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U.S. Tobacco Import Update

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Abstract

U.S. imports (arrivals) of foreign-grown leaf and stems surged from 468 million pounds in 2000/01 (July-June) to 587 million pounds during 2001/02 (July/June), a gain of 25 percent. Stemmed flue-cured, burley, and stems accounted for the gain. During the same period, imports for consumption of leaf and stems advanced 24 percent to reach 572 million pounds. Use of foreign-grown flue-cured gained while burley and Oriental use fell. Foreign-grown stocks of flue-cured and Oriental were depleted and stocks of burley increased. Imports of flue-cured and burley tobacco continue to be restricted by a tariff-rate quota.

Keywords: Imports, arrivals, Oriental, flue-cured, burley, tariff-rate quota.

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Introduction

This article updates those published annually in the September 1992-2001 issues of the *Tobacco Situation and Outlook* report.

U.S. imports (arrivals) of foreign-grown leaf and stems surged from 468 million pounds in 2000/01 (July-June) to 587 million pounds during 2001/02, for a gain of 25 percent. Stemmed “not specifically provided for” (NSPF), much of which is burley and stems, contributed 81 million pounds of the 120-million-pound gain. Other categories were relatively stable. During the same period, imports for consumption advanced 111 million pounds to 572 million.

Background

U.S. leaf imports for consumption had climbed from 413 million pounds in 1990 to more than 1 billion pounds in 1993. The main reason for this surge was the rising popularity in the United States and abroad for low- and mid-priced cigarette brands (discounts). Furthermore, U.S. cigarette exports were increasing rapidly, boosting demand for lower priced foreign leaf. To meet this demand, manufacturers imported an increasing amount of foreign tobacco. After the high levels reached in 1993, imports where 44 percent of domestic cigarette leaf disappearance and Congress acted to restrict imports by implementing the Domestic Marketing Assessment (DMA).

The DMA was in effect from January 1, 1994, to September 13, 1995. If the foreign leaf content of a U.S. cigarette manufacturer exceeded 25 percent, a penalty was assessed on the manufacturer for calendar 1994 only. The DMA was eliminated on September 13, 1995, (retroactive to January 1, 1995) and a tariff-rate quota (TRQ) was proclaimed for cigarette leaf tobacco, mainly flue-cured and burley. The proclamation also eliminated duties on Oriental and cigar wrapper, binder, and filler tobacco. Imports of cigarette leaf tobaccos which exceed predetermined quota levels will be subject to an import duty of 350 percent ad valorem. A draw-back provision allows most of the duty to be refunded if the same leaf that is imported is re-exported as product.

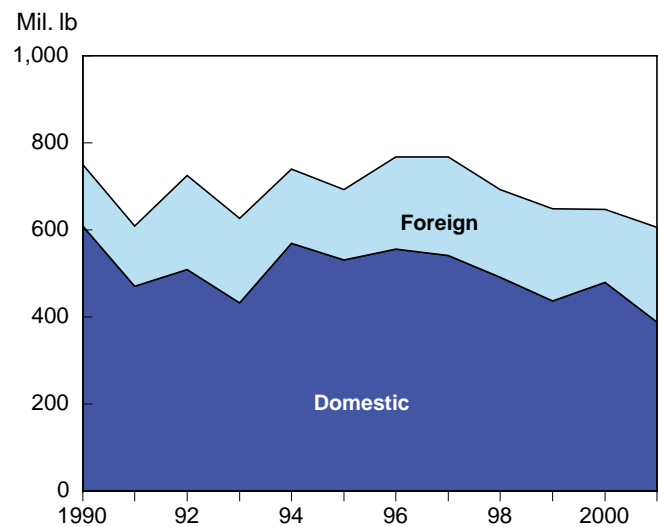
Use of Imported Leaf Gains Relative to Domestic Use

Domestic leaf use made a short-lived comeback in 2000/01 but lost ground again in 2001/02. On a farm-sales weight basis, use of domestic leaf was 780.2 mil-

lion pounds in 2000/01 and imported leaf was 579.0 million pounds. During 2001/02, domestic leaf slipped 11 percent or 84.2 million pounds, reaching 696.0 million pounds. Total foreign-grown leaf use advanced 1 percent to 584.0 million pounds. Estimated U.S. use of imported flue-cured tobacco jumped 29 percent or nearly 50 million pounds, while use of imported burley (estimated based on October-June data) slipped 26.1 million pounds or 11 percent (tables 1 and 2 and figs. 1 and 2). During the same period, foreign-grown flue-cured stocks held by U.S. tobacco dealers and manufacturers fell 7 percent. Burley stocks advanced 5 percent (table 3).

Figure 1

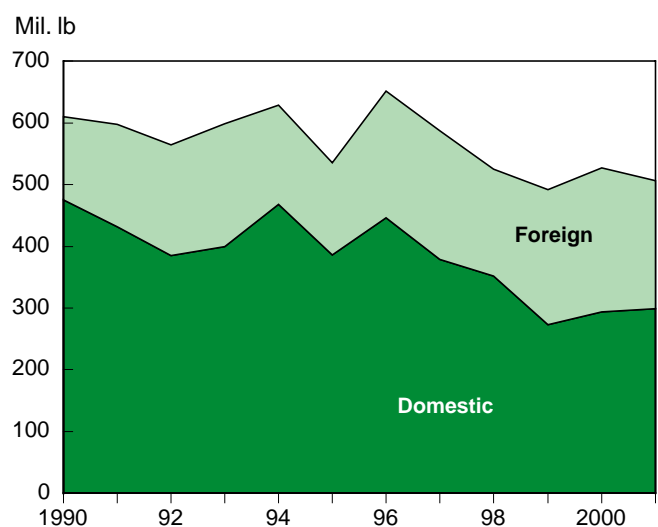
Flue-cured disappearance



Source: ERS, USDA.

Figure 2

Burley disappearance



Source: ERS, USDA.

Table 1--Estimated U.S. imports of flue-cured and burley tobacco, and domestic use: 1969-2001 (farm-sales weight)

Year beginning July 1	Flue-cured				Burley			
	Imports 1/	Domestic disappear- ance	Total use	Imports share of total	Imports 1/	Domestic disappear- ance 2/	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 3/	441.6	536.0	17.6	135.0 3/	388.7	523.7	25.8
1984	120.1 3/	454.2	574.3	20.9	163.8 3/	402.6	566.4	28.9
1985	151.0 4/	476.5	627.5	24.1	137.8 4/	425.0	562.8	24.5
1986	176.6 4/	479.6	656.2	26.9	120.4 4/	401.7	522.1	23.1
1987	209.7 4/	537.3	747.0	28.1	162.4 4/	478.1	640.5	25.4
1988	146.5 4/	522.1	668.6	21.9	117.9 4/	414.3	532.2	22.2
1989	109.0 4/	566.7	675.6	16.1	139.9 4/	445.7	585.6	23.9
1990	141.2 4/	609.0	750.2	18.8	134.9 4/	474.9	609.8	22.1
1991	137.6 4/	471.2	608.8	22.6	165.6 4/	432.2	597.9	27.7
1992	217.3 4/	508.7	726.0	29.9	178.8 4/	384.8	563.6	31.7
1993	193.3 4/	433.4	626.7	30.5	199.6 4/	399.4	599.0	33.3
1994	170.5 4/	569.3	739.8	23.0	161.0 4/	468.1	629.1	25.6
1995	162.5 4/	530.6	693.1	23.4	148.6 4/	386.1	534.7	27.8
1996	211.5 4/	556.1	767.6	27.6	206.4 4/	446.3	652.7	31.6
1997	226.5 4/	541.0	767.5	29.5	207.9 4/	379.2	608.9	37.7
1998	200.5 4/	492.1	692.6	28.9	172.6 4/	351.6	524.2	32.9
1999	211.6 4/	436.9	648.5	32.6	219.1 4/	273.3	492.4	44.5
2000	168.6 4/	479.2	647.8	26.0	232.9 4/	294.0 5/	526.9	44.2
2001	217.9 4/	388.9	606.8	35.9	206.8 4/	299.1 5/	505.9	40.9

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

Source: Economic Research Service, USDA.

Table 2--Estimated disappearance of U.S.-grown and imported cigarette tobacco, 1969-2001 (farm-sales weight)

Year beginning July 1	Domestic				Foreign-grown				Total disappear- ance	Foreign- grown Percent
	Flue- cured	Burley 1/ Maryland	Total	Flue- cured 2/ Total	Burley 2/ Total	Oriental 3/ Total	Total			
Million pounds										
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	8.1	928.3	226.5 5/	207.9 5/	198.4 4/	632.8	1,561.1	40.5
1998	492.1	351.6	7.0	850.8	200.5 5/	172.6 5/	170.4 4/	543.5	1,394.3	39.0
1999	436.9	273.3 6/	6.0 6/	716.1	211.6 5/	219.1 5/	218.5 4/	649.2	1,365.3	47.5
2000	479.2	294.0 6/	7.0 6/	780.2	168.6 5/	232.9 5/	177.5 4/	579.0	1,359.2	42.6
2001	388.9	299.1 6/	8.0 6/	696.0	217.9 5/	206.8 5/	159.3 4/	584.0	1,280.0	45.6

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

Source: Economic Research Service, USDA.

Table 3--Imported foreign-grown cigarette leaf stocks, by quarters, 1986-2002

Year	Jan. 1	Apr. 1	July 1	Oct. 1	Jan. 1	Apr. 1	July 1	Oct. 1
Million pounds 1/								
----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		204	216	214	
-----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		801	767	737	

1/ Farm-sales weight.

Source: Economic Research Service, USDA.

Based on arrival data (adjusted for stock changes), Oriental leaf use fell 10 percent in 2001/02 after falling 19 percent the previous year. Stocks on hand declined 4 percent from July 1, 2001, to July 1, 2002. Oriental leaf use reached a recent peak in 1999 of 218.5 million pounds. Use during 2001/02 was 159.3 million pounds.

Tariff-Rate Quota Activity

For the period September 13, 2001, through September 12, 2002, which represents the 12 months upon which the TRQ is calculated, U.S. cigarette leaf imports (flue-cured and burley but excluding Oriental) are limited to 332.2 million pounds. For the TRQ year from September 13, 2001-September 12, 2002, imports under the TRQ were 74 percent of the limit, or 247.4 million pounds. Only 52.6 percent of the total quota allocation was imported the previous year.

Under the TRQ, the volume of tobacco imports for consumption under nine harmonized tariff subheadings, primarily flue-cured and burley, during the period from September 13 in any year to September 12 of the following year, are restricted as shown in table 4.

Foreign-Grown Cigar Leaf Use

Cigar leaf imports for consumption during 2001-02 (July-June) were 90.3 million pounds (farm-sales weight). Year-earlier imports were 109.0 million pounds. U.S. production recovered during the 2001 season but still remains below the levels of the 1990s.

Table 4--Imports under the tariff-rate quota for September 13, 2001, through September 12, 2002 1/

Country	2001/02 quota	2001/02 imports	TRQ used
	Mil. lb declared weight		Percent
Argentina	23.7	13.6	58
Brazil	176.8	173.2	98
Chile	0.0	0.0	0
EU	22.0	9.9	45
Guatemala	22.0	6.9	31
Malawi	26.5	20.6	78
Philippines	6.6	1.2	19
Thailand	15.4	7.2	47
Zimbabwe	26.5	11.7	44
Other 2/	6.6	3.0	100
Total	326.2	247.4	74

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

2/ A 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 serve basis.

Source: U.S. Customs Service.

During 2000/01, imported cigar leaf represented a record-high 94 percent of the 124.9-million-pound total cigar leaf disappearance (use) in the United States, higher than usual levels. Estimated total 2001/02 cigar leaf use is 132.0 million pounds, consisting of 84 percent foreign-grown leaf. Use in 1999/2000 was 116.9 million pounds.

Table 5--Estimated disappearance of U.S.-grown and imported cigar tobacco, 1969-2001 (farm-sales weight)

Year beginning July 1 1/	Domestic	Foreign-grown 2/ Million pounds	Total disappearance	Foreign-grown 2/ Percent
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	31.9	51.4	83.3	61.7
1991	28.1	79.2	107.2	73.9
1992	26.2	82.9	109.1	76.0
1993	26.4	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	26.7	80.0	106.7	75.0
1997	19.4	89.7	109.1	82.2
1998	22.0	87.0	109.0	79.8
1999	16.9	99.8	116.7	81.7
2000	8.0	116.9	124.9	93.6
2001 3/	21.3	110.7	132.0	83.9

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

2/ Imports for consumption (leaf and scrap).

3/ Estimate.

Source: Economic Research Service, USDA.