

# Tough times for tobacco seen as U.S. use drops

LANCASTER — With growth in tobacco consumption stunted at home by a number of factors including the antismoking campaign, U.S. tobacco growers are looking toward foreign markets to rekindle the industry.

On the bright side, from a tobacco grower's perspective, is evidence that excellent new markets may be springing up in Third World countries.

However, on the home front, tobacco is facing lean times. A steady decline in U.S. per capita use during the last decade has clouded tobacco's future here. Signs of a stagnating domestic tobacco market abound, leaving industry leaders worried:

last year, the average American smoked, chewed, or sniffed less tobacco per person than in any year since 1896.

from a high of 1.43 billion pounds in 1965. U.S. tobacco consumption dropped to an estimated 1.25 billion pounds in 1979.

U.S. cigarette sales rose slightly in 1979, as they have for the last 10 years. But USDA experts describe this sales trend as flat, because cigarette smoking is not increasing as fast as population growth.

A closer look at per capita cigarette smoking is even more revealing. In 1963, better than half of U.S. adult males and nearly one-third of all U.S. women smoked cigarettes. Adult smoking averaged a record 4345 cigarettes each.

By the end of 1978, only 38 percent of men and 30 percent of women smoked. Per capita used dropped to 3967.

It's one thing for fewer cigarettes to be smoked. But demand for U.S. tobacco is affected even more than the above figures indicate because:

Greater efficiency by cigarette manufacturers' is resulting in less tobacco waste. Also, the drive for low-tar, low-nicotine brands has led to less tobacco being used in cigarettes, even since the introduction of extra-longs.

More foreign tobacco is being used in domestic cigarettes as "filler" because it is cheaper than domestic leaf. The percentage of imported tobacco in domestic cigarettes rose

from 11 percent in 1965 to 22 percent in 1978.

Looking ahead, antismoking sentiment is certain to continue to dampen U.S. sales. Per capita use should continue its decline by one to two percent per year. By 1990, per capita U.S. cigarette use could decline as much as 25 percent.

So, tobacco growers must look overseas for a note of optimism. And, with sprouting competition from Brazil, Korea, Thailand, Malawi, and now Zimbabwe (formerly Rhodesia), that optimistic note is soft, even though the U.S. is the world's largest exporter of tobacco.

Of great concern is a resurgence of competition from Zimbabwe. Before U.N. trade sanctions were imposed on Rhodesia 15 years ago, its tobacco ranked second in quality, only to America's. With sanctions lifted tobacco experts say Zimbabwe could place 200 to 400 million pounds of leaf tobacco on world markets by the mid 1980's.

For years, the U.S. has offered a premium quality, high priced tobacco. However, in recent years, these other countries have entered the market with tobacco almost as good but cheaper. As a result the U.S. share of the world market is declining.

During 1960-64, U.S. leaf exports accounted for 30 percent of world total, by 1979 the share had fallen to 18 percent.

In 1979 alone, U.S. shipments of leaf and other unmanufactured tobacco fell 19 percent to 567 million pounds, lowest since 1975.

Mainly responsible was the drastic reduction in sales to European markets. In 1978, West Europe took nearly 60 percent of U.S. tobacco exports. But last year the share dropped to 29 percent. Sales were smaller because Europe had stockpiled high quality supplies from the 1978 U.S. tobacco crop. In addition, several European countries experienced a drop in domestic tobacco sales similar to the U.S.

A look at last year's tobacco sales to Japan is another indication of the poor showing by the U.S. on world markets. Although sales to Japan fell 6 percent in 1979 to 96 million pounds

that country surpassed the United Kingdom as the leading destination for U.S. tobacco. In 1979, sales to the United Kingdom were off 54 percent.

Some other important markets which showed declines of 20 percent or more in U.S. tobacco purchases from 1978 levels were Spain, Egypt, Denmark, Switzerland, and Sweden.

Nonetheless, most experts say the world market — where tobacco consumption increases about two percent per year — is the only place where significant growth can occur.

That assessment is rooted in the persistent increase in demand for cigarettes from the developing nations of the Third World.

In the Middle East and other Asian Countries, U.S. cigarette sales rose substantially last year, despite a early cutoff in exports to Iran. Exports of cigarettes to South America and Africa also increased.

This growing overseas market carries some hope for the tobacco farmer caught in the squeeze of smaller crop returns and inflation. Prospects for growth in cigarette exports are expected to support as much as a 14 percent in-

crease in total U.S. cigarette output by 1990.

However, growing Third World demand for tobacco won't necessarily translate into long-term economic salvation for the American tobacco farmer.

Price is a key obstacle. Foreign buyers complain that, despite the high quality, U.S. tobacco, is simply too expensive.

On world markets, U.S. fine-cured tobacco sold for \$1.40 a pound in 1979, more than twice the selling price for Zimbabwe and Brazilian leaf.

Ironically, Federal price supports designed to help the industry may be pricing U.S. tobacco out of the world market.

An indication of the impact of price supports is the 1978 farm value of \$2,826 per acre for tobacco. Return over production costs is also substantially higher for tobacco than for most other crops.

Over the longer term the tobacco industry must also face the possibility of antismoking campaigns in foreign countries. As cigarette sales grow, foreign governments can benefit from increasing cigarette taxes.

On the other hand, many observers point out that these governments must also consider the potential increase in health care costs and question the use of meager buying power for tobacco instead of food, especially with already

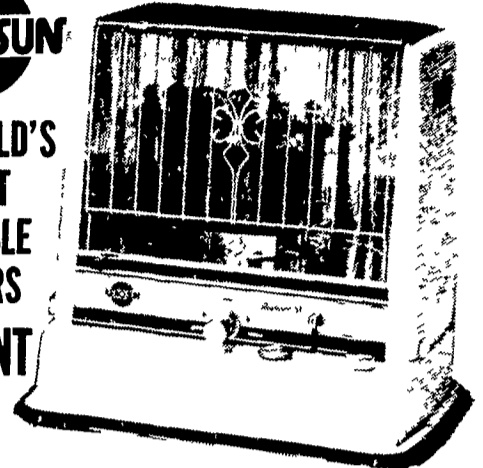
inadequate diets using precious buying power for tobacco instead of food, especially where diets are inadequate.

Even with these obstacles, USDA economists expect shifts in U.S. tobacco exports

through the 1980's, with declines in developed country markets and some possible expansion concentrated in the developing nations where incomes and the demand for tobacco products are increasing.

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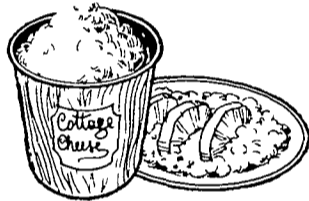
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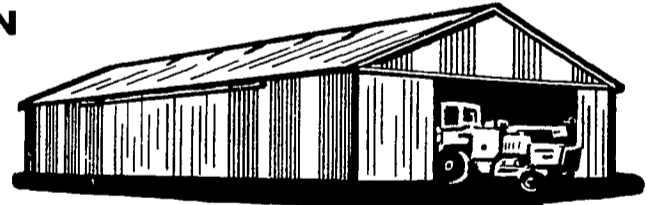
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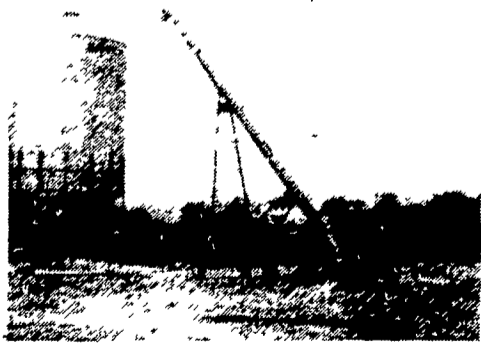
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