \$58 million net loss on tobacco loans over half a century—the result of only two or three “bad” years. This is less than *one-tenth of one percent* of all losses for all commodity price support programs. By comparison, the corn and wheat price support programs each show a \$3 billion-plus loss and cotton more than \$2 billion.

For various reasons, however, collateral stocks of tobacco rose in the 1980s, threatening a larger government loss. Congressional action in 1986 provided for manufacturer buyouts from the surplus, and lower support price

tobacco products more readily available. Untrue.

The program is intended to, and does, keep tobacco leaf prices *higher* than they would be without it.

The program is intended to, and does, keep domestic tobacco supplies *lower* than they would be without it.

Without the program, many more acres would be devoted to tobacco. Overplanting would bring a larger tobacco supply and lower prices for the farmers, who could then lose their land and other capital. Such widespread financial and commercial disruptions would create regional recessions with national repercussions.

Encourages smoking?

Does the price support program encourage starting or continuing to smoke? Just what are government health and regulatory officials saying about that question?

Everett Koop, the former Surgeon General, said federal health authorities consider price supports to be an agricultural and economic matter, “not an issue concerning public health. It’s hard to see how a subsidy by the government encourages young people to start smoking or keeps people who are smoking continuing.”

Dr. Koop gave the program the wrong name calling it a subsidy. But he gave an accurate assessment of its effects.

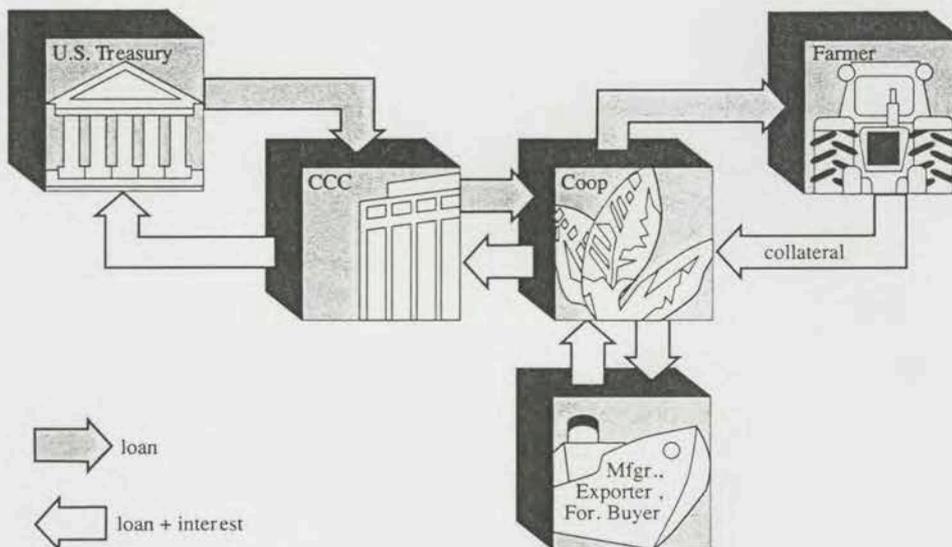
A then Federal Trade Commission member and long-time foe of smoking, Michael Pertschuk, told it like it is at a session of the 1983 World Conference on Smoking and Health. The support system, he said, “restricts the production of tobacco as part of a program for keeping the price of tobacco and hence the income of tobacco farmers up.”

Without the program, Pertschuk said, there would be “a return to the conditions which spawned the program in the great depression.”

He’s right.

For further information on this and other tobacco-related issues write or call The Tobacco Institute.

Tobacco loans are repaid with interest . . .



other commodities, has in the past incurred some expenses in the tobacco program. For example, changes in prevailing interest rates occasionally caused gaps between the rate set by CCC at the start of the year and the rate at which CCC borrowed from the Treasury for producer association loans later in the year. Variable rate loans, begun in 1981, now minimize this gap.

USDA also has administrative costs of \$15-18 million annually—for the agents who track allotments, marketing and other tobacco program operations. They

levels—measures which will sharply reduce government liability and make U.S. leaf more competitive in foreign markets.

There is no tobacco subsidy

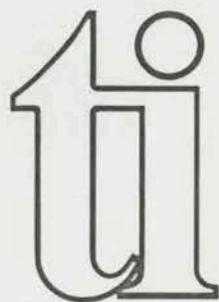
In the 50-year span during which the tobacco program ran its relatively modest loss, purchasers of tobacco products paid federal, state and local treasuries more than \$150 billion in excise taxes.

So there is *no* tobacco subsidy.

Still, critics argue the program makes



The Tobacco Institute
1875 I Street Northwest
Washington, D.C. 20006
(202) 457-4800



Tobacco Industry Profile 1991

Prepared by

The Tobacco Institute
1875 I Street NW
Washington, DC 20006

Telephone: 202/457-4800
or toll free: 800/424-9876

All data for calendar year 1990, unless otherwise stated

■ Consumption

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

- 527 billion cigarettes
- 2.4 billion large cigars and cigarillos*
- 18 million pounds of pipe and roll-your-own tobacco
- 72.9 million pounds of chewing tobacco
- 54.4 million pounds of snuff

*Consumption figures for little cigars are no longer broken out by Department of Agriculture.

The output of cigarettes from U.S. factories was 700 billion. Of the total, 6.9 billion cigarettes were shipped to overseas forces, 800 million to Puerto Rico and other U.S. possessions and 164.3 billion to other countries.

Per-capita U.S. cigarette consumption, based on population 18 and over, declined to 2,828. Record high was 4,345 in 1963.

■ Expenditures

U.S. expenditures for tobacco products were estimated at \$43.8 billion, a record high and an increase of more than \$2.9 billion over 1989. More than \$41.6 billion, or 95 percent of the money spent for tobacco products, was for cigarettes.

■ World Production

World production of tobacco was estimated at 6.3 million metric tons.

The leading leaf-producing nations in 1990 were: China (2,623,500), U.S. (737,154), India (564,400), Brazil (435,000), Turkey (282,166), U.S.S.R. (257,000), Italy (221,000), Indonesia (154,480), Zimbabwe (139,803) Greece (124,752).

■ U.S. Tobacco Production

Tobacco Growers

Tobacco was grown on an estimated 136,000 farms in 23 American states and in Puerto Rico. The federal government issued 414,321 allotments to grow tobacco in 1990. The allotment total is larger than the number of farms because some farms are given allotments for more than one type of tobacco.

The acreage harvested was 756,000, up 3.5 percent from 1989, with a yield of 2,218 pounds per acre. The total U.S. harvest was 1.6 billion pounds, a slight increase from 1989.

The types of tobacco grown in 1990 include flue-cured, 939.2 million pounds; burley, 596.3 million; Southern Maryland, 16.3 million; fire-cured, 35 million; dark air-cured, 7.6 million; and all cigar types, 30.6 million.

Tobacco growing requires about 250 man-hours of labor per acre harvested. By comparison, it takes about three man-hours to grow and harvest an acre of wheat. The more than one-half million farm families involved directly and indirectly in producing tobacco in the U.S. were aided by additional seasonal workers.

Tobacco Sales

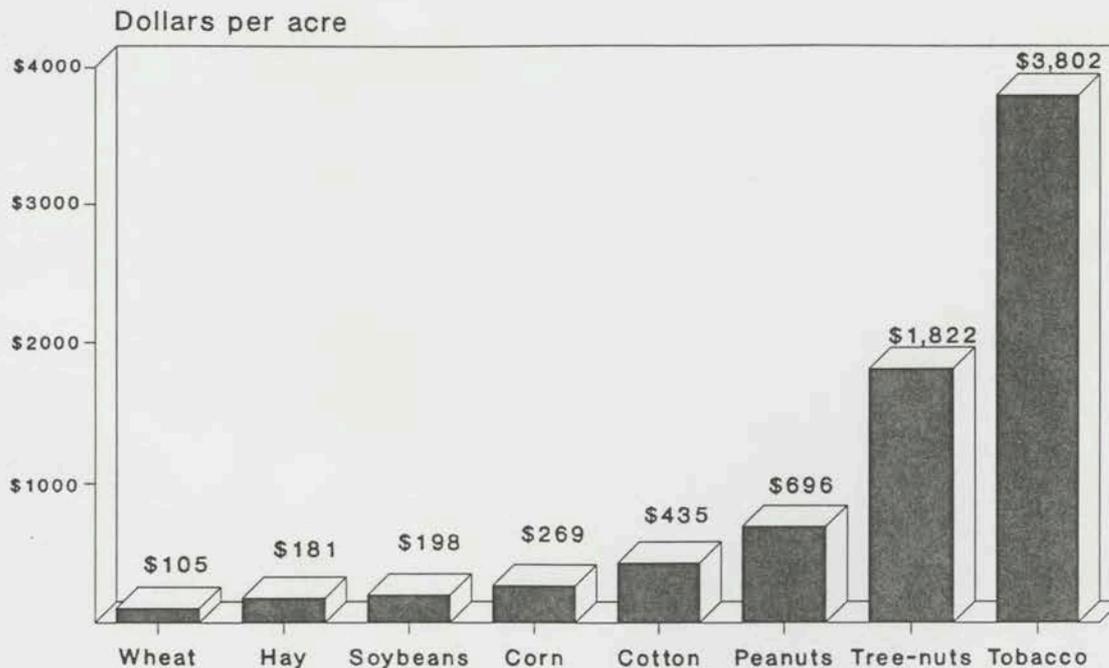
Nearly all of the nation's tobacco was sold at auction in 137 designated markets. The small remainder was sold directly from farms or by farmers' cooperatives.

The average price of the 1990 flue-cured crop was \$1.67 per pound, while burley brought \$1.75 per pound. This represents an increase of about 7 cents for burley, with flue-cured essentially unchanged.

Crop Income

Tobacco was the seventh largest cash crop, behind corn, hay, soybeans, wheat, cotton and potatoes. The tobacco crop was worth almost \$2.7 billion, representing more than 1.6 percent of the total for all cash crops and farm commodities. Estimates of these cash receipts from the 1990 tobacco crop were:

Farm Value per Acre for Selected Crops, 1991



Statistical Reporting Service, USDA

(millions of dollars)

North Carolina	1,046	Ohio	30
Kentucky	743	Indiana	25
Virginia	179	Pennsylvania	25
Tennessee	178	Maryland	18
South Carolina	174	Wisconsin	14
Georgia	168	Massachusetts	12
Connecticut	39	Missouri	11
Florida	32	West Virginia	4

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

■ Manufacturing

Factories

In FY 1990, 114 factories in 19 states had federal permits to manufacture tobacco products. The concentration was in the southeast and mid-Atlantic states.

In FY 1990, 195 warehouses in 30 states were authorized by the U.S. government to export tobacco. Federal permits to manufacture cigarette papers and tubes were issued to 5 establishments in 5 states.

Employment

An estimated 49,100 persons were employed in tobacco

manufacturing during 1990 on a monthly average basis, representing hundreds of millions in payroll dollars. The 39,359 on the production lines in the average month earned \$638.59 a week for a 39.2 hour week.

Of all the manufacturing employees, about 74 percent, or approximately 36,400, were employed by cigarette manufacturers, and earned \$773.02 a week for a 39.5-hour week. Almost three-fourths of the production workers, or 26,200 employees, were involved in cigarette-making. The rest worked in other aspects of tobacco manufacturing, including stemming and redrying the leaf.

■ Sales

Retail

An estimated 1.5 million retail outlets distributed tobacco products. This included more than 345,000 individual vending machines, plus family-owned stores, and tobacco departments of large chain-operated stores. Related employment numbered in the millions.

■ Supply Network

Related Industries

Dependence on a complex industrial and service network greatly extended the contributions of tobacco to the nation's economy. The need for farm and manufacturing materials, supplies and equipment, as well as services ranging from transportation to advertising, provided employment for additional millions and added billions of dollars to personal and business income in all the states.

Exports and Imports

The U.S. was the leading exporter and importer of tobacco. In 1990, the value of U.S. exports of leaf and manufactured tobacco products was \$6.5 billion, 32 percent above 1989. Imports were valued at approximately \$677.5 million, a rise of 6 percent. The difference represented a positive contribution of \$5 billion to the U.S. balance of payments in calendar year 1990.

Leaf

Approximately 223,412 metric tons of unmanufactured leaf tobacco, valued at \$1.44 billion, were exported. Leading markets for U.S. leaf were Japan, Federal Republic of Germany, the Netherlands, Hong Kong and Thailand.

Imports of unmanufactured leaf totaled 187.4 metric tons--up 4 percent from 1989--and were valued at \$583.4 million, a 6 percent increase from 1989.

About 46 percent of the leaf imported, or 85,932 metric tons, was oriental, for use in domestic cigarettes. Turkey continued to be the major supplier of oriental leaf, followed by Greece and Yugoslavia.

Products

The value of exported manufactured products in 1990 was \$5.0 billion, 38 percent above 1989. The value of imported manufactured products, at \$94.1 million, was up 7 percent.

Cigarettes

Approximately 164.3 billion cigarettes were exported in 1990 to 101 countries, up 16 percent in quantity from 1989. They were valued at \$4.8 billion. The leading destinations were Japan, Belgium-Luxembourg, Hong Kong and United Arab Emirates.

About 1.4 billion foreign cigarettes, valued at \$31 million, were imported.

Other Products

Cigar and cheroot exports included 30.4 million units, valued at \$6.2 million.

About 122.5 million units of foreign cigars and cheroots were imported with a value of \$47.4 million. Exports of pipe and roll-your-own tobacco in bulk decreased 16 percent to 26,319 metric tons with a value of \$202.6 million, a 15 percent decrease from 1989. Exports also included 350 metric tons of snuff and chewing tobacco worth \$2.8 million--up 7 percent in value from 1989.

Shipping

Almost 94 percent of all leaf tobacco exported was shipped from the East. Major custom district ports were:

	Metric Tons	Value (thousands)
Norfolk, VA	115,808	\$756,546
Wilmington, NC	59,598	355,666
Charleston, SC	18,957	110,781
Los Angeles, CA	8,574	52,136
Savannah, GA	6,338	35,973
Baltimore, MD	4,927	30,641
Seattle, WA	4,027	24,262
San Juan, PR	1,292	50,031
New Orleans, LA	1,216	5,247
New York, NY	555	5,898

Cigarettes accounted for over 94 percent of the value of manufactured tobacco products exported. Major ports shipping cigarettes overseas were:

	Units (billions)	Value (millions)
Norfolk, VA	68.0	\$2,160
Los Angeles, CA	35.0	889
Seattle, WA	29.0	876
Charleston, SC	9.0	229
Baltimore, MD	6.0	177
New York, NY	4.0	107
Savannah, GA	4.0	92
Miami, FL	3.0	68
San Francisco, CA	3.0	61

Government Receipts from Taxes

Tobacco Taxes

About 29 percent of the receipts from domestic civilian retail sales of tobacco products went to federal, state and local treasuries in the form of consumer excise and sales taxes. These totaled more than \$12 billion in FY 1990 (ending June 30).

Federal, state and local governments collected nearly \$10 billion alone in consumer excises on all tobacco products in FY 1990. Cigarette taxes represented 98 percent, or \$9.8 billion.

Federal, state and local excises on other tobacco products totaled \$212 million.

Since 1863, when cigarettes were added to the tobacco products taxed by the federal government, governments at all levels have collected over \$234.7 billion in tobacco excise taxes. Cigarettes have accounted for 95.3 percent of that, or \$223.7 billion.

Federal

In FY 1990, the federal government's share was \$4.1 billion. Cigarette taxes accounted for almost 98.7 percent. \$53.6 million in taxes on other tobacco products were collected.

State

All states impose consumer excises on cigarettes; 35 also tax cigars and smoking or chewing tobacco, snuff or a combination.

Total state tobacco consumer excise tax revenue in FY 1990 was \$5.7 billion, over 97 percent of which came from cigarette excises. About \$157.8 million was collected on other tobacco products. The states' cigarette excises ranged from 2 to 41 cents per pack.

Local

Tobacco taxes in 411 cities and counties yielded over \$191.9 million in FY 1990. Of that amount, \$191.5 million, or 99.8 percent, resulted from taxes on cigarettes. Seventy-eight local governments also collected \$367,400 from taxes on other tobacco products.

■ Government Tobacco Programs

Farm Quotas

USDA continued in 1990 to administer laws to stabilize tobacco production and assure the grower fair prices. Most tobacco farmers, through periodic referenda, favored marketing quotas. Because of the production controls, less tobacco was produced and prices were higher than would be likely without them.

Loans

With grower approval of marketing quotas for a tobacco type, price supports for it were mandatory. Under the program, the Commodity Credit Corporation (CCC) made loans to farmers through their cooperative associations, with the tobacco as collateral. The associations handled and sold the tobacco, repaying loans as the tobacco was sold. The realized cost of the tobacco program since its start in 1933 was about 0.1 percent of the cost for all 13 farm commodity price support programs. In FY 1990, loan repayments totaled \$409.7 million, while new loans totaled \$102.4 million, which is expected to be repaid with interest to CCC as the collateral tobacco is sold by the associations.

In 1982 Congress revised the price support program--requiring tobacco farmers to pay into a fund to offset

any losses--to assure that its continued operation will be at no cost to the American taxpayer.

Grading

USDA's Agricultural Marketing Service (AMS) inspected and graded all tobacco before auction. Government grade standards were the basis for CCC loans. Beginning in FY 1982, tobacco farmers paid user fees for grading. In FY 1990, AMS collected \$11.3 million from tobacco farmers, including investments. Daily market news reports informed growers of prices and market conditions. This service cost \$781,000 in FY 1990.

■ Tobacco's Contribution to America's National Economy

In 1989, Price Waterhouse performed an analysis of the U.S. tobacco industry to determine its impact on America's economy during 1986.

Based on that analysis, it is estimated that the tobacco core sectors in the U.S. economy generated \$37.3 billion of the Gross National Product in 1986 and employed 700,883 persons to produce and deliver tobacco products and associated goods and services.

The tobacco industry's estimated spending-induced impact on America's GNP was \$59.9 billion--far more than expenditures on tobacco products alone. This impact was generated by tobacco industry workers' expenditures on goods and services of other, non-tobacco, business sectors throughout the U.S.

The Price Waterhouse study shows, in 1986, tobacco industry activities in all 50 states resulted in these estimates:

	1986	
	Core and Supplier	Spending-Induced
- GNP	\$37.3 billion	\$59.9 billion
- Jobs	700,883	1,647,063
- Compensation	\$14.4 billion	\$37.5 billion
- Federal, state and local taxes	\$16.5 billion	\$17.1 billion

SOURCES: U.S. Department of Agriculture: Agricultural Marketing Service and Financial Management Division; Agricultural Stabilization and Conservation Service, *History of Budgetary Expenditures of the Commodity Credit Corporation Fiscal Year 1980-1989 actual*; Economic Research Service, *Tobacco Situation and Outlook*; Foreign Agricultural Service, *World Tobacco Situation*; Statistical Reporting Service, *Crop Production 1990 Summary*, *Crop Values 1990 Summary*, *Noncitrus Fruits and Nuts 1990 Mid-Year Supplement*.

U.S. Department of Commerce: Bureau of the Census, U.S. Exports EA-622.

U.S. Department of Labor: Bureau of Labor Statistics, Supplement to Employment and Earnings.

American Automatic Merchandiser, Vol. #33 No. #8, Aug. 1991.

National Association of Tobacco Distributors, 1199 N. Fairfax Street, Alexandria, VA 22314.

U.S. Department of Treasury: Bureau of Alcohol, Tobacco and Firearms.

Price Waterhouse, Washington, DC.

Smoke Shop Magazine, Sept.-Oct. 1991.

The Tobacco Institute: *The Tax Burden on Tobacco*, Vol. 24, 1989, 1875 I Street NW, Washington, DC 20006.

Tobacco Merchants Association, P.O. Box 8019, 231 Clarksville Road, Princeton, NJ 08543-8019.

THE JOURNAL OF COMMERCE, Tuesday, December 29, 1992

4A

US Tobacco's Trade Surplus At \$4.2 Billion

PRINCETON, N.J. — The U.S. tobacco industry ended its 1992 fiscal year with a trade surplus of almost \$4.2 billion, accounting for 23% of the nation's overall agricultural trade surplus, according to the Tobacco Merchants Association.

The U.S. Department of Agriculture recently announced that the total agricultural trade surplus increased almost \$3.1 billion over the fiscal 1991 surplus of \$15 billion.

Tobacco and tobacco products were the third largest contributor to the nation's agricultural trade surplus, according to the tobacco group, behind the category, including grains and feed, and oilseeds and oilseed products.

The tobacco industry's surplus, was down about \$1.6 billion from its record 1991 surplus of \$5.8 billion, in part reflecting an increasingly competitive world market for U.S. tobacco exports, the Tobacco Merchants Association said.

In fiscal 1992, U.S. cigarette manufacturers shipped a record 188.1 billion cigarettes, valued at \$3.9 billion. In value terms, the shipments were down about 20% from 1991.