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U.S. Tobacco Import Update 2005/06

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Abstract

U.S. tobacco product manufacturers use foreign-produced leaf in items such as cigarettes, cigars, chewing tobacco, and pipe tobacco. Imports peaked in the mid-1990s but remain at historically high levels. The popularity of generic cigarettes, which use cheaper imported leaf, along with increases in domestic leaf prices, was the chief reasons for heightened dependence on tobacco imports. Disappearance (use) of foreign-grown tobacco followed a similar upward trend. As tobacco exports and domestic sales of generic cigarettes advanced, imported leaf use rose. The proportion of imported leaf remained high even after exports declined. During the 2005/06 crop year, use of imported tobacco slipped 6 percent. Imported flue-cured and burley use slipped, and Oriental leaf use advanced. Foreign-grown cigar leaf use advanced as domestic cigar production rose. Imports of flue-cured and burley tobacco continue to be regulated by a tariff-rate quota.

Keywords: Tobacco, tobacco imports, tobacco arrivals, Oriental tobacco, flue-cured, burley, tariff-rate quota, TRQ.

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Approved by USDA's
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Introduction

This article examines the role of foreign tobacco in the U.S. tobacco industry during the 2005/06 crop year (July 2005-June 2006 for flue-cured and Oriental leaf, October 2005-September 2006 for burley). The discussion focuses on disappearance, or use,¹ of imported tobacco and import activity under the tariff-rate quota (TRQ). This article updates TBS2003-01, U.S. Tobacco Import Update, published in September 2004 at <http://www.ers.usda.gov/publications/tbs/feb04/tbs200301/>.

¹Disappearance, synonymous with use, is the quantity of the leaf that is converted into product, otherwise consumed, or wasted. Imports are the volume or value of the leaf recorded by Customs as it enters the United States.

Background

In the 17th and 18th centuries, North American producers provided all the tobacco consumed globally. Foreign production began in the 19th century, but the United States remained the major supplier through the mid-20th century. As cigarette consumption expanded in the early 20th century, imports of Oriental or “Turkish” tobacco (a cigarette leaf not produced in the United States) began, but its use was negligible compared with the total. By the early 1960s, imports accounted for 10 percent of use and still consisted mostly of Oriental tobacco along with some cigar leaf. Imports rose to about 30 percent of total use in the 1970s and 1980s as flue-cured and burley arrivals gradually increased. The increase occurred because foreign tobacco, while of lesser quality, was cheaper than domestic leaf. Further, new cigarette manufacturing technologies enabled use of more lower quality leaf in meeting blending requirements.

In the early 1990s, U.S. leaf imports surged due to the rising popularity in the United States and abroad of low priced and mid priced cigarette brands, and due to increasing U.S. cigarette exports, which boosted demand for lower priced foreign leaf. To meet this demand, manufacturers imported more foreign tobacco. U.S. leaf imports (duty paid) climbed from 413 million pounds in 1990 to more than a billion pounds in 1993. Imports accounted for 44 percent of leaf use in cigarette manufacture, prompting Congress to restrict imports by implementing the Domestic Marketing Assessment (DMA).

Under the DMA, which was in effect from January 1, 1994, to September 13, 1995, the manufacturer was assessed a penalty if the foreign leaf content of U.S. cigarettes exceeded 25 percent. The DMA was enforced only during 1994. It was eliminated on September 13, 1995 (retroactive to January 1, 1995), when a TRQ was proclaimed for cigarette leaf tobacco, mainly flue-cured and burley. Under this TRQ, still in effect, cigarette leaf imports that exceed predetermined quota levels are subject to an import duty of 350 percent *ad valorem*. However, a drawback provision allows most of the duty to be refunded if the same leaf is re-exported as product. The overall tariff-rate quota has never been more than 80 percent full.

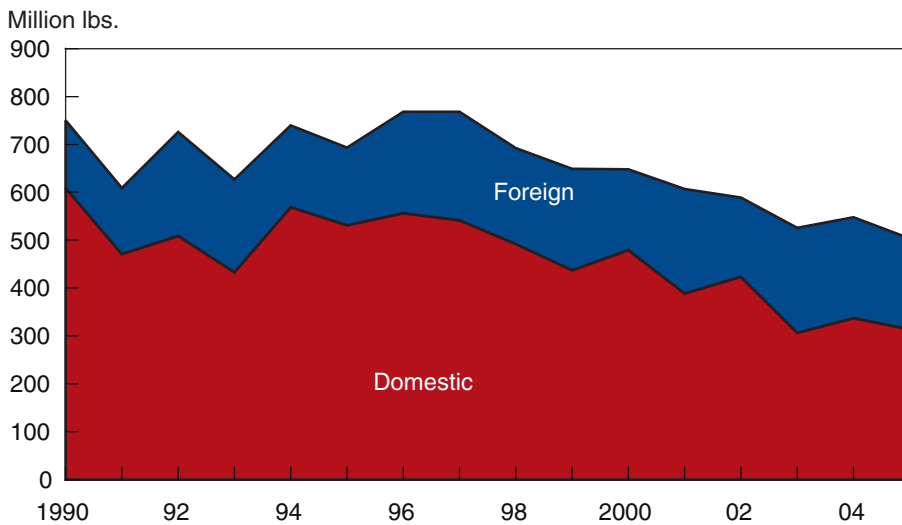
Recent Trends

July-June general imports² of foreign-grown leaf and stems were virtually the same in 2005/06 (568.0 million pounds (declared weight)) as in 2004/05 (566.5 million pounds) (app. table 1 and fig. 1). Oriental declined, but most other types—including stemmed burley and flue-cured, cigar, and stems—advanced. During the same period, imports for consumption of leaf and stems advanced 26 percent, to 602.1 million pounds.

²General imports are arrivals held in bond. Imports for consumption are imports upon which duty has been paid. For calculating use, general imports are used because they represent supplies of leaf physically available to manufacturers. Use equals beginning stocks plus general imports less ending stocks.

Figure 1

Flue-cured disappearance



Sources: Compiled from U.S. Department of Commerce, Census Bureau, Report IM145, U.S. Imports for Consumption and General Imports, and Report EM545, U.S. Exports of Domestic & Foreign Merchandise, various issues; U.S. Department of Agriculture, Agricultural Marketing Service, *Tobacco Stocks*, various issues, and U.S. Department of Agriculture, Economic Research Service, *Tobacco Outlook*, various issues.

Imported Share of Total Use Gains in 2005

The share of imported cigarette leaf used by manufacturers during 2005/06 was less than the previous year. At 55.9 percent, the import share was equal to the record set in 2003, and up from 55 percent during the 2004/05 season (fig. 2). During the past decade, the imported share of leaf used to manufacture tobacco products in the United States trended upward. Foreign-grown leaf use as a share of total use shrank in 2000/01, recovered in 2001/02, declined in 2002/03, and advanced 10 percent in 2003/04. On a farm-sales-weight basis in 2005/06:

- Use of foreign leaf totaled 510.8 million pounds.
- Imported flue-cured use slipped 10 percent, or 21 million pounds, to 188.8 million pounds, the lowest level since 1995 (fig. 1).
- Estimated burley use fell 16 percent, 32 million pounds, to 171.0 million pounds (tables 1 and 2 and fig. 2).
- Foreign-grown flue-cured stocks held by U.S. tobacco dealers and manufacturers shrank 24 percent (table 3).
- Imported burley stocks slipped 18 percent.

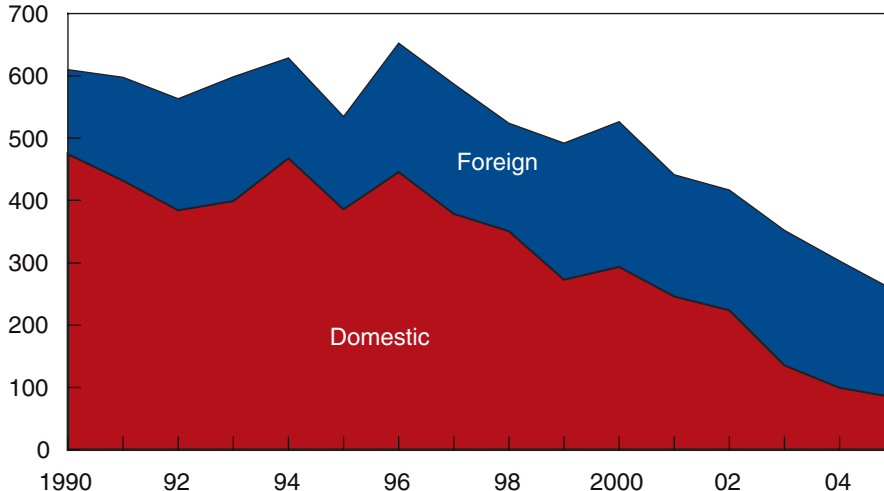
Cigarettes manufactured in the United States continue to contain large amounts of foreign leaf. Tobacco leaf, although a small part of the final cost of cigarettes, is one area in which cigarette manufacturers can trim costs.

Based on arrival data (July-June general imports adjusted for stock changes), Oriental leaf use rose 14 percent in 2005/06, to 151.1 million pounds, a gain of 14 percent from 2004/05 (table 2). Foreign-grown leaf stocks on hand were nearly unchanged from July 1, 2005, to July 1, 2006 (table 3). Oriental leaf use peaked in 1999, at 227.0 million pounds. The Oriental component in U.S.-manufactured cigarettes is about 14 percent.

Figure 2

Burley disappearance

Million lbs.



Sources: Compiled from U.S. Department of Commerce, Census Bureau, Report IM145, U.S. Imports for Consumption and General Imports, and Report EM545, U.S. Exports of Domestic & Foreign Merchandise, various issues; U.S. Department of Agriculture, Agricultural Marketing Service, *Tobacco Stocks*, various issues, and U.S. Department of Agriculture, Economic Research Service, *Tobacco Outlook*, various issues.

Table 1

Estimated U.S. imports of flue-cured and burley tobacco, and domestic use: 1969-2005 (farm-sales weight)

Year beginning July 1 ¹	Flue-cured				Burley			
	Imports ²	Domestic disappearance	Total use	Imports share of total	Imports ³	Domestic disappearance	Total use	Imports share of total
	Million pounds			Percent	Million pounds			Percent
1969	5.7	645.9	651.6	0.9	3.3	507.1	510.4	0.6
1970	10.6	640.1	650.7	1.6	3.2	503.0	506.2	0.6
1971	11.2	662.5	673.7	1.7	4.6	515.2	519.8	0.9
1972	12.7	664.2	676.9	1.9	8.9	534.5	543.4	1.6
1973	20.4	703.4	723.8	2.8	30.7	533.1	563.8	5.4
1974	23.1	652.3	675.4	3.4	47.7	518.8	566.5	8.4
1975	24.4	670.6	695.0	3.5	46.7	510.1	556.8	8.4
1976	30.8	634.0	664.8	4.6	37.9	489.6	527.5	7.2
1977	55.0	608.2	663.2	8.3	85.4	494.8	580.2	14.7
1978	60.1	584.1	644.2	9.3	89.1	502.8	591.9	15.1
1979	84.8	563.1	647.9	13.1	113.6	498.5	612.1	18.6
1980	72.7	529.4	602.1	11.7	136.9	477.6	614.5	22.3
1981	63.3	488.8	552.1	11.5	109.7	463.9	573.6	19.1
1982	103.1	478.5	581.6	17.7	141.3	444.1	585.4	24.1
1983	94.4 ⁴	441.6	536.0	17.6	135.0 ⁴	388.7	523.7	25.8
1984	120.1 ⁴	454.2	574.3	20.9	163.8 ⁴	402.6	566.4	28.9
1985	151.0 ⁵	476.5	627.5	24.1	137.8 ⁵	425.0	562.8	24.5
1986	176.6 ⁵	479.6	656.2	26.9	120.4 ⁵	401.7	522.1	23.1
1987	209.7 ⁵	537.3	747.0	28.1	162.4 ⁵	478.1	640.5	25.4
1988	146.5 ⁵	522.1	668.6	21.9	117.9 ⁵	414.3	532.2	22.2
1989	109.0 ⁵	566.7	675.6	16.1	139.9 ⁵	445.7	585.6	23.9
1990	141.2 ⁵	609.0	750.2	18.8	134.9 ⁵	474.9	609.8	22.1
1991	137.6 ⁵	471.2	608.8	22.6	165.6 ⁵	432.2	597.9	27.7
1992	217.3 ⁵	508.7	726.0	29.9	178.8 ⁵	384.8	563.6	31.7
1993	193.3 ⁵	433.4	626.7	30.5	199.6 ⁵	399.4	599.0	33.3
1994	170.5 ⁵	569.3	739.8	23.0	161.0 ⁵	468.1	629.1	25.6
1995	162.5 ⁵	530.6	693.1	23.4	148.6 ⁵	386.1	534.7	27.8
1996	211.5 ⁵	556.1	767.6	27.6	206.4 ⁵	446.3	652.7	31.6
1997	226.5 ⁵	541.0	767.5	29.5	207.9 ⁵	379.2	608.9	34.1
1998	200.5 ⁵	492.1	692.6	28.9	172.6 ⁵	351.6	524.2	32.9
1999	220.3 ⁵	436.9	657.2	33.5	219.1 ⁵	273.3	492.4	44.5
2000	171.5 ⁵	479.2	650.7	26.4	232.9 ⁵	294.0	526.9	44.2
2001	217.4 ⁵	388.9	606.3	35.9	194.7 ⁵	245.4	440.1	44.2
2002	165.6 ⁵	423.4	589.0	28.1	204.6 ⁵	220.9	425.5	48.1
2003	218.3 ⁵	307.0	525.3	41.6	216.0 ⁵	136.2	352.2	61.3
2004	209.7 ⁴	337.6	547.3	38.3	202.8 ⁴	99.9	302.7	67.0
2005 ⁶	188.8 ⁴	314.4	503.2	37.5	171.0 ⁴	84.1	255.1	67.0

¹Marketing year beginning October 1. ²Imports for consumption (duty paid) of leaf, scrap, and manufactured and unmanufactured (beginning 1980) prorated according to reported stocks of imported flue-cured. ³Imports for consumption (duty paid) of leaf, scrap, and manufactured and unmanufactured tobacco (beginning 1980) prorated according to reported stocks of imported burley. ⁴General imports adjusted for stock change. ⁵Volume inspected by U.S. Department of Agriculture, Agricultural Marketing Service, adjusted for stock change. ⁶Subject to change.

Sources: Sources: Compiled from U.S. Department of Commerce, Census Bureau, Report IM145, U.S. Imports for Consumption and General Imports, and Report EM545, U.S. Exports of Domestic & Foreign Merchandise, various issues; U.S. Department of Agriculture, Agricultural Marketing Service, *Tobacco Stocks*, various issues, and U.S. Department of Agriculture, Economic Research Service, *Tobacco Outlook*, various issues.

Table 2

Estimated disappearance of U.S.-grown and imported cigarette tobaccos, 1969-2004(farm-sales weight)

Year beginning July 1 ¹	Domestic				Foreign-grown				Total disappear- ance	Foreign- grown
	Flue- cured	Burley	Maryland	Total	Flue- cured ²	Burley ²	Oriental ³	Total		
<i>Million pounds</i>										<i>Percent</i>
1969	645.9	507.1	29.1	1,182.1	5.7	3.3	170.6	179.6	1,361.7	13.2
1970	640.1	503.0	27.6	1,170.7	10.6	3.2	189.3	203.1	1,373.8	14.8
1971	662.5	515.2	17.5	1,195.2	11.2	4.6	204.3	220.1	1,415.3	15.6
1972	664.2	534.5	13.4	1,212.1	12.7	8.9	187.0	208.6	1,420.7	14.7
1973	703.4	533.1	13.8	1,250.3	20.4	30.7	196.3	247.4	1,497.7	16.5
1974	652.3	518.8	25.0	1,196.1	23.1	47.7	196.6	267.4	1,463.5	18.3
1975	670.6	510.1	26.0	1,206.7	24.4	46.7	199.6	270.7	1,477.4	18.3
1976	634.0	489.6	17.4	1,141.0	30.8	37.9	185.1	253.8	1,394.8	18.2
1977	608.2	494.8	19.6	1,122.6	55.0	85.4	211.5	351.9	1,474.5	23.9
1978	584.1	502.8	21.1	1,108.0	60.1	89.1	207.8	357.0	1,465.0	24.4
1979	563.1	498.5	23.6	1,085.2	84.8	113.6	204.8	403.2	1,488.4	27.1
1980	529.4	477.6	18.6	1,025.6	72.7	136.9	202.6	412.2	1,437.8	28.7
1981	488.8	463.9	27.9	980.6	63.3	109.7	207.3	380.3	1,360.9	27.9
1982	478.5	444.1	26.0	948.6	103.1	141.3	207.9	452.3	1,400.9	32.3
1983	441.6	388.7	29.7	860.0	94.4 ⁴	135.0 ⁴	195.8	425.2	1,285.2	33.1
1984	454.2	402.6	28.7	885.5	120.1 ⁴	163.8 ⁴	196.9	480.8	1,366.3	35.2
1985	476.5	424.9	26.0	927.4	151.0 ⁵	137.8 ⁵	196.8	485.6	1,413.0	34.4
1986	479.6	401.8	23.9	905.3	176.6 ⁵	120.4 ⁵	227.4	524.4	1,429.7	36.7
1987	537.3	478.1	24.8	1,040.2	209.7 ⁵	162.4 ⁵	212.3	584.4	1,624.6	36.0
1988	522.1	414.3	21.4	957.8	146.5 ⁵	117.9 ⁵	192.0	456.4	1,414.2	32.3
1989	566.7	445.7	22.7	1,035.1	109.0 ⁵	139.9 ⁵	210.3	459.2	1,494.3	30.7
1990	609.0	474.9	16.8	1,098.2	141.2 ⁵	134.9 ⁵	237.6	513.7	1,611.9	31.9
1991	471.2	432.2	16.4	919.9	137.6 ⁵	165.6 ⁵	183.3 ⁴	486.5	1,406.4	34.6
1992	508.7	384.8	13.9	907.4	217.3 ⁵	178.8 ⁵	212.2 ⁴	608.3	1,515.7	40.1
1993	433.4	399.4	11.8	844.6	193.3 ⁵	199.6 ⁵	177.2 ⁴	570.1	1,414.7	40.3
1994	569.3	468.1	12.7	1,021.8	170.5 ⁵	161.0 ⁵	191.8 ⁴	523.3	1,545.1	33.9
1995	530.6	386.1	8.1	924.8	162.5 ⁵	148.6 ⁵	196.7 ⁴	507.8	1,432.6	35.0
1996	556.1	446.3	6.6	1,009.0	211.5 ⁵	206.4 ⁵	196.5 ⁴	614.4	1,623.4	37.8
1997	541.0	379.2	9.8	930.0	226.5 ⁵	207.9 ⁵	198.4 ⁴	632.8	1,562.8	40.5
1998	492.1	351.6	13.8	857.6	200.5 ⁵	172.6 ⁵	176.4 ⁴	549.5	1,407.0	39.1
1999	436.9	273.3	12.8	722.9	220.3 ⁵	219.1 ⁵	227.0 ⁴	666.4	1,389.3	48.0
2000	479.2	294.0	12.7	785.9	171.5 ⁵	232.9 ⁵	197.2 ⁴	601.6	1,387.4	43.4
2001	388.9	245.4	4.0	638.3	217.4 ⁵	194.7 ⁵	167.4 ⁴	579.5	1,217.8	47.6
2002	423.4	220.9	5.2	649.6	165.6 ⁵	204.6 ⁵	172.1 ⁴	542.3	1,191.8	45.5
2003	307.0	136.2	6.4	449.6	218.3 ⁵	216.0 ⁵	135.7 ⁴	570.1	1,019.6	55.9
2004	337.6	99.9	8.2	445.7	209.7 ⁶	202.8 ⁶	132.1 ⁴	544.6	990.3	55.0
2005 ⁶	314.4	84.1	4.8	403.3	188.8 ⁶	171.0 ⁶	151.1 ⁴	510.8	914.1	55.9

¹Marketing year beginning October 1. ²Imports for consumption (duty paid) of leaf, scrap, and manufactured and unmanufactured (beginning 1980) prorated according to reported stocks of imported flue-cured and burley. ³July-June year. Imports for consumption of Oriental leaf converted to farm-sales weight. ⁴General imports adjusted for stock change. ⁵Volume inspected by U.S. Department of Agriculture, Agricultural Marketing Service adjusted for stock change. ⁶Subject to change.

Sources: Sources: Compiled from U.S. Department of Commerce, Census Bureau, Report IM145, U.S Imports for Consumption and General Imports, and Report EM545, U.S. Exports of Domestic & Foreign Merchandise, various issues; U.S. Department of Agriculture, Agricultural Marketing Service, *Tobacco Stocks*, various issues, and U.S. Department of Agriculture, Economic Research Service, *Tobacco Outlook*, various issues.

Table 3

Imported foreign-grown cigarette leaf stocks, by quarters, 1986-2006

Year	Jan. 1	April 1	July 1	Oct. 1	Jan. 1	April 1	July 1	Oct. 1
<i>Million pounds¹</i>								
————Foreign-grown flue-cured————				————Foreign-grown Oriental and aromatic————				
1986	231	217	258	251	346	391	375	340
1987	211	225	223	215	380	427	425	392
1988	193	199	196	212	400	376	349	296
1989	197	178	183	199	330	332	334	293
1990	181	170	188	202	325	348	339	296
1991	185	169	189	198	313	331	341	326
1992	194	191	231	269	396	405	401	356
1993	259	241	288	298	334	369	385	354
1994	277	276	296	287	350	330	349	352
1995	339	352	331	352	342	342	328	280
1996	364	391	391	406	308	428	332	306
1997	400	384	451	435	323	352	369	334
1998	434	406	416	395	335	356	352	339
1999	377	352	350	341	344	328	329	292
2000	352	302	300	303	295	271	261	241
2001	297	282	284	282	220	230	223	208
2002	281	261	265	282	204	216	214	199
2003	267	248	263	191	202	195	197	191
2004	262	251	270	271	194	205	208	200
2005	251	242	254	159	210	218	218	115
2006	247	206	226	239	199	222	219	192
————Foreign-grown burley————				————Total imported cigarette leaf————				
1986	258	248	251	250	835	856	884	841
1987	240	232	225	199	831	884	873	805
1988	195	175	168	159	787	750	713	667
1989	171	157	170	151	698	667	687	643
1990	153	154	148	167	659	672	675	664
1991	166	159	180	228	664	660	710	752
1992	235	224	230	247	825	820	862	872
1993	259	285	296	319	866	895	969	972
1994	295	281	292	295	922	887	936	934
1995	323	326	298	305	1,003	1,019	957	937
1996	312	298	290	311	998	1,128	1,024	1,032
1997	310	221	325	374	1,043	966	1,156	1,154
1998	368	325	300	325	1,149	1,097	1,079	1,070
1999	315	297	280	286	1,046	988	970	930
2000	303	281	269	283	959	866	840	837
2001	284	269	238	269	791	790	753	766
2002	308	282	251	275	801	767	737	763
2003	268	285	269	279	745	735	737	756
2004	300	276	249	236	773	738	736	716
2005	248	263	267	230	718	731	748	694
2006	330	303	296	304	789	743	752	746

¹Farm-sales weight.Source: U.S. Department of Agriculture, Agricultural Marketing Service, *Tobacco Stocks*, various issues.

Tariff-Rate Quota Activity

For September 13, 2005, through September 12, 2006, representing the 12 months upon which the TRQ is calculated, U.S. flue-cured and burley imports (all cigarette leaf, excluding Oriental) were limited to 332.2 million pounds. For the period September 13, 2005, to September 11, 2006 (1 day short of the TRQ year), imports under the TRQ reached 78 percent of the limit, or 258.6 million pounds, compared with 71 percent during 2005/06 (table 4). A duty drawback also allows tobacco leaf imports that are re-exported in the form of product to avoid counting toward the TRQ and any over-TRQ tariffs.

Table 4

Imports under the tariff-rate quota for September 13, 2005, through September 11, 2006¹

Country	2005/06 Quota	2005/06 Imports	TRQ used
	<i>Million pounds declared weight</i>		<i>Percent</i>
Argentina	23.7	23.4	94.8
Brazil	176.8	194.0	54.6
Chile	6.1	6.1	0
EU	22.0	11.3	29.9
Guatemala	22.0	9.8	33.9
Malawi	26.5	26.5	68.6
Philippines	6.6	0.9	12.3
Thailand	15.4	11.6	61.1
Zimbabwe	26.5	0.4	1.2
Other ²	6.6	6.6	100.0
Total	332.2	290.6	87.5

¹U.S. Tariff Schedule line items subject to the tariff-rate quota (TRQ) include flue-cured and light air-cured tobacco, including burley, used in the manufacture of cigarettes for consumption in the United States.

²A TRQ of 6.6 million pounds is available to all countries other than the nine designated quota recipient countries and is allocated on a first-come/first-served basis.

Source: U.S. Department of Homeland Security, U.S. Customs and Border Protection, http://www.cbp.gov/xp/cgov/import/textiles_and_quotas/commodity/.

Foreign-Grown Cigar Leaf Use

Cigar leaf imports for consumption during 2005/06 (July-June) totaled 73.4 million pounds declared weight, or 122.8 million pounds farm-sales weight (app. table 1). In 2004/05, imports were 70.8 million pounds declared weight (77.7 million pounds farm-sales weight). U.S. production during 2005/06 (July-June for wrapper and October-September for other types) was 8.6 million pounds farm-sales weight, about 1.1 million pounds below 2004 (not including Wisconsin binder, for which data collection ceased in 2005)

U.S. cigar leaf use in 2005/06 is estimated at 131.2 million pounds (table 5). Of that, 97 percent, or 127.3 million pounds, was grown overseas. Total 2004/05 cigar leaf use was 97.3 million pounds, consisting of 89 percent foreign-grown leaf. Production of large cigars (over 3 pounds per 1,000 cigars) slipped, to 3.8 billion cigars in 2005/06, while small cigar production advanced 28 percent, to 5.1 billion. Overall, the result was greater cigar leaf use. Large cigar output advanced 19 percent, to 4.6 billion cigars, and small cigar output advanced 23 percent, to 3.1 billion cigars. Some imported cigar leaf is used in the production of chewing tobacco.

Table 5

**Estimated disappearance of U.S.-grown and imported cigar tobacco,
1969-2005 (farm-sales weight)**

Year beginning July 1 ¹	Domestic	Foreign- grown ²	Total disappearance	Foreign- grown ²
	<i>Million pounds</i>			<i>Percent</i>
1969	94.9	81.3	176.2	46.1
1970	84.8	92.8	177.6	52.3
1971	88.5	97.2	185.7	52.3
1972	77.1	103.8	180.9	57.4
1973	72.6	141.1	213.7	66.0
1974	62.8	107.3	170.1	63.1
1975	55.4	112.5	167.9	67.0
1976	53.7	117.2	170.9	68.6
1977	50.0	131.2	181.2	72.4
1978	53.2	67.8	121.0	56.0
1979	53.8	66.1	119.9	55.1
1980	52.5	79.3	131.8	60.2
1981	56.1	70.4	126.5	55.7
1982	47.3	65.6	112.9	58.1
1983	45.2	79.1	124.3	63.6
1984	42.5	69.5	112.0	62.1
1985	41.3	56.1	97.4	57.6
1986	47.2	47.2	94.4	50.0
1987	42.9	57.6	100.5	57.3
1988	31.4	39.5	70.9	55.7
1989	31.6	42.9	74.5	57.6
1990	31.5	51.4	83.3	61.7
1991	27.1	79.2	107.2	73.9
1992	25.9	82.9	109.1	76.0
1993	26.5	74.6	102.5	72.8
1994	26.4	76.5	104.2	73.4
1995	23.1	79.9	103.0	77.6
1996	24.7	80.0	106.7	75.0
1997	20.3	89.7	109.1	82.2
1998	17.6	69.9 ³	109.0	64.1
1999	16.9	85.4 ³	102.3	83.5
2000	8.0	100.4 ³	108.4	92.6
2001	12.9	97.9 ³	110.8	88.4
2002	14.3	95.4 ³	109.7	87.0
2003	12.1	150.4 ³	162.9	92.3
2004	11.2	86.1 ³	97.3	88.5
2005 ⁴	4.0	127.3 ³	131.2	97.0

¹Marketing year beginning July 1, except beginning October 1 for domestically grown filler and binder.

²Imports for consumption (leaf and scrap).

³Actual disappearance.

⁴Subject to change.

Sources: Sources: Compiled from U.S. Department of Commerce, Census Bureau, Report IM145, U.S Imports for Consumption and General Imports, and Report EM545, U.S. Exports of Domestic & Foreign Merchandise, various issues; U.S. Department of Agriculture, Agricultural Marketing Service, *Tobacco Stocks*, various issues, and U.S. Department of Agriculture, Economic Research Service, *Tobacco Outlook*, various issues.

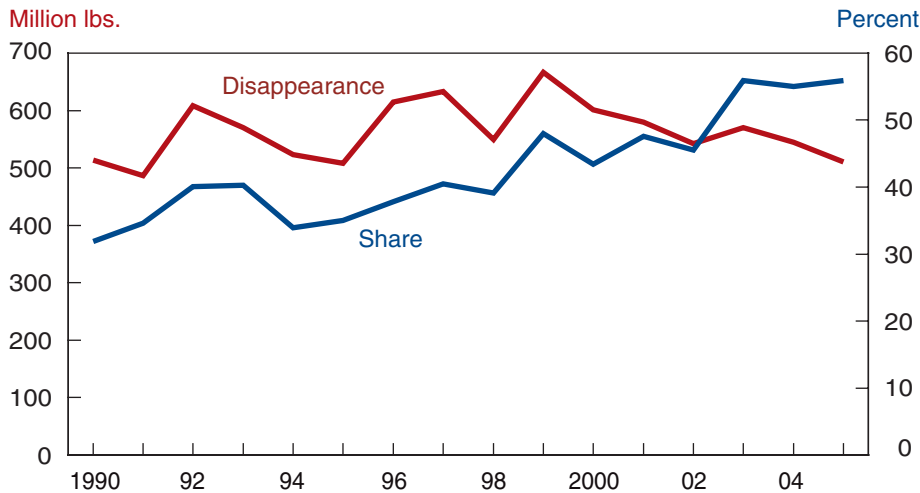
Outlook for Imports

The high price of U.S. tobacco has encouraged cigarette manufacturers to use an increasing share of imported leaf in domestically produced cigarettes. This trend has been reinforced by increased sales of discount (generic) cigarettes, which allows for cheaper tobacco, and the establishment of many small discount cigarette manufacturers, since the Master Settlement Agreement took effect.³ Historically, the high price of U.S. leaf has been based partly on quality differentials and, increasingly, on the effects of the Federal price support program, which boosts domestic leaf prices. Beginning with the 2005 crop (July 1 for flue-cured and October 1 for other types), marketing quotas and price supports were terminated for many types of tobacco, including flue-cured, burley, and Wisconsin cigar binder. Prices declined due to the elimination of the costs of producing tobacco under the program and the elimination of price supports. Without the program, production costs will decrease since producers will not need to rent or own quota, and flue-cured and burley producers will be more competitive. The result will likely be an increase in demand for U.S. tobacco, both by domestic manufacturers and by overseas markets. The proportion of U.S. tobacco used in cigarettes is projected to increase after the market adjusts to the diminished Government intervention. Another factor is that the share of generic cigarettes being consumed is flattening over time and may even decrease. Since generic cigarettes use more foreign tobacco, this trend may reduce imported tobacco use.

³See <http://www.ers.usda.gov/publications/tbs/oct01/tbs250-01/> for a detailed description of the MSA.

Figure 3

Foreign-grown tobacco disappearance and share



Sources: Sources: Compiled from U.S. Department of Commerce, Census Bureau, Report IM145, U.S Imports for Consumption and General Imports, and Report EM545, U.S. Exports of Domestic & Foreign Merchandise, various issues; U.S. Department of Agriculture, Agricultural Marketing Service, *Tobacco Stocks*, various issues, and U.S. Department of Agriculture, Economic Research Service, *Tobacco Outlook*, various issues.

U.S. imports of unmanufactured tobacco for consumption and general imports, principal categories, and countries of origin, 2001-05 (declared weight)

Item	Imports for consumption					Percentage change from 2004-05
	July 2001- June 2002	July 2002 June 2003	July 2003- June 2004	July 2004- June 2005	July 2005- June 2006	
	<i>Million pounds</i>					<i>Percent</i>
Cigarette tobacco leaf (unstemmed):						
Oriental—						
Turkey	88.9	72.3	87.8	67.9	78.1	15.0
Greece	9.2	14.6	17.8	16.2	13.2	-18.5
Bulgaria	12.0	13.0	5.9	24.2	13.2	-45.5
Macedonia	7.4	6.5	7.2	5.5	2.9	-47.3
China	1.1	1.0	0.3	1.6	1.8	12.5
Lebanon	7.6	9.6	2.5	0.1	*	-100.0
Other countries	2.3	1.8	0.4	0.2	3.9	1,850.0
Total Oriental	128.5	118.8	121.9	115.7	113.1	-2.2
Flue-cured	7.1	7.6	7.2	4.3	2.2	-48.8
Burley	7.2	2.8	2.5	1.4	1.5	7.1
Other (unstemmed)	*	*	*	*	*	*
Total unstemmed leaf	142.8	129.2	131.6	121.4	116.8	-3.8
Cigarette tobacco leaf (stemmed):						
Flue-cured—						
Brazil	75.7	79.6	123.0	53.0	76.5	44.3
Other countries	40.5	44.0	60.1	70.1	43.9	-37.4
Total stemmed flue-cured	116.2	123.6	183.1	123.1	120.4	-2.2
NSPF:						
Brazil	46.6	40.4	50.6	43.8	50.6	15.5
Argentina	8.5	13.9	11.6	19.4	21.1	8.8
Thailand	13.2	8.6	16.9	10.3	11.2	8.7
Guatemala	6.5	7.3	7.3	4.1	7.3	78.0
Italy	3.1	1.6	3.3	1.0	3.6	260.0
Malawi	31.5	25.8	37.0	35.6	2.4	-93.3
Mexico	4.9	6.3	5.2	4.0	2.4	-40.0
China	1.4	2.2	2.4	1.0	0.6	-40.0
Zimbabwe	1.5	1.9	1.7	0.9	*	-100.0
Other countries	11.7	5.9	5.6	3.0	39.5	1,216.7
Total NSPF	128.9	113.9	141.6	123.1	138.7	12.7
Total cigarette leaf	387.9	366.7	456.3	367.6	375.9	2.3
Manufactured or not manufactured categories ²						
	4.7	3.9	2.2	2.0	1.0	-50.0
Total cigarette tobacco	392.6	370.6	458.5	369.6	376.9	2.0

See footnotes at end of table.

Continued—

Appendix table 1

U.S. imports of unmanufactured tobacco for consumption and general imports, principal categories, and countries of origin, 2001-05 (declared weight)—Continued

Item	Imports for consumption					Percentage change from 2004-05
	July 2001 June 2002	July 2002 June 2003	July 2003- June 2004	July 2004- June 2005	July 2005- June 2006	
	<i>Million pounds</i>					<i>Percent</i>
Cigar tobacco:						
Wrapper	3.4	2.7	3.1	3.4	3.5	2.9
Filler (stemmed and unstemmed)—						
Indonesia	14.2	15.4	16.0	14.0	15.7	12.1
Italy	5.9	11.9	13.9	14.6	12.2	-16.4
Philippines	6.2	5.9	6.5	7.5	11.6	54.7
Argentina	4.6	6.6	4.0	7.4	7.3	-1.4
Dominican Republic	5.6	7.5	6.5	6.8	6.9	1.5
Other countries	13.2	15.6	15.5	16.4	13.9	-15.2
Total filler	49.7	62.9	62.4	66.7	67.6	1.3
Binder	0.7	0.9	0.8	3.4	2.3	-32.4
Cigar scrap:						
Indonesia	0.3	*	1.0	1.0	6.2	520.0
India	0.4	0.3	0.4	1.1	0.6	-45.5
Dominican Republic	0.4	0.4	0.1	0.4	0.5	25.0
Honduras	0.3	0.2	0.3	0.3	0.5	66.7
Other countries	0.7	0.2	4.4	0.7	0.5	-28.6
Total cigar scrap	2.4	1.3	6.5	3.8	8.8	131.6
Total cigar tobacco	56.2	67.8	72.8	77.3	82.2	6.3
Other stemmed and unstemmed leaf	3.4	3.5	5.8	5.6	6.6	17.9
Stems	119.9	111.6	95.3	111.6	136.8	22.6
Grand total	572.1	553.4	632.3	553.4	602.1	8.8

See footnotes at end of table.

Continued—

Appendix table 1

U.S. imports of unmanufactured tobacco for consumption and general imports, principal categories, and countries of origin, 2001-05 (declared weight)—Continued

Item	General imports					Percentage change from 2004-05
	July 2001 June 2002	July 2002 June 2003	July 2003- June 2004	July 2004- June 2005	July 2005- June 2006	
	<i>Million pounds</i>					<i>Percent</i>
Cigarette tobacco leaf (unstemmed):						
Oriental						
Turkey	86.6	73.9	90.5	66.4	70.4	6.0
Greece	12.3	12.2	16.5	16.2	13.2	-18.5
Bulgaria	10.3	12.1	6.8	23.3	16.4	-29.6
Macedonia	6.7	6.0	7.2	5.1	2.9	-43.1
China	0	1.0	0.3	2.0	2.1	5.0
Lebanon	7.6	9.8	2.5	0.1	*	-100.0
Other countries	1.1	1.8	0.2	0.2	0.6	200.0
Total Oriental	124.6	116.8	124.0	113.3	105.6	-6.8
Flue-cured	7.2	7.6	4.9	5.9	0.5	-91.5
Burley	5.1	2.9	2.4	1.7	1.4	-17.6
Other (unstemmed)	*	*	*	*	*	--
Total unstemmed leaf	136.9	127.3	131.3	120.9	107.5	-11.1
Cigarette tobacco leaf (stemmed):						
Flue-cured--						
Brazil	85.3	88.4	93.9	79.1	72.1	-8.8
Other countries	44.4	35.8	50.0	36.2	36.4	0.6
Total stemmed flue-cured	129.7	124.2	143.9	115.3	108.5	-5.9
NSPF:						
Brazil	46.4	52.3	34.7	58.6	47.7	-18.6
Argentina	12.1	19.4	8.7	22.2	25.1	13.1
Thailand	13.0	11.4	12.8	11.8	8.7	-26.3
Guatemala	6.7	7.1	7.2	4.0	7.3	82.5
Italy	3.4	2.4	2.2	1.8	2.4	33.3
Malawi	40.3	31.5	37.4	41.0	41.3	0.7
Mexico	4.2	6.3	5.5	4.0	2.4	-40.0
China	1.9	2.6	2.3	1.0	0.1	-90.0
Zimbabwe	2.8	1.3	1.0	0.2	*	-100.0
Other countries	6.4	3.6	5.7	5.7	6.0	5.3
Total NSPF	137.2	137.9	117.5	150.3	141.0	-6.2
Total cigarette leaf	403.8	389.4	392.7	386.5	357.0	-7.6
Manufactured or not manufactured categories ²	3.6	3.4	2.1	2.0	1.1	-45.0
Total cigarette tobacco	407.4	392.8	394.8	388.5	358.1	-7.8

See footnotes at end of table.

Continued—

Appendix table 1

U.S. imports of unmanufactured tobacco for consumption and general imports, principal categories, and countries of origin, 2001-05 (declared weight)—Continued

Item	General imports					Percentage change from 2004-05
	July 2001 June 2002	July 2002 June 2003	July 2003- June 2004	July 2004- June 2005	July 2005- June 2006	
	<i>Million pounds</i>					<i>Percent</i>
Cigar tobacco:						
Wrapper	3.4	2.7	3.1	3.4	3.5	2.9
Filler (stemmed and unstemmed)—						
Indonesia	13.8	15.3	16.0	14.0	16.1	15.0
Italy	5.9	11.9	13.9	14.6	12.2	-16.4
Philippines	6.2	6.0	6.5	7.5	11.6	54.7
Argentina	4.6	5.6	4.0	7.4	7.3	-1.4
Dominican Republic	5.6	7.5	6.5	6.8	6.9	1.5
Other countries	19.1	18.5	19.6	16.9	15.2	-10.1
Total filler	55.2	64.8	66.5	67.2	69.3	3.1
Binder	0.7	0.9	0.8	0.6	0.8	33.3
Cigar scrap:						
Indonesia	0.3	*	1.0	1.0	6.2	*
India	0.4	0.3	0.4	1.1	0.6	-45.5
Dominican Republic	0.3	0.4	0.1	0.4	0.4	0
Honduras	0.3	0.2	0.2	0.3	0.5	66.7
Other countries	0.8	0.2	4.6	0.7	0.6	-14.3
Total cigar scrap	2.4	1.3	6.5	3.8	8.8	131.6
Total cigar tobacco	61.7	69.7	76.9	75.0	82.4	9.9
Other stemmed and unstemmed leaf	3.4	3.7	5.7	5.5	6.6	20.0
Stems	114.5	113.7	93.0	97.5	119.6	22.7
Grand total	587.0	580.0	573.9	566.5	568.0	0.3

* = Negligible. -- = not applicable.

1/ Preliminary. 2/ Includes tobacco, manufactured or not manufactured, except smoking tobacco in retail packages, flue-cured, and tobacco manufactured or not manufactured, not specially provided for (other).

Note: Due to aggregation, rounding errors may occur.

Sources: Compiled from U.S. Department of Commerce, Census Bureau, Reports EM545 and IM145.