

JULY 1984

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FOR THE INTERNATIONAL TOBACCO INDUSTRY

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Photo by Anne Shelton

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Anne Shelton

**It's the
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after**

BANS ON ADVERTISING will become quite the style soon if some high pressure groups around the world have their way. Cigarette marketers have faced restrictions for quite a while now in some countries, but efforts are intensifying in a number of places to make the regulations tougher, broaden them to include products other than cigarettes, or prohibit outright all tobacco advertising.

In Greece, following its tax levied on advertising expenditures, the government has proposed a new batch of regulations which would limit cigarette and alcohol advertising, as well as any ads which use sexual imagery. Under the new limitations, cigarette and alcohol product advertisers would be forbidden to equate their products with any pleasurable activities, a restriction already enforced in some other countries.

In Australia, site of virulent attacks on tobacco from every side, the most recent round of regulatory proposals seeks to toughen the restrictions on cigarette advertising—for example, banning point of sale ads—with fines as high as \$10,000 for violations. Health ministers have joined the fray with a recommendation that a federal tribunal be created to oversee all cigarette advertising, including print, outdoor and point of purchase. Other groups are working hard to avoid all the redtape that comes with such regulation: they want to ban all cigarette advertising outright and be done with it.

The situation grows so bad that the banner of resistance is being taken up by the Advertising Federation of Australia which has launched its own advertising campaign to publicize the message that bans on tobacco advertising will eliminate jobs across a wide spectrum of the economy—among them printing, journalism, sporting clubs and events, cinemas and poster contractors.

In Ireland, the minister of health believes government can discourage smoking by levying a two-percent tax on tobacco product advertising. And in the United States, at least one consumer action group has a program underway to get smokeless tobacco products included in the same piece of legislation that prohibits cigarettes and cigars from being advertised through broadcast media.

What the advocates of advertising bans want, ultimately, is to eliminate the use of tobacco products around the world. They make no attempt to hide the fact. Yet one must question why they believe bans on advertising will help them achieve that end. No significant change in consumption has occurred in any country which has enacted bans on tobacco advertising.

Evidence of that is contained in a report published last year by the International Advertising Association, headquartered in New York. Entitled "Tobacco Advertising Bans and Consumption in 16 Countries," the report analyzes and compares the consumption rates of cigarettes in eight centrally planned economies and eight free market economies, all but one of which have high degrees of restrictions on cigarette advertising. Its conclusion: "There is no evidence from these countries where tobacco advertising has been banned, that the ban has been accompanied by any significant reduction in overall consumption, per capita consumption or incidence of smoking. The market trends apparent prior to the introduction of a ban have largely continued unchanged in the years following it. There is some evidence that the absence of advertising can significantly hold back the development of new and more advanced products."

It isn't the advertising they want banned; it's tobacco.



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TOPLINE REPORT

- ✓ Cigarette sales | Cigarette sales in the **United Kingdom** have slumped seven percent since the 10p tax increase in March. The drop is in line with industry and government expectations, which predict the annual decline will amount to only four percent. Heavy discounting by manufacturers has meant that about half of the cigarettes on the market are being sold below recommended prices.
- Egypt** has announced its first sale of cigarettes to **Iraq**: 500 million pieces, valued at us\$4 million.
- Leaf markets | Buying was as fierce as expected for the 1983/84 Bahian crop from northern **Brazil**. The crop is estimated at only 35,000 to 40,000 bales—far too little to cover demand—pushing prices up to Cr\$35,000 per arroba.
- Tabacalera, the **Spanish** monopoly, has announced a five-year plan to reduce its imports of tobacco leaf sharply and increase production of domestic flue-cured and non-fermented burley tobaccos.
- World shipping | The government of the **Philippines** has rescinded Memorandum Order No. 3 which had imposed a strict flag preference on trade between its shores and the U.S. and had required waivers if third-flag carriers were used.
- Four inbound shipping conferences from Europe to the U.S. will be allowed to offer intermodal service and rates with some modification, according to the **U.S. Federal Maritime Commission**. None will be allowed to enter into agreements with other modes of transport in the U.S. regarding through services. The conferences involved: WINAC, Marseilles-North Atlantic, Med-Gulf, and Iberian-U.S. North Atlantic.
- EC tax harmonization | The **European Community** Council has decided to extend the second stage of the tobacco tax harmonization to December 31, 1985, a year later than the date approved earlier. The Council felt that no move to the third stage would be forthcoming.
- Brand news | **Gallaher** plans to launch Silk Cut as an international low-tar brand . . . **Brown & Williamson** is entering the U.S. unbranded generic market . . . **Liggett & Myers** begins testing Stride this month, a full-flavor, mid-tar, mid-price brand . . . **Philip Morris** enters U.S. test markets this month with Virginia Slims Ovals 100s and with 25-packs of Marlboro Red and Marlboro Lights, priced higher per pack than 20s but even on a per-unit . . . **Lorillard** begins marketing a new laser-cut filter on its True brand, promoting "unprecedented taste from ultra low tar" . . . **Tabacalera** launched a new low-tar brand called Diana last month . . . **American Tobacco** is going national with its Carlton Slims 100s . . . **Jazz USA** has announced national introduction of its non-nicotine, non-tobacco cigarette brand named Jazz.
- Corporate changes | New officers have been announced at **Jas. I. Miller Tobacco**: A.W. Peters has been elected chairman and chief executive officer and H.B. Ruffin has been named president.

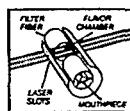
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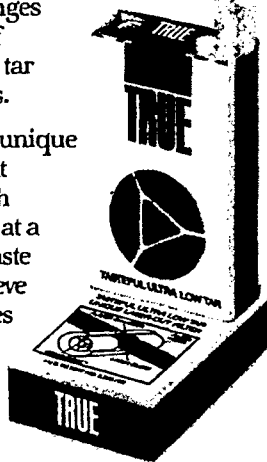


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INTERNATIONAL NEWS

AUSTRALIA:

Anti-smoking group steps up graffiti attacks

An Australian anti-smoking group, BUGA UP (Billboard Utilizing Graffitiists Against Unhealthy Promotions), known for defacing outdoor tobacco advertising, has announced a new wave of graffiti attacks.

The group decided to step up its attacks after a judge reversed a conviction against a doctor who was found guilty last year of defacing an outdoor tobacco ad.

The doctor was convicted of "willfully marking a premises with paint," but the appeals court judge ruled that an outdoor board could not be interpreted as "premises" under the law.

Advertising industry fights proposed regulations

The Australian advertising industry has become the target of a series of proposed advertising restrictions and regulations. Industry spokesmen complain that Australia is being used as a test market for global anti-tobacco and anti-advertising forces. The attacks have come suddenly, after years of living with a strict self-regulatory system. However, Australian consumer groups have become more outspoken, making their views known to the Australian Broadcasting Tribunal.

Advertisers and agencies have fought back by mounting a campaign designed to show the political and economic implications of advertising restrictions. For instance, the ad industry is fighting a proposed ban on tobacco ads with a campaign that says the ban would eliminate jobs. Industry sources say the the campaign's success depends on the industry's commitment to self-regulation.

Although tobacco is not the only product under attack, it is one of the primary targets. Television and radio cigarette ads have been banned since 1976. A recent ruling by the ABT has eliminated many of the corporate campaigns started by the tobacco companies in response to the 1976 ban, as well as the com-

panies' sponsorship of television sports.

Now local state health ministers have recommended that a federal tribunal be created to supervise all print, outdoor and point of sales cigarette advertising. The ministers also want a tougher cigarette advertising code, with violations resulting in fines of up to A\$10,000.

BELGIUM/LUXEMBOURG:

Tobacco product sales show encouraging signs

Following disastrous declines in consumption in 1981 and 1982, the cigar industry in Belgium/Luxembourg seems to be on the road to a recovery, according to a recent report in Bulletin Fedetab (3/84). Nevertheless, the situation remains very precarious. Consumption of cigars fell by seven million units (4.65 percent) in 1983, as compared to the previous years' losses, which were on the order of 16 million pieces (9.59 percent) in 1982 and 41 million pieces (20 percent) in 1981.

For cigarillos, sales increased by 18 million units (2.56 percent), as compared to declines of 16 million units (2.56 percent) in 1982 and 78 million pieces (9.62 percent) in 1981. The difference in consumption volume between 1983 and the average for the years 1976 through 1980 comes to 93 million pieces for cigars and 112 million pieces for cigarillos, Fedetab reports.

Cigarette consumption showed a slight decline from 1982 levels: down 554 million units, or 2.54 percent. Fedetab notes this loss is probably attributable to a lessening of border sales destined for West Germany. Nevertheless, the level of cigarette consumption in 1983 remains largely above that of 1981 and is equally larger than the average volume of consumption registered for 1976 through 1980.

Cut tobacco continues its surge, although less spectacularly than in 1982. Consumption in 1983 rose by 666 tons—or 10.5 percent. Consumption of cut tobacco had seen a practically constant decline since the end of the second world war. The first signs of recovery appeared

in 1976 and 1977, followed by a setback in 1978. But, Fedetab states, the sales trend has been clearly on the rise since 1981.

A full report on cigarette sales in Europe begins on page 32.

CHINA:

Public health workers urge smoking colleagues to quit

More than 2,000 public health publicity workers have issued a proposal calling on their colleagues throughout the country to take the lead in giving up smoking. The Minister of Public Health has supported the proposal.

The proposal was made at a forum on the country's first national survey of cigarette smokers. Workers whose job it is to educate the public on the dangers of smoking should be the first to quit smoking themselves, states the proposal.

Reynolds finalizes plan to manufacture cigarettes

R.J. Reynolds Tobacco International, Inc., has become the first foreign cigarette company to gain access to the domestic cigarette market in the People's Republic of China. Under the terms of a final agreement signed in the capital city of Beijing, RJR and two firms in Xiamen, China, will manufacture a jointly owned brand for sale in China and for export to international markets.

The joint venture agreement is between RJR, the Xiamen Cigarette Factory and the Xiamen Construction Company. It involves construction of a new manufacturing facility in the Xiamen Special Economic Zone in Fujian Province.

Construction of the new plant is expected to begin later this year. Production of the first Chinese-American cigarette should begin in late 1985. The brand is yet unnamed.

The relationship between RJR and its joint venture partners began in 1979 during negotiations that led to an agreement for the manufacture of Camel Filters in a factory in Xiamen. In 1981, Camel Filters became the first American brand

News from ANH

produced in China. The brand is now sold to tourists in foreign currency outlets.

The joint venture is a long-term commitment in which RJR will provide advanced manufacturing technology, equipment and management expertise, according to Lester W. Pullen, president and CEO of RJR Tobacco International.

"This joint venture project is designed for the long-term," said Pullen. "It is not one in which we will achieve high volumes immediately. However, the project gives us and our Chinese partners the potential for substantial growth in the future.

"I am delighted that our company has the opportunity to participate in the world's largest cigarette market. I am also pleased that our joint venture project can help contribute to the further development of the Xiamen Special Economic Zone in the Fujian Province where our relationship with our Chinese partners began," he added.

As part of the agreement, other RJR brands such as Winston and Salem will be marketed in China on a limited basis. The agreement also provides for the continued production of Camel Filters in Xiamen.

DOMINICAN REPUBLIC:

Leaf use declines as result of cigarette price hike

Consumption of light leaf tobacco is forecast to fall this year due to slumping cigarette sales in response to a price increase announced in April. All brands were subject to the price hike.

A pack of 20 blond cigarettes increased from DR\$1.00 to DR\$1.10, while a pack of 10 blond cigarettes increased from DR\$0.50 to DR\$0.55. Black cigarette prices increased from DR\$0.80 to DR\$0.90 for a 20-pack, and from DR\$0.40 to DR\$0.50 for a 10-pack.

This ten percent price increase for blond cigarettes (the most widely consumed) comes at a time of rapid inflation. Consumers are expected to adjust to the new prices by late 1984, and with no new price increases, consumption should

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return to a normal yearly increase of three to five percent, according to the Foreign Agricultural Service.

✓ GREECE:

New cigarette tax structure raises prices

A new structure for cigarette taxation was introduced in Greece on

January 30, 1984, raising the ad valorem excise from 50.16 percent to 53.58 percent of the consumer price, according to the latest Bulletin Fedetab (3/84). The specific rate of the excise was reduced from 112.86 drachmas per 1,000 pieces to 64.98 drachmas per 1,000.

In addition to the excise fee, cigarettes were struck with a tax on the total business, raising the con-

sumer price by 3.85 percent. This rate remains unchanged, Fedetab notes.

The application of the new taxation on cigarettes brings with it a price increase on the order of six to seventeen drachma per pack, depending on the type of cigarettes. The cigarettes in the highest price category actually cost 45 drachmas per pack of 25. The total fiscal burden (excise and tax on the total sales) on the price becomes 60.32 percent.

Directive authorizes TVA delay until end of 1985

The Act of Membership had fixed the delay for the introduction of the joint property system of TVA in Greece to January 1, 1984. However, on December 19, 1983, the Council adopted a directive authorizing Greece to prolong the delay until December 31, 1985. This directive was published in the official journal of the EEC on December 23, 1983 (No. L360).

✓ IRAN:

Penalties imposed for illegal cigarette possession

The Iranian government has issued a warning that anyone caught in possession of smuggled American cigarettes will be summarily punished. The punishment will be in the form of lashes—10 lashes per cigarette—in a public square.

A wire service report from Teheran said the warning was issued following discovery that "a good amount of U.S. cigarettes are finding their way into the country through unlawful means."

The report said that last April three stores in Teheran yielded American cigarettes when raided by police agents. Their owners were arrested and jailed.

✓ JAMAICA:

Assessing the significance of tobacco production

A 50-page report, *Tobacco in Jamaica: an assessment of its significance to the agricultural sec-*

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tor, has been compiled by the Economist Intelligence Unit of London, United Kingdom.

The report describes the Jamaican agricultural sector in general and the tobacco sector in particular. It considers technical aspects of leaf growing, marketing and processing, and finally shows how tobacco affects employment, land use, export earnings and the grower in Jamaica.

Cigar exports are prominent among Jamaica's secondary sources of foreign exchange, according to the report. In 1981, more than J\$16.5 million worth of cigars, cheroots and cigarettes were exported, mainly to the United States. In the period 1975 to 1982, cigarette sales rose by 31 percent and cigar output by 133 percent. A strong overseas demand for premium handmade cigars has led to recent expansion in the tobacco leaf and products industry.

Some 850 to 900 farmers grow leaf on a commercial scale in Jamaica; the total number of those growing leaf probably exceeds one thousand.

Jamaica is virtually self-sufficient in smoking materials, in marked contrast to the situation for many other consumer goods. As a result of the structure of tobacco growing in Jamaica, growers collaborate directly with management, and the middle man is eliminated. Another benefit of tobacco growing is its role in helping raise rural living standards and levels of agricultural skills.

PHILIPPINES:

Top leaf buying countries announced for 1983

West Germany, the United States and the United Kingdom were the leading buyers of Philippine Virginia tobacco in 1983, according to the Philippine Virginia Tobacco Administration (PVTa).

A total of 4,442,100 kilograms of the leaf went to West Germany, valued at us\$6,325,944. England took 1,322,545 kilograms worth us\$1,814,783, while the U.S. bought 966,940 kilograms valued at

us\$248,274.

The three major buyers of Philippine burley last year were the U.S., the Netherlands and Belgium. The U.S. took 942,463 kilograms worth us\$1,867,285; the Netherlands, 54,000 kilograms valued at us\$103,680; and Belgium purchased 48,450 kilograms worth us\$138,082.

Total Virginia leaf export last

year was 9,541,735 kilograms valued at us\$14,063,350, while more than 10,591,840 kilograms of burley—worth us\$16,185,846—were shipped to various destinations.

The currency-earning potential of tobacco is important, and therefore encouraged through incentives by the government. The Philippine Crop Insurance Corp. (PCIC) is considering the inclusion

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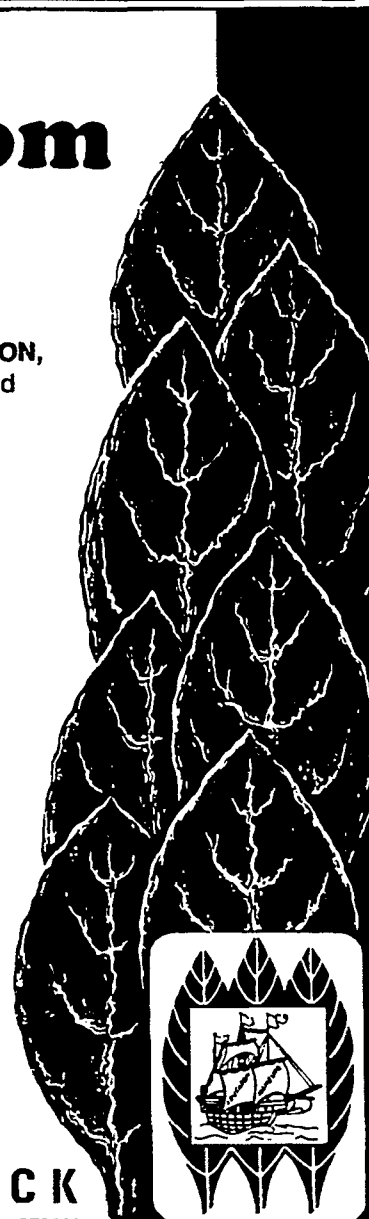
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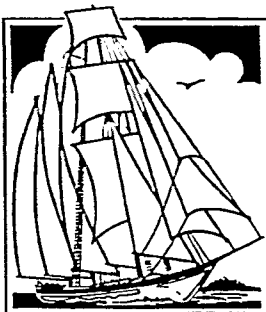
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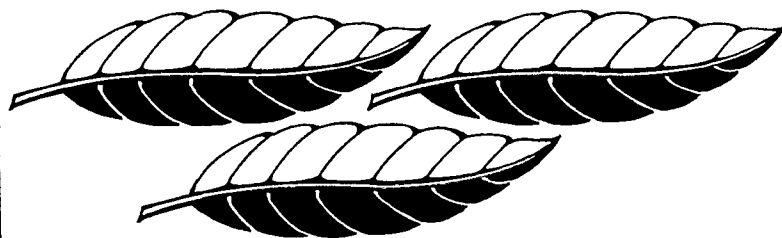


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INTERNATIONAL NEWS *continued*

of cotton and tobacco crops in its insurance coverage to encourage more farmers to plant these two cash crops.

PORTUGAL:

Leaf production increasing as result of higher prices

Higher producer prices boosted domestic tobacco production last year. Flue-cured production increased 37 percent to 1,850MT, while burley output tripled to 186MT. Production is projected at even higher levels for 1984 because of the upward trend in producer prices, according to the Foreign Agricultural Service.

Despite a 30 percent increase in cigarette prices, leaf utilization was up four percent to 10,498MT in 1983. Of this total, 5,001MT was flue-cured and 3,302MT was burley. ▶

EVENTS

JULY 17-20

**North Carolina State University
Plant Disease Research Tour**
Contact: Dr. N.T. Powell
Raleigh 919-737-2828

SEPTEMBER 27-29

**Burley & Dark Leaf Tobacco
Export Association
Annual Convention**
Knoxville Hilton
Knoxville, Tennessee
Contact: Mr. Frank Snodgrass
Washington 202-296-6820

OCTOBER 4-5

**Tobacco Growers'
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Contact: Reginald Lester
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OCTOBER 7-12

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Domestic flue-cured yield represented 37 percent of total flue-cured needs in 1983. Combined leaf use is expected to increase at a slower pace this year because of a recent 25 percent increase in cigarette prices and reduced consumer purchasing power.

Combined leaf imports declined 31 percent to 7,783MT last year. Zimbabwe, Brazil and South Korea

were the leading suppliers of flue-cured. Leaf imports are projected to decline about 10 percent to 7,000MT this year.

Leaf carryovers from 1983 were down four percent to an estimated 16,089MT (7,384MT of flue-cured and 1,960MT of burley) because larger 1983 carryin and smaller import volume enabled larger drawings from stocks. The 1984 car-

ryover is expected to decline again slightly because of anticipated smaller increase in use.

TRANSPORTATION:

New shipping service from Hamburg to South Africa

E.+S.A. Lines, which operates a regular liner service from Rotterdam to South Africa has now included Hamburg in the North Europe ports served, giving shippers more possibilities for shipment from the port on the Elbe.

The first sailing was the containership *Baldur*, with a capacity for 1,599 grt, that berthed at the Eurokai Terminal. *Baldur*, built in 1977, sailed under the West German flag, loaded with machine parts and chemicals for the ports of Durban, Port Elizabeth and Cape Town.

There will be monthly sailings in the future from Hamburg to handle the increased volume of West German cargo. Cargoes for Johannesburg via Durban will be accepted on a through bill of lading.

The next sailing from Hamburg will be with the *Elvira Oriá*. On the return voyage this ship will carry 300 empty containers and discharge them at the Eurokai Terminal, before they are again loaded for South Africa.

The ship's agent in Hamburg is Teutonia Fracht- und Assekuranz-Kontor GmbH.

TURKEY:

Revision in cigarette import duties announced

The government of Turkey reinstated the 50 percent production tax on cigarette imports last April 20. This is in addition to the 25 percent import duty. This revision is the third change in foreign cigarette production tax since December 29, 1983, when the customs duty for cigarette imports was reduced from 200 percent to 100 percent and the production tax rate was maintained at 50 percent. At the same time, a three-cent per pack surcharge was introduced.

continued

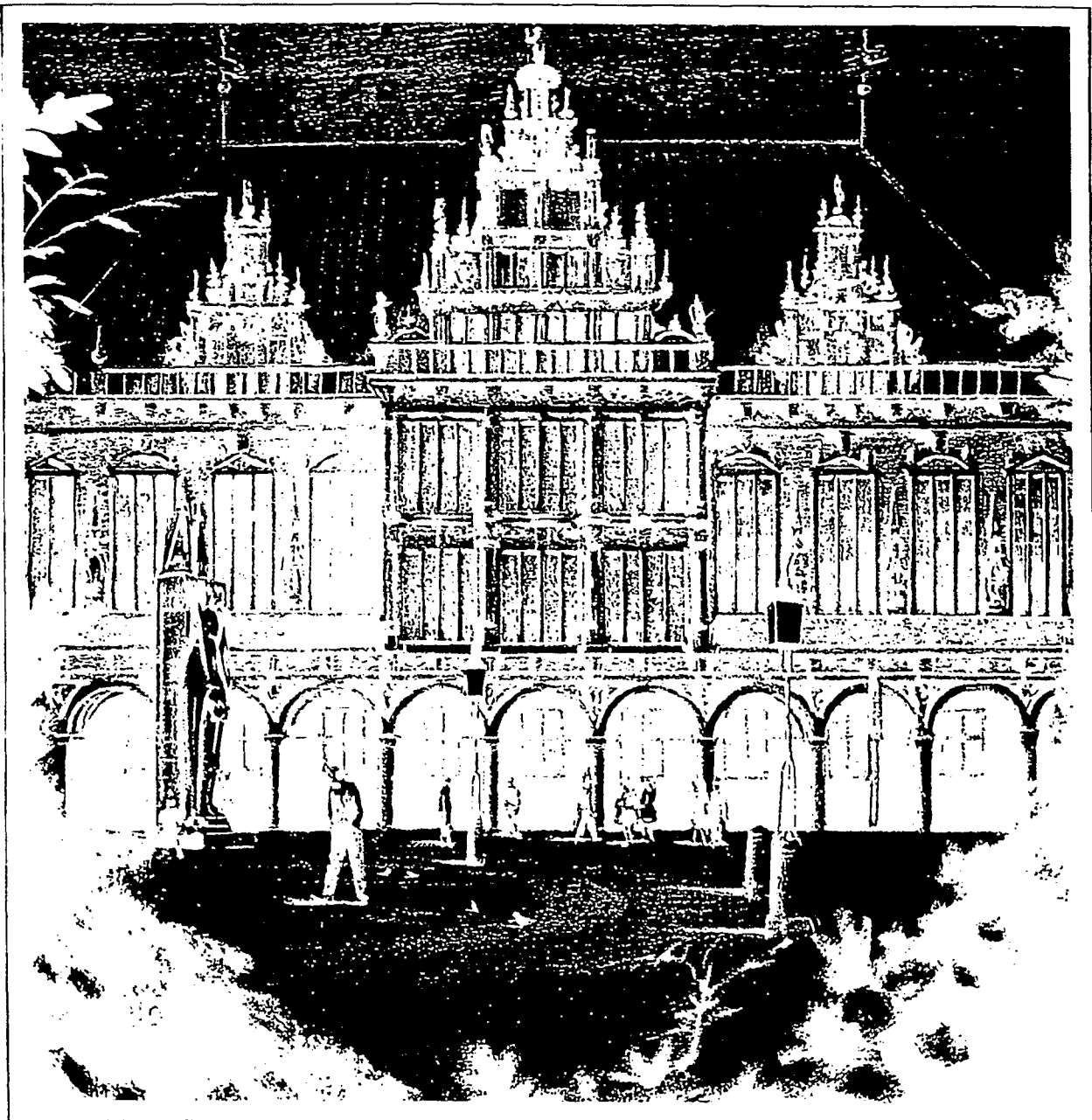


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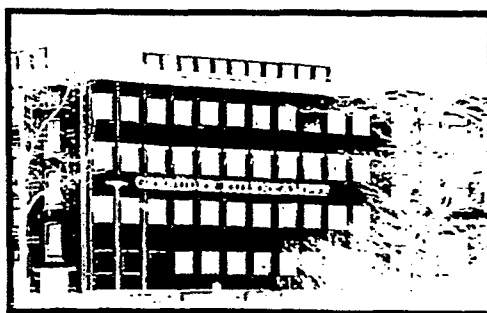
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Later, on January 19, 1984, the surcharge and production tax were lifted and import duty reduced from 100 percent to 25 percent.

Cigarette imports are being permitted for the first time. In an effort to overcome smuggling, and at the same time hoping to generate funds for housing, the government decided to let the Monopoly import cigarettes. The first few shipments

of West German cigarettes were sold for TL300 and TL325 per pack, compared with TL100 for domestic brands. Smokers reportedly formed long lines in front of retail outlets to buy the German brands.

British and American brands are expected soon, and will sell for TL350 per pack, according to the Foreign Agricultural Service (FAS). The American brands, Marlboro in

particular, are in higher demand than other foreign brands. The total volume of cigarettes to be imported by the Monopoly has not been announced, but estimates are that imports will not be more than 10,000MT. Reports indicate that U.S. companies will supply more than 50 percent of that total, of which, Philip Morris, the major foreign buyer of Turkish tobacco, will have about a 60 percent share. The underlying principle that determines the import quotas for individual foreign companies appears to be reciprocity, says the FAS. However, this rule has not been stated as official policy.

UNITED KINGDOM:

Raffles claims Top 10 status after only four months' sales

Raffles, the Virginia blend cigarette launched in the U.K. by Philip Morris in January, has achieved a place in the top 10 selling brands in the southeast of England, the manufacturer says.

Some sources in the industry calculate that the brand achieved a four-percent share of the market during the first four months of its sales. If that calculation is correct, it means that Raffles has moved to second place in its market sector—the larger-than-King-Size segment—and has helped to expand that sector from 11.3 percent of the total U.K. market to 19 percent, industry sources report.

Priced at £1.08 in a very price-conscious market which has an average price per pack of £1.15, Raffles has been "an exceptional brand launch," says Andrew Whist, vice president for corporate affairs at Philip Morris. The company points to the quality of the cigarette, the handsome and stylish pack design, the appealing brand name and the price as reasons for Raffles' success in test market sales.

Paul Arnott, marketing manager, comments, "At a time when many brands are looking tired with their

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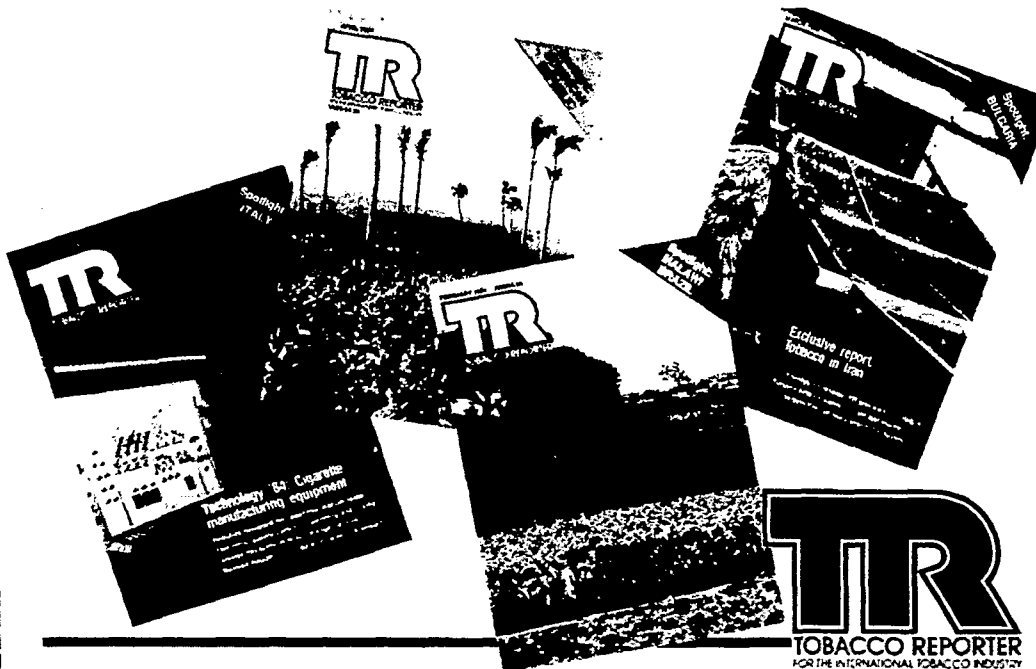


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margins, the launch of Raffles can only be good for the tobacco trade."

UNITED STATES:

Stabilization offers purchase incentives

The Flue-Cured Tobacco Cooperative Stabilization Corporation has announced a Purchasers' In-

centive Purchase Program for the 1984-crop of flue-cured tobacco, offering credits toward purchases of loan stock tobacco from the 1982 and 1983 crop inventory.

The total amount of credits to be issued by Stabilization will be calculated by multiplying total pounds of 1984-crop auction sales in excess of 734 million pounds by 30 US cents per pound. This

amount will be divided among all purchasers in proportion to their total purchases.

L&M managers set to buy cigarette operation

GrandMet USA has agreed to sell Liggett & Myers Tobacco Co. to the unit's management and outside investors. The cash payment, plus payment of certain debt, will reportedly total \$325 million.

The group of buyers is headed by K.v.R. Dey Jr., president and CEO of Liggett & Myers. The group also includes other top managers.

Grand Metropolitan, GrandMet's parent company, is selling L&M in order to pursue definite plans for an acquisition, possibly in the consumer services area, according to Dey.

Snuff and loose leaf sales post first quarter gains

Domestic sales of moist snuff and loose leaf chewing tobacco increased during the first quarter of 1984. Snuff sales were up by 5.4 percent over 1983, and loose leaf posted a five percent gain.

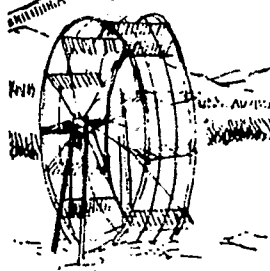
Other oral smoking tobacco products fell back, including roll-your-own, down 15.5 percent from the extraordinarily high level of 1983.

Maryland leaf dealers required to post bond

A new law in Maryland, that became effective July 1, requires the sellers of tobacco to post a bond in the amount of \$10,000 with the secretary of the Department of Agriculture. The bond is intended to protect the growers from any loss sustained by the failure of the seller.

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Spotlight on Thailand:

Gains, losses, and much fluctuation

The Thai tobacco industry continues to show a mixed performance as falling leaf output and quality make their mark on export sales. Despite adverse factors, however, a general upwards trend is expected in leaf exports during the next two years as important customers regain some buying strength.

By Peter Pachi

OF THE THREE MAJOR types of tobacco produced in Thailand, certainly flue-cured Virginia plays the most important role in the nation's tobacco trade. However, with rising production levels of burley and oriental, the Virginia portion of the total tobacco output has fallen from 88 percent ten years ago to 68 percent today.

In export, too, flue-cured remains the most influential, and any significant changes in the supply of and demand for this type affect the total tobacco trade.

Despite some forecasts of a good tobacco trade year for 1983, it can be seen now that total production and exports declined. Forecasting is, of course, a difficult endeavor because so much depends on the unpredictable effect of weather conditions on the quality of the crop, as well as other factors such as world supply and demand. In fact, 1983 Thai tobacco production decreased by four percent while the export trade fell by eight percent. Both declines are attributable mainly to the reduced production and export of Virginia tobacco, as burley crops have continued to show increases for the past two years while oriental output has stayed constant.

The contraction in flue-cured and expansion in burley does not imply that farmers are shifting from the

former to the latter as the two types are grown in different regions—flue-cured in the northwest and burley in the north central. Burley expansion is underway on the initiative of the farmers.

There is a special feature of the burley crop which is worth note: the government has made it compulsory for exporting companies to forecast their yearly plan and to buy the burley crop at fixed prices predetermined for each different grade.

With the Thai tobacco crop being grown mainly for export, more than half of the total output ends up in foreign markets. The remainder is purchased by the Thailand Tobacco Monopoly (TTM) which acts as a buffer market in times of excess supply, as it did in 1979. The 1982-83 seasons again brought a similar downward market condition, especially with demand for flue-cured.

But in spite of recent fluctuations, the Thai tobacco industry has maintained its thirty-thousand-plus export mark since 1978, with dramatic successive growth for five years before then. It might take some time before another new decade mark can be achieved because the indifferent quality of the leaf must first be raised and maintained at a higher level to compete successfully in the quality-conscious world market. ▶

Mr. Pachi, an economist, is TOBACCO REPORTER's correspondent in Thailand.

Thailand

Tobacco Production & Export¹

| | Production | | | | | |
|------|------------|----------|--------|----------|-------|----------|
| | Flue-cured | % change | Burley | Oriental | Total | % change |
| 1974 | 29.6 | -- | 4.0 | 0.5 | 34.0 | -- |
| 1975 | 34.6 | +17 | 4.2 | 1.4 | 40.2 | +18 |
| 1976 | 42.7 | +23 | 5.2 | 2.6 | 50.5 | +25 |
| 1977 | 41.0 | -4 | 6.5 | 4.2 | 51.7 | +2 |
| 1978 | 44.0 | +7 | 7.0 | 5.7 | 56.7 | +10 |
| 1979 | 47.2 | +7 | 7.3 | 4.0 | 58.5 | +3 |
| 1980 | 37.4 | -20 | 8.0 | 5.0 | 50.4 | -13 |
| 1981 | 51.6 | +38 | 8.0 | 5.0 | 64.6 | +28 |
| 1982 | 47.3 | -8 | 13.1 | 6.5 | 66.9 | +4 |
| 1983 | 45.0 | -4 | 14.2 | 6.5 | 65.7 | -2 |

¹Figures in 1,000 metric tons

FLUCTUATIONS are more acute in production than in export, especially with the case of the Virginia crop, and the reason is rather clear: the production sector is less organized than the export sector. Farmers are less unified with their small sized holdings, the average being 1.5 rai. And because they grow tobacco as extra income

earning, a bad previous year or the anticipation of a low demand leads to small farmers' shifting to other cash crops. Hence, the acute fluctuation in production.

On the other hand is the export sector, comprising a more organized group of firms, many of which are the subsidiaries of international companies, which works hard to

maintain the long standing market.

Another significant feature of the export market is the size and diversity of the different markets for the three crops. As one would naturally expect, the bigger Virginia crop holds the advantage of a much more diversified world market. The other two crops find their markets concentrated in a few major areas, such

Thailand

Flue-cured Leaf Exports¹

| Destination | 1981 | 1982 | 1983 |
|----------------|--------|--------|--------|
| China | 6,228 | 4,865 | -- |
| Hong Kong | 813 | -- | -- |
| Indonesia | 1,559 | 333 | 952 |
| Japan | 2,587 | 2,589 | 2,750 |
| Singapore | -- | 760 | 256 |
| Taiwan | 416 | 1,020 | 250 |
| Belgium | 2,224 | 628 | 1,755 |
| West Germany | 4,151 | 2,858 | 1,996 |
| Netherlands | 608 | 1,463 | 1,050 |
| United Kingdom | 2,945 | 3,331 | 5,512 |
| United States | 510 | 110 | 291 |
| Australia | 544 | 473 | 501 |
| Egypt | -- | -- | 2,617 |
| All Others | 1,743 | 2,156 | 1,927 |
| TOTAL | 24,328 | 20,586 | 19,857 |

¹Figure in metric tons

Thailand

Burley Leaf Exports¹

| Destination | 1981 | 1982 | 1983 |
|----------------|-------|--------|-------|
| United States | 5,015 | 6,223 | 3,970 |
| China | 1,107 | -- | -- |
| Indonesia | 110 | 1,768 | 262 |
| Philippines | 200 | -- | 208 |
| Taiwan | 300 | -- | -- |
| Finland | 127 | -- | -- |
| France | 255 | 340 | 162 |
| Netherlands | 255 | 1,090 | 215 |
| Portugal | 153 | 173 | 259 |
| Sweden | 150 | 136 | 225 |
| United Kingdom | 316 | 612 | 931 |
| Belgium | -- | 420 | 1,209 |
| Denmark | -- | 81 | -- |
| Tunesia | -- | 921 | -- |
| Australia | -- | 58 | -- |
| West Germany | -- | -- | 727 |
| Egypt | -- | -- | 211 |
| All Others | 237 | 151 | 313 |
| TOTAL | 8,225 | 11,932 | 8,692 |

¹Figure in metric tons

| Total | Exports | | Ratio of export to total output |
|-------|---------|----------|---------------------------------|
| | | % change | |
| 15 | -- | | 44% |
| 17 | +13 | | 35% |
| 22 | +29 | | 43% |
| 28 | +27 | | 54% |
| 35 | +25 | | 62% |
| 34 | -3 | | 58% |
| 39 | +15 | | 77% |
| 37 | -5 | | 57% |
| 38 | +3 | | 57% |
| 35 | -8 | | 53% |

as the United States, which takes the majority of Thailand's burley and almost all of its oriental.

A new and important market is mainland China, which, although coming into the market only in 1979, is now the second largest buyer of Thai leaf. Other non-western major importers are Australia, Indonesia and Japan.

This diversity of the market is a help in time of world shortage as well as a cause of decline in the market in time of world excess when it coincides with bad weather and indifferent quality. Again, 1983 is a year of excess stock of poor quality with the major exporters finding it hard to satisfy their quality-conscious, regular customers.

THE CIGARETTE INDUSTRY in Thailand seems to be a different story. Last year was marked by a recovery from the low sales of 1982. Total 1983 production of cigarettes rose 17.6 percent to 29,089 metric tons with total sales at 29,014MT.

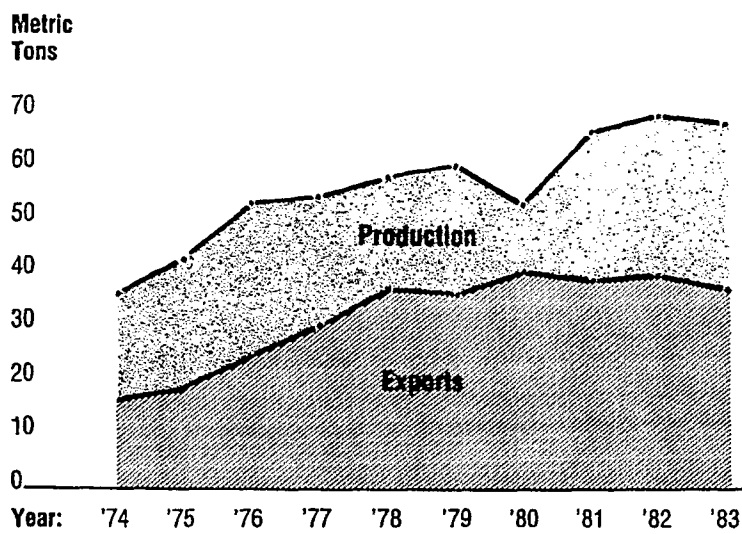
Thailand Cigarette Production

| | |
|------|----------|
| 1977 | 23,477MT |
| 1978 | 23,905MT |
| 1979 | 27,160MT |
| 1980 | 30,788MT |
| 1981 | 32,807MT |
| 1982 | 26,918MT |
| 1983 | 29,089MT |

Practically all of Thailand's

Thailand

Tobacco Production and Export Trends



cigarette production is for the domestic market; only 69,018 kilograms valued at 13.6 million baht (23.05 baht = us\$1.00) are exported to Saudi Arabia.

With the introduction of its fifth factory—the most modern in Southeast Asia—TTM's cigarette output has risen by 28 percent to an annual total of 24 billion cigarettes. Profitability has historically been an especially noteworthy aspect of TTM's cigarette manufacturing activities. Up until 1982, TTM had been reaping substantial yearly profits from its monopolistic cigarette trade, in the range of not less than a billion baht. But in 1983, for the first time, TTM's usual profit level seems to have dwindled.

Since 1980, when TTM labor staged a long strike which resulted in the relaxing of an import ban of foreign cigarettes due to domestic shortage, a TTM workers' strike has become an annual affair. In 1981 four brands of foreign cigarettes were imported: Winston, State Express 555 and Dunhill at 20 million pieces each; and Marlboro at 40 million. These imports continue amidst the protest of some dealers and TTM staffs.

There is still some hope that the proposal to allow foreign manufacturers to participate in the domestic production of certain popular brands will help to ease some of the pressure against imports. Other than the suggestion of Chiangmai as an appropriate site for a foreign manufacturers' factory, however, there seems to be no official indication that substantive moves have been made toward examining the feasibility of such ventures.

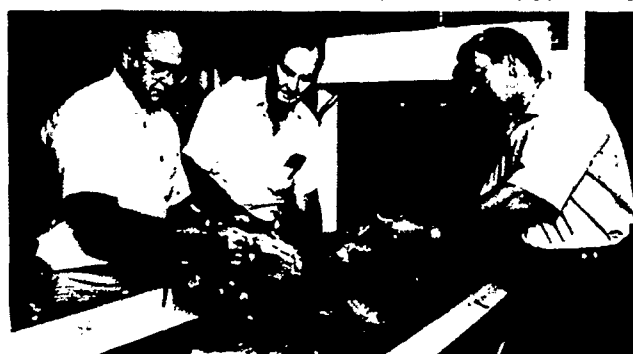
IN CONCLUSION, the Thai tobacco industry continues to show a mixed performance. As cost of production rises due to annual increases in the minimum wage of around 25 percent, as the lack of natural firewood persists, and as tobacco prices continue to climb, the marginal profitability for exporters has been falling. Despite these adverse factors, however, one can see a general upwards trend. How well this trend can be maintained will depend on the cooperation of the growers, exporters and government, whose understanding and joint efforts are vital to raising the quality of Thailand's tobacco. **TR**

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Smokeless tobacco:

Markets are 'up to snuff'

By Jacques Cole

IN BRITAIN, IT IS never easy to get away from tradition. This can occasionally be used as an excuse to adhere to old-fashioned ways trying to ignore modern trends, but there are cases in certain industries where this has helped to maintain and improve the qualities of some products. Snuff is no doubt such a case.

Originally, the British mainly took to smoking tobacco while snuff taking was more popular in Spain and France and had also spread as far as Russia, Turkey and further East. It was thought, during the Great Plague in Britain in 1665, that pipesmoking offered some measure of security against the pestilence and that those citizens engaged in the making or selling of snuff appeared less affected by the scourge. Not only pipesmoking increased, but also snuff-taking which hitherto was desultory. While after the Great Fire a year later, snuff taking stayed with the people, the scale dropped again.

In 1702, Queen Anne came to the throne and in the same year the naval raid on Vigo in Spain by Admiral Sir George Rooke secured a 'prize' of some 100 tons of snuff. The crews of Rooke's ships set about selling their snuff which was distributed throughout the land, and the habit spread to all classes. Snuff takers had an ally in the Queen who liked it. It should be noted that the name 'S.P. Snuff', still used today may well have first been adopted at that time. Some authorities claim that the initials stand for 'Spanish Prize.'

Snuff taking found its way where smoking was forbidden, such as in the printing, tailoring and mining businesses, where it persists today, the 1702 haul having brought down the price at an acceptable level for the working classes. But it was also the start of the Golden

Age of snuff, coupled with the 'Elegant Age' remembered in history. This was the age of Beau Nash, Beau Brummel and the Prince Regent with its lace handkerchiefs and ornate snuff boxes. Queen Charlotte's passion for the powder earned her the nickname of 'Snuffy Charlotte.'

By the 19th century, pipesmoking returned into fashion and so did the use of cigars, followed by cigarettes after the Crimean War. One would be forgiven to think that by the middle of our 20th century, the days of snuff taking were all but numbered, but one would be wrong and the industry is showing good if steady signs of recovery.

THE MANUFACTURE OF snuff is basically simple since it consists simply of powdered tobacco with some additives following the same principles originally carried out.

Contrary to common myth, snuff is not made from scraps and waste of tobacco, but from selected leaves and origins. The leaf used comes mainly from the U.S.A., Canada and Malawi. The initial secret is the blending of the various types of leaf, which in some cases contain a percentage of tobacco stem. In some cases also follows a process of fermentation.

After a process of threshing, the pure tobacco is fed into grinding machines. The original machines were large pestles and mortars and the mixing machines drove large wooden paddles. Although between 100 and 200 years old, some of those machines are still in use in certain mills and still in good working order. Modern pulverisers, grinders and atomizers have now replaced the old equipment, but the ancient machines are still used when small quantities of very special blends are required.

Salts and moisture are added before the snuff is put through the sieving, or 'dressing' process, before being left to mature. In due course, the essential oils and flavors will also be added. The use of these ingredients is the

Mr. Cole is editor of Pipe Line, a publication for the UK tobacco trade.

final secret of the manufacturer and all snuff-makers will confirm that duplication is impossible. True, menthol, peppermint, camphor and eucalyptus can be identified, but essential oils are far more difficult to isolate.

Highly sophisticated modern packing machinery are naturally now in use and can fill and pack well over 50,000 boxes per day. Some of the smaller mills still find it expedient to use hand filling methods, their operators being extremely efficient.

Snuff on sale today consists of three main types:

- The **Moist Snuffs**, recommended to the accustomed snuff-taker, dark in color like Dendal Brown, Black and Brown Rapee and Princes.

- The **Medium or Dry Snuffs**, being by far the most popular kinds, generally golden brown in color and medium-ground, which offer the widest possible varieties. Indeed, in this type can be included the Medicated Snuffs, popular with the consumer who wants to clear the head or relieve nasal congestion, and the Scented Snuffs, said to be favored by women.

- The **High Dried Snuffs**, such as Irish and High Toast, finely ground, and pale biscuit in color and which are not recommended for beginners.

The industry's controlling body is the Society of Snuff Grinders, Blenders and Purveyors. This organization has twelve members who are the snuff makers and purveyors in Great

Free from the burden of taxation which weighs heavily upon other tobacco products, the British snuff industry is in a better position to concentrate on marketing—at home and abroad.

Britain. There are some other nine companies who supply snuff, but who have their product custom-made by one of the twelve.

The present Society, founded in 1963, thus showing its confidence in the future of the industry, has done a great deal to promote the product and activities have included snuff-taking competitions and public relations operations, leading to many appearances on current affairs programs on television. Its president, Mr. H.E.A. Albin, now retired from business, was for a number of years the highly respected director of Fribourg & Treyer, the famous store in London's Haymarket, alas now closed.

FOR MORE THAN SIX years now, the snuff industry has been freed from the burden of taxation which still weighs heavily upon other tobacco products. This situation has no doubt helped the manufacturers—and users—who are now in a better position to concentrate on such activities as promotions and improvements in packaging and presentation.

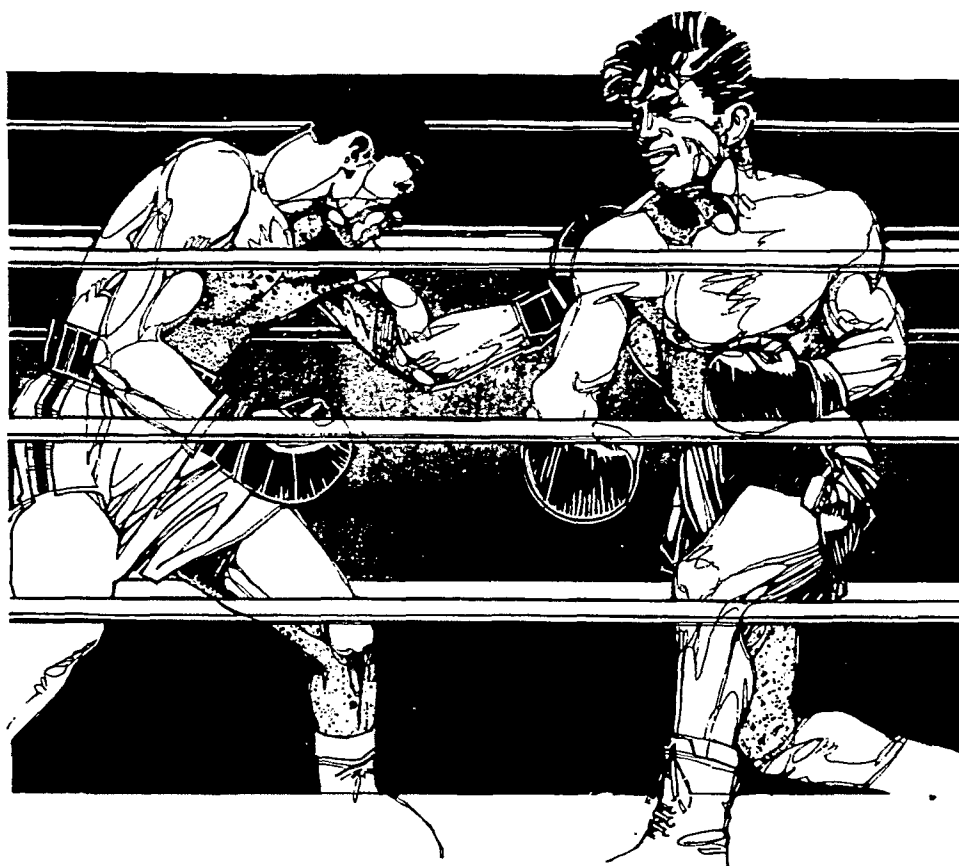
It has also meant that they can concentrate on vital export markets. All makers report increases in sales on all fronts, as reflected by the volume of sales for the recession period years 1982 and 1983: In 1982, domestic sales totaled 273,742 pounds and export sales 233,893 pounds, for an annual volume of 507,635 pounds. In 1983, total sales volume rose to 530,914 pounds, 268,376 pounds domestic and 262,538 pounds export, according to the Society.

The very slight fall in the home figures is attributed by one source to heavier purchases by retailers towards the end of 1983, which carried stocks over into the next year. Significant however is the 10 percent increase in exports where the interest in traditional British snuff is growing, and where British quality is appreciated. The United States and Canada have always been fair customers, so has Australia; but Europe, Africa and the Middle East have become more important and even some Iron Curtain countries, where for the user, British snuff is considered superior to local products.

The UK snuff market is worth something in the neighborhood of £3.8 million a year, according to our best assessment of latest industry reports.

There are many varieties of containers, ranging from plastic to metal, including 'flip-top' types. Prices vary from manufacturer to manufacturer with figures starting around 20 pence (\$ 0.30) and going up to the 60 to 70 pence marks. Some makers produce half- and one-ounce jars and there is still a good market for loose snuff, perhaps starting around 40 pence per ounce, with some top prices in the more sophisticated varieties. The most expensive in 1983, which is also listed in the Guinness Book of Record, was Cafe Royale at £1.94 (\$ 2.90) per ounce from G. Smith & Son of London's Charing Cross Road. Indeed, Smith's told us that in spite of its high price, it was fast becoming one of their best sellers.

FROM TWELVE suppliers, the varieties seem at first glance to be out of proportion. We traced nearly 300 varieties which, although sold under house brands, had each its own separate name. Quite a choice for the consumer. In actual sales, however, a small



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number account for the bulk. Since various makers also claim to hold the lion's share of the market, it is not easy to separate them. Probably the largest sales are covered by J & H Wilson Ltd (part of Imperial Tobacco), their S.P. No. 1 being one of the most popular. At the same time, Hedge's L260, Dr. Rumney's, the various top brands from Kendal and the other Wilson must not be discounted.

(The other Wilson? Yes, very traditional is the snuff industry. There was a single Wilson back in 1746 at Sharrow Mill, Sheffield. The firm prospered, but came the time when management became top heavy with Wilsons and a friendly split had to be made. Two of them set up at Westbrook Mill and to this day the addresses are still Sharrow and Westbrook Mills respectively.)

The Westmorland Town of Kendal (now in the county of Cumbria) is another place with a long history of snuff making, also going back to the 1740s, and the name Gawith first appears later in the same century. There exists a similar situation as in Sheffield with two firms that include the same name and family. The difference in Kendal was that there was also a Hoggarth and a John Illingworth connected with the same original business. The result is that Kendal, which considers itself as the 'Home of Snuff' has three manufacturers: Samuel Gawith & Co. Ltd, Gawith, Hoggarth & Co. Ltd, and Illingworth's Tobacco Ltd. The reason for Kendal's importance is that not only is it an old town—with remains of a Roman

Revived interest in snuff has made the British market appealing to foreign firms eager to expand exports. Products from Germany, Sweden and the US are being sold, though with minimal impact.

castle—but ships used to discharge cargoes of tobacco at the Cumberland coast ports which handled a lot of business with the original thirteen states of the east coast of America.

The firms from Sheffield make a similar 'home' claim, but the rivalry is friendly, both knowing that both factions have been in the business for a long time.

Having already noted half the makers, it would be unfair not to mention the others. Gallaher is also in the snuff business. JIP Snuff Ltd operates from Nuneaton (Warickshire), McChrystal's Ltd from Leicester and with Hedges (already noted) in Birmingham, the Midlands region of England has strong claims

in the snuff producer's chart.

Old names have of course disappeared, Fribourg & Treyer being the last to go after two hundred years or more in the Haymarket. Although the shop is now closed, the brand survives, being handled by another London specialist.

IS THE INDUSTRY SECURE? On the face of it, it would appear so. There is a revival of interest in snuff on the home market, the makers can boast of exporting nearly half their production and the signals are set to fair for 1984. It is perhaps for that very reason that outside interests are looking at the British market in a different light. It may also be that, like one German firm, these interests are able to produce snuffs which are more akin to the varieties favored in Britain. German snuffs produced by Alois Pöschl at Landshut in Bavaria are now on the British market and that very firm has interests in one of the Kendal companies through which distribution is channeled. The impact has so far been minimal, but the presence is here and may encourage others.

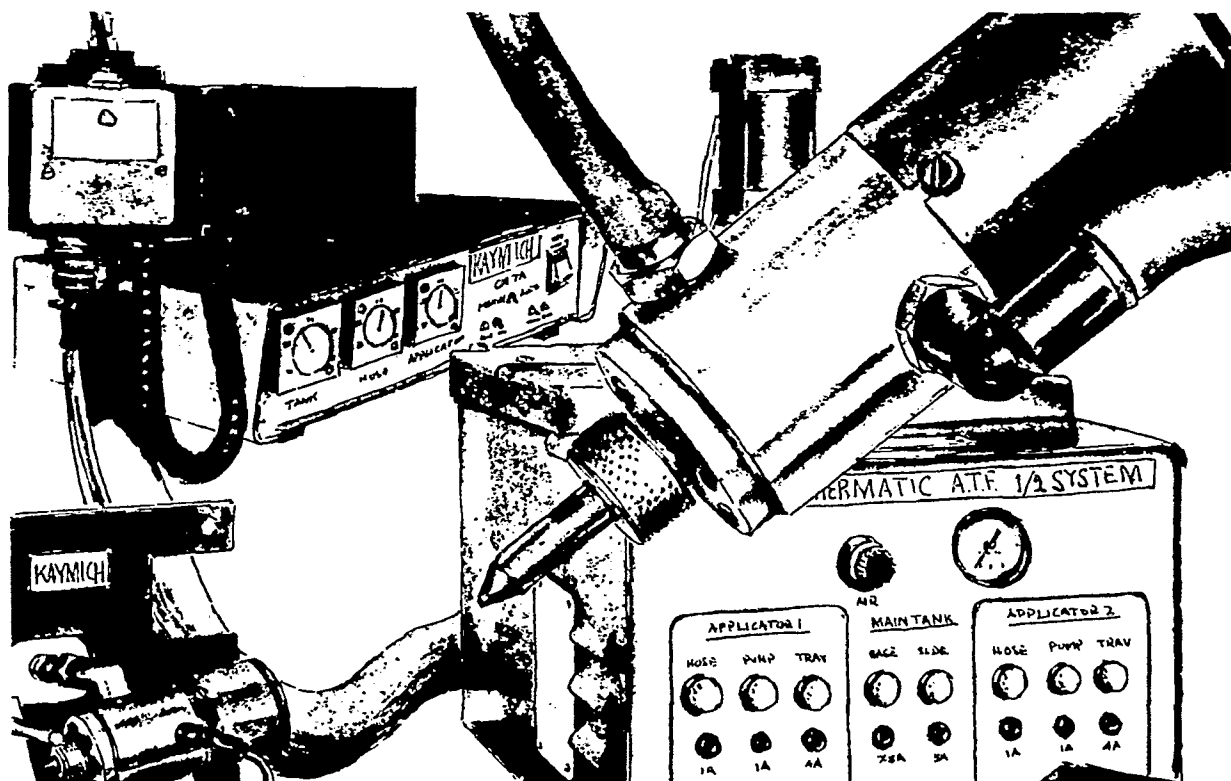
At the same time, smokeless tobacco is now being imported from the U.S.A. and Sweden. Also called in Britain, 'wet snuff,' since it has to be placed in the mouth, it is hardly likely to be more than a novelty. The snuff-makers do not regard this as real snuff and reports so far tend to show that the majority of purchasers are American and Scandinavian visitors.

Whether snuff-taking is entering a new era or not remains to be seen, but the signs indicate more growth than deterioration. **TR**

Imperial buys Conwood SA

Certainly indications of growth in snuff sales for Imperial Tobacco can be seen on the horizon as the company has recently announced its purchase of Conwood SA, a Swiss-based holding company which owns Illingworth's Tobaccos in the U.K. and Wittmann GmbH in West Germany. The £3.3-million acquisition will strengthen ITL's domestic base and expand its sales reach into Europe.

Illingworth's will complement the U.K. activities of Imperial's snuff making subsidiary, Joseph & Henry Wilson Limited, which has 46 percent of the British snuff market, Imperial says. Illingworth's holds a 10 percent market share and exports 70 percent of its production to Wittmann. Wittmann holds about 20 percent of the West German snuff market and exports to a number of other European countries.



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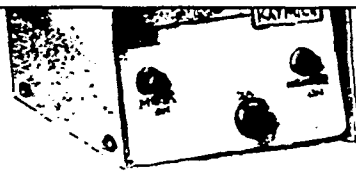
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Smokeless tobacco:

Moist snuff leads American market

By Anne Shelton

SALES OF MOIST SNUFF in the United States continue their unabated rise of recent years while the market for loose leaf chewing tobaccos may be poised for recovery from its stagnant fluctuation of recent years. Final figures for 1983 show that only these two categories of smokeless tobacco products made gains over the previous year, with sales of loose leaf up by a very slight 0.1 percent and sales of moist snuff 7.1 percent higher.

The upward trend held through the first quarter of this year, with moist snuff registering domestic sales 5.4 percent higher than in the same three months of 1983 and loose leaf chewing tobacco showing a gain of five percent.

All other types of chewing tobacco have continued to show sales declines. Domestic sales of firm plug dropped four percent during the first quarter of this year, following an annual decline of 8.2 percent for 1983. Moist plug sales plunged 14.5 percent last year, and the decline continued with first quarter sales down by 16.5 percent. Twist and roll chewing tobacco saw sales decrease by 3.3 for the year and another 4.6 percent for the first quarter.

Dry snuff, too, kept on its downward course, with sales off by 4.4 percent for 1983 and by 3.4 percent for the first quarter of this year.

All in all, the total U.S. smokeless tobacco market held its own last year, with combined sales of all products declining by only 0.3 percent. First quarter '84 reports show

a market growth of 2.5 percent over the same period last year.

Export sales account for only a small portion of total sales of American-made chewing tobacco and snuff products, but lagging economic recovery in major markets and the strength of the US dollar have put a damper on smokeless exports just as they have on overseas sales of most all other American tobacco products.

The industry estimates that 22 million consumers spent about \$900 million on smokeless tobaccos in the United States last year, roughly \$500 million of which is attributed to snuff sales. While it cannot be said that the smokeless market is impervious to the effects of economic recession, certainly sales of some products—most notably, moist snuff—continued to thrive during the recent period of high unemployment, particularly among the blue-collar workers, traditionally the main market for smokeless products.

With the U.S. economy now in recovery, the prospects for future growth in snuff and chewing tobacco sales would seem rather certain.

BUT THAT'S NOT TO SAY the industry is without its problems. Looming large is the spectre of public debate over health concerns surrounding smokeless tobacco products—and all of the various restrictive activity that could result from such publicity.

Efforts to require warnings on smokeless tobacco products persist. A number of health and citizens groups are putting pressure on the government to require

such warnings—or to stop the marketing of smokeless products altogether. At the forefront of the push for warning labels is Ralph Nader's Health Research Group, which filed a formal petition with the Federal Trade Commission in February. The petition cites National Institutes of Health studies which describe the "hazards" of dipping and chewing as including "increased blood pressure and heart rate, bad breath, discolored teeth, gum disease and early tooth loss. A long-term hazard is oral leukoplakia," the report says.

Such reports about the use of smokeless tobaccos are not new, but publicity about them has increased steadily over the past several months. And that means public attitudes could well be altered, with resultant pressure brought to bear on government officials and legislators to "do something about it."

Also afoot, as part of the same campaign, are efforts to seek legislation in Congress which would ban advertising of smokeless products on television and radio. The Nader group's stated position is that smokeless tobacco products should be treated in the same way as smoking tobacco products.

MUCH OF THE CREDIT for the success of moist snuff sales lies in well planned and executed marketing and advertising strategies. But if some critics have their way, television may cease to be an advertising vehicle for smokeless tobaccos.

Ironically, the latest thrust of restrictive proposals against

smokeless products seems to have been encouraged, at least in part, by U.S. Tobacco Company's million-dollar advertising campaign for Skoal Bandits during American television's coverage of the Winter Olympic Games. The Nader group spearheading the campaign complained that "health advisories" were "noticeably absent" from the ads and charged that the campaign slogan (*Take a pouch instead of a puff*) portrays Skoal Bandits as a "safe alternative to cigarette smoking."

Also included in the Nader group's petition were complaints about the targeting of smokeless tobacco advertising, charging that the ads are specifically aimed at young people through the use of well known country musicians and sports stars.

The upshot of the Nader petition is that the group wants the FTC to do one or more of these things: to impose regulations on all smokeless tobacco advertising, or to make official challenges of the individual smokeless product advertisements as deceptive or unfair, or to file a report to the Congress urging that it pass legislation to require warnings on the products.

To cover all the bases, the Nader group says it will not wait for the FTC to reach a decision, but is conducting its own lobbying efforts to urge Congress to include smokeless tobaccos in the legislative package which bars the broadcast advertising of smoking products.

AN ENTIRELY NEW category of "smokeless" product has emerged in the U.S. this year: the smokeless cigarette, developed and marketed by Advanced Tobacco Products in San Antonio, Texas. While the new product, named Favor, will look like a standard cigarette—complete with cork tipping—it does not contain any tobacco and is not lit to be smoked. User satisfaction will come from the nicotine concentrate which is contained in an element similar to a cellulose acetate

| United States | | | | |
|--------------------------------------|---------|---------|---------------|--------|
| Chewing Tobacco & Snuff ¹ | | | | |
| | Annual | | First Quarter | |
| | 1982 | 1983 | 1983 | 1984 |
| Loose leaf chewing | | | | |
| Production | 72,973 | 71,020 | 18,307 | 18,156 |
| Domestic sales | 70,886 | 70,923 | 16,404 | 17,226 |
| Exports | 64 | 74 | 17 | 14 |
| Firm plug | | | | |
| Production | 10,516 | 9,650 | 2,401 | 2,306 |
| Domestic sales | 10,249 | 9,578 | 2,309 | 2,089 |
| Exports | 104 | 76 | 23 | 17 |
| Moist plug | | | | |
| Production | 5,155 | 4,406 | 1,176 | 982 |
| Domestic sales | 5,073 | 4,357 | 1,106 | 950 |
| Exports | 40 | 56 | 14 | 8 |
| Twist/roll | | | | |
| Production | 1,748 | 1,690 | 466 | 451 |
| Domestic sales | 1,767 | 1,709 | 413 | 394 |
| Exports | -0- | -0- | -0- | -0- |
| Total Chewing Tobaccos | | | | |
| Production | 90,392 | 86,766 | 22,350 | 21,895 |
| Domestic sales | 87,975 | 86,567 | 20,232 | 20,659 |
| Exports | 208 | 206 | 54 | 39 |
| Dry snuff | | | | |
| Production | 10,250 | 10,518 | 2,804 | 2,747 |
| Domestic sales | 11,190 | 10,703 | 2,620 | 2,528 |
| Exports | 1 | -0- | -0- | -0- |
| Moist snuff | | | | |
| Production | 33,500 | 36,158 | 8,400 | 8,698 |
| Domestic sales | 32,680 | 34,986 | 8,020 | 8,454 |
| Exports | 1,007 | 951 | 233 | 247 |
| Total Snuff | | | | |
| Production | 43,750 | 46,676 | 11,204 | 11,445 |
| Domestic sales | 43,870 | 45,689 | 10,640 | 10,982 |
| Exports | 1,008 | 951 | 233 | 247 |
| TOTAL U.S. SMOKELESS | | | | |
| Production | 134,142 | 133,442 | 33,554 | 33,340 |
| Domestic sales | 131,845 | 132,256 | 30,872 | 31,641 |
| Exports | 1,216 | 1,157 | 287 | 286 |

¹1,000 pounds Source: Compiled from USDA and Census Bureau data

filter. As the user draws on the "cigarette," he will inhale the nicotine vapors. The idea is, of course, that Favor can be consumed in places where smoking materials are inappropriate or illegal.

The company anticipates favorable consumer reaction to Favor, noting that sales of the nicotine chewing gum recently introduced by Dow Chemical Co. have been better than expected,

and that the novelty of a smokeless cigarette should stimulate lots of publicity. But ATP will also rely heavily on what is perhaps its greatest marketing advantage: Favor can be advertised on television.

Advanced Tobacco Products has raised \$8 million from the public sale of stock, according to the latest reports, and has announced plans to begin production of Favor within a year. **TR**

Cigarette sales:

Rising taxes and costs challenge the European market

AS IF INCREASED taxation and manufacturing costs were not enough, European cigarette producers are now faced with basic changes in consumer demand. Most smokers favor blended cigarettes, which were mainly imports until current economics exerted limitations. Domestic manufacturers, striving to carve a market for their own newly introduced blended cigarettes, or for foreign brands they make under license, have the opportunity to maintain the domestic market with domestic products. Consumers, faced with increased prices on foreign and domestic brands, apparently are having second thoughts, as consumption falls in some countries and stabilizes in others.

FRANCE: Fighting to maintain its share of the French market, Seita introduced blond Gauloises, priced below most foreign brands, last April to satisfy changing consumer tastes. The use of the well-known Gauloises brand name for blond cigarettes is an attempt by Seita to stop the decline of its quickly eroding market share. Despite an eight percent increase in the sales of Seita's blond cigarettes, its market share for American- and English-type cigarettes declined from 14.2 percent in 1982 to 13.6 percent in 1983.

French cigarette production has been decreasing steadily during the past five years, after peaking at 80.856 billion units in 1978, as consumers switched to mainly imported blond cigarettes. Shift in demand was precipitated in 1976 by EC regulations requiring the French tobacco monopoly to allow the sales and distribution of imported cigarettes.

By 1983, blond cigarettes accounted for 43 percent of consumption, versus 39 percent in 1982. They are expected to repre-

sent half of all cigarettes sold in France in 1985. Last year, dark cigarette sales dropped five percent from 1982, while blond cigarette sales rose 12 percent to 37.811 billion pieces.

French cigarette consumption in 1983 totaled 87.915 billion units—about two percent higher than in 1982, but unchanged from 1979. About 62 percent of the cigarettes consumed were domestically produced, compared to 91 percent in 1976.

Seita's cigarette production amounted to 62.147 billion units in 1983, a very slight decrease compared to 1982. Unfiltered cigarette output accounted for 53 percent of the total.

Between January 1983 and January 1984, the government-regulated price of cigarettes rose an average 12 percent, due entirely to taxes. On July 1, 1983, and January 9, 1984, the retail price of tobacco products increased in five percent increments to fund the French Social Security Budget (CNAM). Further tax increases of five percent due to CNAM levy are plan-

ned to be implemented this month, and in January and July 1985. Finally, retail prices rose two percent last April as a result of a price increase by Seita.

Total government taxes currently account for more than 77 percent of the retail price of a pack of dark Gauloises, the most popular cigarette in France. In 1982, government revenue generated by taxes on all Seita-manufactured tobacco products amounted to FFfr18.1 billion (us\$2.7 billion).

Imports of cigarettes into France continued to gain in 1983, totaling an estimated 31.104 billion units, about six percent more than in 1982. This was caused by the continued rise in demand for American-type cigarettes which are imported primarily from the Netherlands. The Netherlands supplied 76 percent of French cigarette imports last year.

Exports dropped again in 1983 to an estimated 4.428 billion units. France's major export markets are the European Economic Community and West Africa, which together accounted for 62 percent of sales in 1983.

NETHERLANDS: Cigarettes for export make up almost half of total Dutch production, and the Dutch industry is afraid that the import tax just imposed in France will endanger its biggest market. Although French taste for American-blend cigarettes is growing, Seita is tapping that market with new introductions, rather than imports. France, by far the largest market for Dutch cigarettes, has instituted a 25 percent tax increase, to be effective in five half-year stages, to cover the deficit on the budget of the Ministry of Health. The Dutch and the EC commission find this price increase in violation with EC rules, but at this point, it is not known what action the EC commission will take.

Cigarette manufacturers in the Netherlands are faced with their first crisis in almost 40 years as they deal with an array of problems: a slackening economy, high

| European Community | | | |
|--------------------------------------------------|----------------|-------------|-------------|
| Reparation Payments for Raw Tobacco ¹ | | | |
| Type | 1982 Payments | 1983 Budget | 1984 Budget |
| Premiums | 575,230,940.55 | 600,000,000 | 655,647,000 |
| Intervention | 30,125,183.04 | 44,000,000 | 47,900,000 |
| Restitution | 17,273,006.93 | 23,000,000 | 24,000,000 |
| Other | 2,573.42 | 1,000,000 | 100,000 |
| TOTAL | 622,631,703.94 | 668,000,000 | 727,674,000 |

¹Figures in ECUs

Source: Bulletin Fedetab 3/1984 (from the official Journal of the EC, No. L12, January 16, 1984)

| Tobacco in the EC | | | |
|----------------------------|-------------------------|-----------------------|------------------------|
| Proportionate Expenditures | | | |
| Year | Millions of units spent | % of FEOGA "garantie" | % of total EC spending |
| 1978 | 313.8 ERE/UC | 3.4 | 2.6 |
| 1979 | 225.5 ERE/UC | 2.2 | 1.6 |
| 1980 | 309.3 ERE/UC | 2.7 | 1.9 |
| 1981 | 361.8 ECU | 3.3 | 2.0 |
| 1982 | 622.6 ECU | 5.0 | 3.0 |

Source: Bulletin Fedetab 3/1984

tobacco prices, high exchange rates and, to a lesser extent, the health issue.

Increased border sales and the "early purchase effect" (increasing inventory before an announced price increase on January 1, 1984) pushed gross 1983 cigarette sales up. However, domestic consumption fell 6.5 percent to 19.725 billion units in 1983. The deteriorating disposable income of the Dutch consumer caused a substantial decrease in cigarette consumption in favor of roll-your-own. Cigarette prices in the most popular price class increased from Fl3.60 to Fl4.00 per pack of 25 last January 1.

Manufacturers remain optimistic though, believing that by making a better and cheaper product, they might regain their market. They also believe that U.S. tobacco farmers could assist them, noting that a healthy Dutch industry is in the interest of U.S. leaf growers. Leaf buyers think U.S. prices are 30 percent too high and suggest that the U.S. eliminate the leasing

system. And they foresee a further decline in imports of U.S. leaf in this year.

AUSTRIA: Cigarette production by Austria Tabakwerke last year reached the highest level in its history. Demand for cigarettes rose 2.2 percent, attributable to a slowly improving economic situation, which made 1983 a particularly good year to attract tourists. Austria's cigarette consumption is considerably influenced by foreign visitors (mainly West German tourists).

Domestic brands accounted for 80.2 percent of the market in 1983; however, consumption of these brands is declining, giving way to foreign brands produced by ATW under license. ATW is interested in providing local demand for foreign brands with its own production under license, rather than imports. Last year, the monopoly obtained a license from Philip Morris to produce Marlboro Lights, whose domestic production will no doubt achieve a higher market share than

the import since the price difference is nine percent.

Cigarette imports account for only a little more than four percent of domestic cigarette consumption. The trend is toward a continuing decline, especially since ATW is endeavoring to increase licensed production of foreign brands.

Austria's main goals on foreign markets are increased exports of Milde Sorte and a new international brand, Johnny Filter, which has been test marketed in West Germany and sold in Greece. An agreement has been made with Italy, who will produce Johnny Filter under license.

Although the export of domestically-produced cigarettes is much more profitable, ATW also issues licenses to foreign companies for the manufacture of domestic brands, mainly as a result of increased export difficulties. Last year, ATW sold its second license for the production of Milde Sorte to Japan—the first country to produce Milde Sorte under license was Indonesia.

First steps have also been made toward cooperation between Japan and Austria regarding the development of new cigarette brands. Both countries are working on the production of a new variation of Champagne, introduced last year in Austria, which could be launched onto the market this year.

Austria's exports to virtually all of its traditional markets declined last year. Some countries, Portugal, Indonesia, Kuwait, Cuba and the Soviet Union, stopped purchasing cigarettes from Austria completely. However, two new buyers did appear—Turkey and East Germany. Due to import restrictions, Austria's cigarette sales to Indonesia ceased and sales to Greece declined significantly. The ATW thinks there may be opportunities for market developments in Latin America, Africa and the Middle East, according to ATW representatives.

ITALY: While 1983 sales of imported cigarettes were down four percent from 1982, and those

of foreign brands produced in Italy under license were down one percent, sales of domestic brands climbed two percent above 1982. The significant difference between retail prices for the two categories (foreign and domestic), is the main reason for the continued decline in recorded sales of the higher priced foreign brands, and the shift to

The significant difference between retail prices of domestic and foreign brands in Italy is the main reason for continued sales declines of the latter.

domestic brands. In July 1983, after a retail price increase, the price of MS, the leading domestic brand, rose from 1,100 lire to 1,300 lira per pack. Prices of major foreign brands were increased from 1,750 lira to 2,000 lira per pack. Marlboro, as a result, is currently more than 50 percent costlier than MS—encouraging many smokers to shift to the domestic brand.

Total cigarette sales were 102,188MT, up 0.5 percent from 1982. It must be noted, however, that official sales figures are not an entirely reliable index of consumption because of the high incidence of cigarette smuggling. Total value of tobacco product sales in 1983 was about us\$4.1 billion—18 percent more than in 1982—resulting from both increased retail prices and expanded sales. Domestic brands accounted for exactly two-thirds of total sales value, slightly more than in 1982.

Cigarette production in Italy, which in 1983 accounted for 98.7 percent of total domestic tobacco product output, increased to 83,672MT, four percent above the previous year's level. Domestic

brand output was 74,658MT, five percent more than in 1982, while production of foreign brands produced in Italy under license totaled 9,014MT—one percent less than 1982. Continued rising popularity of MS is again the major reason for this increase in output.

Cigarette imports in 1983 totaled 25,236MT, four percent less than in 1982, valued at us\$295.2 billion, 13 percent more than in 1982. About 69 percent of total imports were from West Germany; 21 percent were from the Netherlands; and the remainder was from other EEC countries and Switzerland. Most of these imports are represented by American brands manufactured in Germany or the Netherlands under license, and then shipped to Italy.

GREECE: Domestic production of blended cigarettes in 1983 continued the spectacular up-trend, following the significant increase in the consumption of these cigarettes, particularly after the quota imposed on imported cigarettes. Until the end of this year, imports under category 24.02 originating in or coming from other EEC countries, are to be limited to 1,100MT. Imports of cigarettes from nonmember states are to be monitored.

Price increases which resulted from a new tax structure imposed by the government early this year have opened the gap between domestic and licensed foreign brands even further, virtually assuring a moderation of market share for foreign cigarettes and a positive impact for domestic cigarette outputs in the future. The adjusted prices take into account claims of the tobacco manufacturers and covers both the increases in taxes and manufacturing costs (mainly due to the devaluation of the drachma). The increases per brand category were: oriental brands, six to seven drachmas per 20 cigarettes; Greek-blended brands, 10 drachmas per 20; and licensed brands, 17 drachmas per 20. As a result of these large and uneven increases in retail prices, the sales of the most expensive



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brands will be adversely affected.

A total of 26.606 billion cigarettes were consumed in 1983, 3.3 percent more than the 25.683 billion pieces consumed in 1982. Of the 1983 total, 17.742 billion were oriental cigarettes; 7.594 billion pieces were blended cigarettes; and 1.270 were imports. Consumption of blended cigarettes increased 12.2 percent from 1982 to 1983.

A total of 1.939 million cigarettes was imported in 1982, of which 406,800 originated from West Germany, 212,700 from the Netherlands, 145,400 from England and the remainder from various countries mainly in West Europe. Imported cigarettes in 1983, although supposedly restricted to 750 million for the year, exceeded the authorized limit following special import allowances made by the government.

SWITZERLAND: Marketing difficulties of cigarettes for export have slowed down cigarette production in Switzerland over the past few years. A couple of years ago, total exports of cigarettes reached about 16 billion pieces annually, but have dropped to around 10 billion annually.

Domestic consumption is virtually stable and the two percent increase in sales over the last year is mainly due to increased "invisible" exports, that is tourists and border sales. The recent SFr0.20-per-package tax increase which boosted prices to between SFr2.40 to SFr2.60 per pack of 20 cigarettes is expected to have no significant effect on domestic consumption.

The recent domestic marketing of a new light cigarette, Barclay, was very successful, indicating the change in Swiss consumer preference toward light cigarettes. Barclay is produced by the Swiss subsidiary of B.A.T.

The taxation of domestic tobacco products is linked to the financing of the Swiss Social Security Fund. Last year, the gross tobacco tax revenues, including duties, amounted to SFr708 million, with SFr687.8 million earmarked for the

Swiss Social Security Fund. Effective March 1, 1984, the SFr0.20 tax increase per pack of 20 cigarettes is expected to provide the federal government additional revenues of approximately SFr127 million, with around SFr115 million stemming from the increased tax and about SFr12 million being generated by additional revenues of

**The deteriorating
disposable income
of the Dutch
consumer has caused
a substantial
decrease in cigarette
consumption in favor
of roll-your-own.**

the so-called turnover tax, which is Switzerland's equivalent to the VAT. With a current cigarette pack price of SFr2.60, SFr1 is contributed to the Social Security, about SFr0.17 is destined to the turnover tax and around SFr0.02 is destined to the domestic tobacco producers.

BELGIUM: Cigarette consumption declined slightly in 1983, reflecting fewer border sales destined for West Germany. Sales totaled 21.812 billion pieces last year, compared with 21.257 billion in 1982. Despite the annual drop, sales remain higher than the average volume registered for 1976 through 1980.

The share of cigarettes sold in packs of 20 to the total consumption rose from 20.5 percent in 1981, to 26.2 percent in 1982, and to 30.2 percent in 1983. This trend is more likely to continue during the years ahead at the expense of cigarettes sold in packs of 25 pieces.

Belgian retail prices for popular cigarette brands sold in packs of 25 pieces have risen from BF54 per pack in January 1983, to BFr58 in

July 1983, to BFr60 in February 1984. A new price increase of BFr3 was expected to become effective on July 1, 1984. The tax share of the total domestic retail prices for cigarettes remained unchanged at 70.6 percent during 1983.

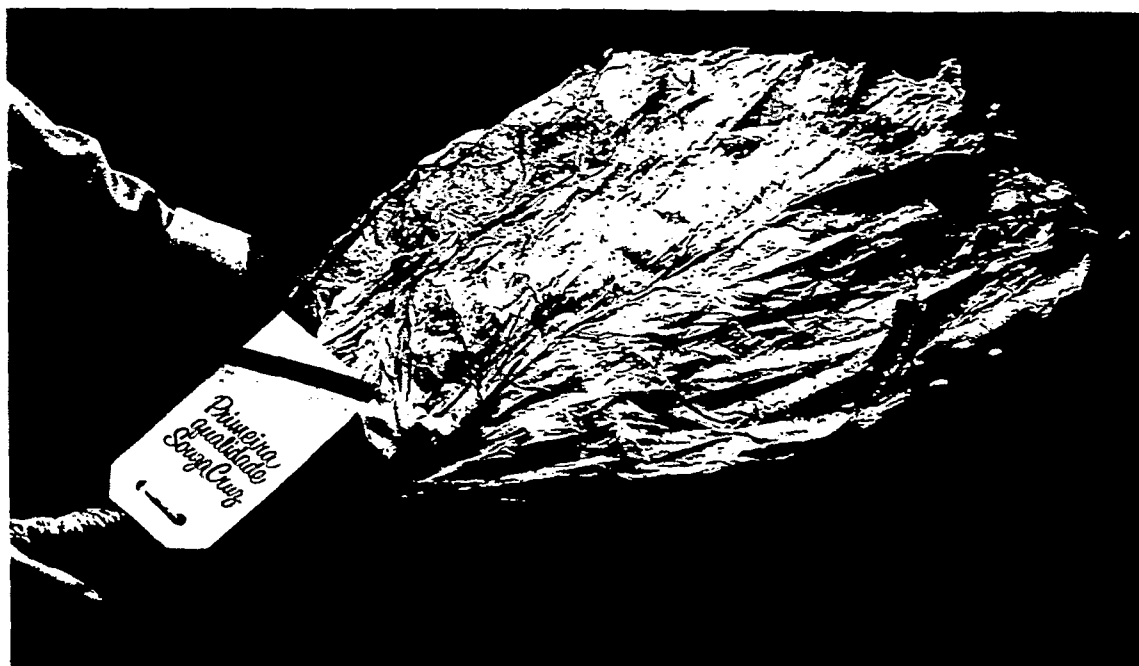
Total cigarette production declined by two percent in 1983 from the previous year's record high level as a result of the reduced domestic consumption and border sales. Cigarettes manufactured in Belgium last year totaled 28 billion pieces; 28.7 billion were produced in 1982.

Continuing a long-term uptrend, the share of filter-tipped cigarettes to the total production rose from 84.3 percent in 1982 to 85.4 percent in 1983. This increase largely reflects additional gains registered for American-type blends at the expense of dark tobacco cigarettes. Production of cigarettes is expected to continue its decline by three to four percent in 1984, due chiefly to smaller domestic consumption.

DENMARK: Consumption of cigarettes decreased seven percent to 7.2 billion pieces last year as a result of an excise tax hike on April 1, 1983, but is projected to recover this year to 7.7 billion pieces. Approximately 10 percent of total consumption is sold in tax-free outlets, bringing total consumption to 8.6 billion pieces. Exports of cigarettes decreased by 12 percent in 1983 to 1.587 billion units.

Scandinavian Tobacco Company, the sole cigarette producer in Denmark, manufactured 9.8 billion pieces in 1983, down 1.6 percent from the year earlier. This year cigarette output is expected to increase to a level just short of 10 billion units. The 1983 drop in production was mainly due to large purchases made before excise taxes were raised.

About two percent of the cigarettes consumed in Denmark are imported, primarily from West Germany and the United Kingdom. Imports increased by five percent last year, to 243 million pieces. **TR**



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TI56305701



Simplicity, efficiency without electronics

The new LOGA cigarette maker claims quality production from a simplified design.

SPECIAL PROBLEMS in cigarette making exist in severe climates or in the use of recognized difficult tobaccos such as oriental, dark blends, Kretek types, and mixtures of heavily sauced Virginia tobaccos. It is Decouflé's experience in dealing successfully with such specialized problems that has contributed to the design of its latest making equipment: the LOGA, which was featured at the recent World Tobacco Exhibition in The Hague.

Combining the high-speed-making experience of its parent, the Korber Group, with its own study of and experience in manufacturing specialized cigarette making equipment, Decouflé designed the LOGA to be a simple, sturdy machine with the advantage of not requiring the use of complex electronic systems, but with an output capacity of between 4,000 and 5,000 cigarettes per minute. The main objective of this machine is to produce quality cigarettes from efficient amounts of tobacco.

The LOGA's tobacco distribution

system has been simplified and designed to ensure minimal degradation of the leaf. The tobacco is fed manually or via a Decouflé airlock, which is incorporated and therefore dust proof. There is in the tobacco hopper quick access to the drum/equalizer assembly and to the bottom and fast tobacco spread bands which can be moved out just like drawers. The suction chamber with improved tobacco channel assembly is hingeable—the whole front frame, incorporating the suction chimney can be opened like a door. In this way, the tobacco fast spread belt, the carded drum and bottom belt may be quickly replaced. The same applies to the paster and its associated pump, the suction tape, the printer and the cutter.

The redesigned trimming device is more sensitive to tobacco rod density and moisture variations for immediate correction of weights, especially when LOGA produces cigarettes of special blends containing expanded tobacco or oval cigarettes with oriental blends, or kretek cigarettes. The trimming

system ensures consistency of cigarette weight and savings in tobacco.

The bobbin holder in the automatic version continuously feeds the paper from one bobbin to another. A semi-automatic bobbin splicer is standard. A redesigned LOG cut-off with Decouflé's rotary ledgers has been developed with a new type of adjustable positive advance or sickle knife.

Printers, comprised of modular blocks for printing one or two colors, or one color and bronze, are located in the hingeable dust-tight frame and two paper drive rollers are set close to the printers to ensure stabilization of print position and even density of ink.

The starch paster is designed for continuous supply of glue without bubbles. The LOGA may be fitted with a gluing disc or nozzle paster. An adjustable pump provides a steady and uninterrupted supply. The seam sealer is fitted with a thermostatic control.

The cutter may be positioned for cigarette lengths between 50 and 90 mm and ensures an accurate precise perpendicular cut. It is equipped with a patented rotary grinding and deburring system. An expanding cigarette tape drum minimizes length variations. Improved garniture assembly with smoother guiding of tobacco is also part of the design.

Flexibility in manufacturing round or oval plain cigarettes can be obtained by linking LOGA to the Hauni MAX-S filter assembly, or to any other filter attachment.

Decouflé designed the new transfer HL system for plain cigarettes. The LOGA line may be coupled to any filler or reservoir system available on the market.

LOGA may also be fitted on option with a system manufactured by LNI Electronics SA which automatically regulates the weight of the cigarettes. The LNI system with its microprocessor analyzes and displays quantity and quality parameters as well as the line output. It provides additional saving in tobacco and permanent control of cigarette quality. **TR**

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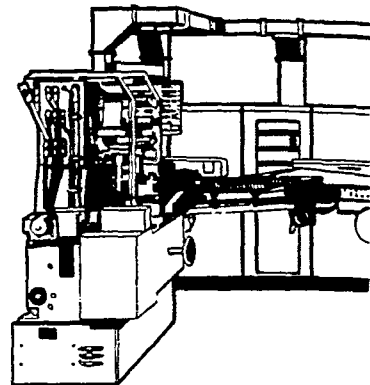
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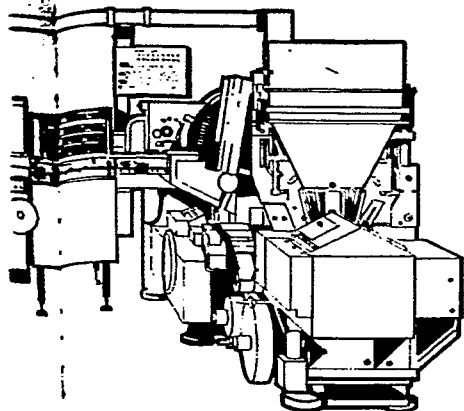
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Malaysian tobacco:

Escalating prices hit cigarette market

Reflecting the combined impact of increased duties and excise taxes, depressed economic conditions and government anti-smoking campaigns, tobacco use in Malaysia fell sharply in 1983. Demand for domestic Virginia leaf dropped as a result of weather related quality problems and the rising popularity of blended cigarettes.

CIGARETTE CONSUMPTION showed its first-ever decline in Malaysia last year—falling by an estimated 10 to 15 percent. The 100 percent jump in taxes on tobacco products in the 1982 budget, followed by a supplementary increase of duties on import cut-filler and cigarettes in July 1983, forced cigarette companies to raise prices twice in 1982 and once in both 1983 and 1984. With a better outlook for the rural economy due to better agricultural commodity prices, consumption for 1984 is expected to recover somewhat from 1983's depressed level.

Just three months ago, on April 1, manufacturers increased cigarette prices by an average of M\$0.10 per pack of 20. The price of Benson & Hedges Special Filter was reduced, however, by M\$0.10 to give it a competitive edge over Winston, whose price was cut to less than that of its major rival in July 1983, despite the tariff increase. While the year-to-year increase is not large, prices of cigarettes have increased substantially in the last few years. For example, the price of Dunhill Inter-

national rose from M\$1.40 in 1977 to M\$1.80 in 1980, and then to M\$2.30 this year.

Since its entry into the Malaysian market in 1974, R.J. Reynolds has led the way in developing demand for American-type cigarettes in a market long dominated by British-style straight Virginia cigarettes. Use of imported cut-filler and non-Virginia tobacco rose from less than one percent before 1980 to around nine to 12 percent in recent years. Blended cigarettes have made major strides, with their market share expanding from around five percent in 1979 to more than 16 percent in 1982. The blended segment is expected to continue to widen in coming years. Winston (RJR) leads the segment with an estimated market share of more than 40 percent; Marlboro (Philip Morris), Kent and Lucky Strike (MTC) equally divide the remaining market. MTC's Benson & Hedges is the most popular straight Virginia cigarette by a wide margin.

With U.S. cigarette brands gaining popularity, all three Malaysian cigarette manufacturers are either already producing them or looking

into producing them locally. At present, 92 percent of domestic output is of British straight Virginia cigarettes, and the remaining eight percent is American blends. There is a small amount of tobacco produced by local Chinese companies for the roll-your-own market.

RESPONDING TO THE depressed demand for cigarettes, manufacturers reduced domestic output in 1983. Facing higher taxes and strong opposition to smoking by some top government officials, the cigarette companies have been delaying expansion plans and diversifying into other businesses. MTC recently acquired 25 percent of the Hong Kong Printing Company, one of its suppliers of printed wrapping materials. Rothmans recently invested in a jewelry firm.

Imports of cigarettes in 1983 were less than a third of 1982 levels. With manufacturers producing American brands locally, imports from the U.S. declined to 800MT in 1983, about half of 1980 imports. Higher tariffs restricted imports of Chinese cigarettes from Hong Kong (1,421MT in 1982) to an insignificant level in 1983. In 1983, Brunei was the only export market for Malaysian cigarettes. In the past, Singapore and Burma have been occasional buyers.

POOOR WEATHER has only complicated Malaysia's leaf supply/demand and quality problems. An unusually high level of precipitation last year caused heavy flooding in the East Coast growing region, reducing the 1984 first crop by an estimated 30 percent. Continuing unsuitable climatic conditions mean that domestic tobacco production is likely to fall short of the manufacturers' local purchase target of 8,400MT, reaching an actual output of only 7,400MT.

Last year's crop also suffered from uncooperative weather. Prolonged dry weather during the first quarter of 1983 caused some damage to the first season crop in the State of Kelanta. More than

3,000 hectares were affected and yield plummeted by 28 percent to 650 kilograms per hectare. In the months of June and July, heavy rains reduced the quality of the third season crop.

Quality of Malaysian tobacco has also suffered from the traditional separation of the growing and curing functions. Farmers involved only in the growing phase emphasize volume over quality. In 1983, about 30 percent of total production fell into the lowest quality category. Manufacturers' refusal to purchase more than the agreed proportion—20 percent—of low grade leaf upset producers. Government officials met with them, but maintained the position that the farmers must continue to upgrade their output. According to an agreed plan, the proportion of low grade tobacco purchased in 1984 is to be reduced to 16 percent, and to 14 percent in 1985.

The National Tobacco Board's minimum price structure has not been modified since 1981. In 1983, farmers were paid an average price of M\$0.63 per kilogram for green leaf and curers received an average of M\$11.57 per kilogram for cured leaf. For comparison, in 1982 the market prices for green and cured leaf were M\$0.67 and M\$11.63, respectively. The lower 1983 prices reflected the drop in average leaf quality, since the underlying payment scheme was unchanged.

Area planted to flue-cured tobacco has been declining from its peak of 13,243 hectares in 1980. The manufacturers' refusal to include more than 20 percent of poor quality leaf in their purchases has forced farmers to abandon planting tobacco on marginal land. Also, curers have been less willing to contract with farmers who do not have a record of producing better quality leaf.

Cultivation of burley tobacco in Peninsular Malaysia is still confined to experimental plots. In Sabah, the Malaysian Tobacco Company (MTC) has a joint pilot project with KPD, the state-owned Rural Development Corporation, covering about 17 hectares.

| Malaysia | | |
|----------------------------------------------|--------------------|--------------------|
| Representative Cigarette Prices ¹ | | |
| | <u>1983 prices</u> | <u>1984 prices</u> |
| Benson & Hedges Special Filter | M\$ 2.10 | M\$ 2.00 |
| John Player Special | 2.40 | 2.50 |
| Pall Mall Kings ² | 2.20 | 2.30 |
| Lucky Strike ² | 2.10 | 2.20 |
| SE 555 International 100's | 1.90 | 2.00 |
| Player's Gold Leaf | 1.60 | 1.70 |
| Rothmans International 100 | 2.00 | 2.10 |
| Consulate Menthol | 1.90 | 2.00 |
| Dunhill International ² | 2.20 | 2.30 |
| Dunhill Luxury Length | 2.00 | 2.20 |
| Dunhill King Size | 1.90 | 2.00 |
| Peter Stuyvesant King Size | 1.90 | 2.00 |
| Marlboro Filter King Size | 2.10 | 2.20 |
| Winston King Size ³ | 2.10 | 2.10 |
| Camel ² | 2.10 | 2.20 |

¹Malaysian dollars per pack of 20. US\$1.00 = M\$2.27 (May 19, 1984).
²Imported ³Reduced to \$2.00 in July 1983.
 Source: USDA Foreign Agricultural Service

| Malaysia | | | |
|---------------------------|-------------------------|-------------------------|-------------------------|
| Supply & Distribution | | | |
| | <u>1982¹</u> | <u>1983²</u> | <u>1984³</u> |
| Area planted ⁴ | 12,744 | 11,267 | 11,020 |
| Beginning stocks | 9,726 | 9,536 | 9,229 |
| Dry weight production | 8,620 | 8,701 | 7,390 |
| Total imports | 4,821 | 3,293 | 4,910 |
| Total supply | 23,167 | 21,530 | 21,529 |
| Exports | 1 | 1 | 1 |
| Total disappearance | 13,631 | 12,301 | 12,421 |
| Ending stocks | 9,536 | 9,229 | 9,108 |

¹Revised ²Preliminary ³Forecast ⁴Hectares
 Source: USDA Foreign Agricultural Service

In the next few years the government, in cooperation with the National Farmers' Organization and the National Tobacco Board (NTB), plans to develop an additional 2,000 hectares of tobacco in the State of Trengganu. Landless farmers and fishermen participating in new schemes will be given leased land and financing and taught to grow and cure tobacco.

DESPITE THE ADVERSE affects of weather conditions on the first and third season crops, the overall yield per hectare improved in 1983,

as intensive cultivation was made possible through improvements in drainage and irrigation systems, and more extensive use of fertilizers. The Integrated Farming Project sponsored by MTC in Alur Ketitir has resulted in a reported yield improvement from 770 kilograms to 2,300 kilograms per hectare.

Last year the Malaysian Agricultural Research and Development Institute (MARDI) introduced a new fertilizer named LTNZ, specifically formulated for area tobacco soils. MARDI says this fer-

tilizer will reduce the cost of fertilizing by M\$345 per hectare, while increasing output from 946 kilograms to 1,638 kilograms per hectare.

Tobacco cultivation is concentrated in the less-developed states of Kelantan and Trengganu. Most of the farmers are poor and belong to the Malay ethnic group which controls the government, making tobacco a socially and politically sensitive crop. The government will continue to support tobacco farmers with high import tariffs and minimum support prices. The government also wants to see manufacturers steadily increase the use of local leaf in the production of cigarettes.

With the initial success of the grower-curer project in Alur Ketitir (Trengganu), the Minister of Primary Industries has seen the prospect of tobacco becoming Malaysia's fourth-ranked agricultural export item—after rubber, palm oil and cocoa. To help realize this goal, the Ministry, through the NTB, plans to upgrade and intensify research and development on tobacco production and to provide aids and incentives for existing tobacco smallholders to adopt the grower-curer system. While such steps could succeed in improving the quantity and quality of domestic tobacco output, most observers doubt that Malaysia could supply a significant amount of tobacco to the export market at competitive prices in the foreseeable future.

TOBACCO IMPORTS FELL drastically in 1983, and at the same time, demand for local tobacco decreased. Cigarette manufacturers identified the government's severe hike in tobacco import duties and excise taxes on tobacco products, resulting in retail cigarette price increases, as the cause. Growers and curers of Virginia tobacco blamed lower demand for their leaf on the switch to American-type blended cigarettes which require less flue-cured tobacco.

Apart from small quantities from Thailand and the Philippines, the

United States supplied all Malaysian tobacco imports in 1983. All three major cigarette companies rely on U.S. suppliers, even buying some third country tobacco from the U.S. With the anticipated shortfall in 1984 domestic tobacco production, imports are expected to reach 4,920MT, then return to their usual level of about 4,400MT in 1985.

The bulk of 1984 tobacco imports will also come from the United States, with the volume depending on consumption trends of blended cigarettes and on the size of the domestic crop. Because the import duty is the same for all grades, Malaysian cigarette importers tend to purchase high-quality stripped leaf. The stiff increase in import duties in 1982 and 1983 practically eliminated imports of lower quality tobacco in 1983. However, with this year's short supply of domestic Virginia tobacco, man-

ufacturers may have to turn to neighboring countries for cheaper filler. In the past, Malaysia has purchased small amounts from Canada, Zimbabwe, Malawi, Turkey and Taiwan, as well as Thailand and the Philippines.

Manufacturers will react to higher tariffs by replacing part of the imported cut-filler tobacco used in American-blend cigarettes with additional amounts of local Virginia tobacco. Currently, the content of domestic leaf in British-style cigarettes is 60 to 62 percent. The government wants to achieve a 70 percent local content by 1986.

With the drop in cigarette sales in 1983, manufacturers are believed to have allowed their stocks of imported tobacco to decrease. Domestic curers, on the other hand, were left with higher-than-normal stocks at the end of 1983, because of an accumulation of unsold low-quality leaf. m

Restrictions inhibit advertising

GOVERNMENT STEPS to discourage smoking have been largely responsible for the heavy declines in Malaysian cigarette consumption. The latest guidelines from the Film Censor Board allow cigarette commercials to be screened in cinemas only during the second show at night or the midnight show. Cigarette commercials may mention only the taste, physical qualities, prices and techniques of manufacturing and processing tobacco in Malaysia.

All ads must feature real packs, and the background must be plain without association with any other product. Words such as "real American taste" may not be highlighted. All cigarette commercials must also carry a five-second warning sign for every 30 seconds of playing time. The warning has to be voiced clearly; and the words of the warning should be red or

grey.

While cigarette companies are allowed to sponsor sporting events, photographs of events being sponsored are not allowed to be used in cigarette advertisements. For print and outdoor advertisement, only the words announcing the event followed by a phrase naming the cigarette company that is sponsoring the event are allowed.

One set of guidelines also specifies that all print media, billboards, and other advertising media including stickers and calendars, should have 25 percent of their total space devoted to the warning sign, but this rule has yet to be put in force.

All cigarettes packs are required by the government to carry the warning: "Warning by the Malaysian Government, smoking endangers health." This rule applies to imported as well as domestically manufactured cigarettes.



Original painting by Tim Bruce was donated by R. J. Reem to the National Tobacco and Textile Museum in Danville.

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**Molins:
Fluted drum apparatus
for conveying cigarettes**

Apparatus for conveying cigarettes by means of one or more fluted drums has a frame including spaced front and back walls defining between them a suction manifold; a fluted drum in front of the frame; a tubular drum-carrying member which extends through an opening in the front wall of the frame, engages and seals in or around an aperture in the rear wall of the frame, and has a flange by which it is secured to the front wall of the frame, the drum being rotatable around the tubular member; and a drive shaft which extends axially through the tubular member, is secured to the front end of the drum, is supported by bearings carried by the tubular member, and carries at its rear end behind the rear wall of the frame a gear or other means by which it is driven; suction being transmitted to ports in the flutes of the drum from the manifold via a passage contained within the thickness of the wall of the tubular member in the region where it extends through the front wall of the frame.

U.S. Patent 4,438,774. Developed by Derek H. Dyett; Rex Harvey, both of High Wycombe, England. Assigned to Molins Limited, London, England.

**Rothmans:
Tobacco metering
and feeding system**

A tobacco metering, conveying and separating system is provided for feeding cut tobacco from a source thereof to a cigarette-making machine at a substantially lower rate, with consequential decrease in tobacco degradation than in conventional systems. A continuous air flow is used in the conveyor pipe and a rotary air lock is used to discharge tobacco from the tobacco-air separator.

U.S. Patent 4,446,876. Developed by Warren A. Brackman, Cocks-

ville, Canada. Assigned to Rothmans of Pall Mall Canada Limited, Don Mills, Canada.

**Wiggins Teape Group:
Spark perforation assembly
for sheet material**

A spark perforation apparatus includes a rotary electrode assembly for effecting spark perforation of sheet material passing between the electrodes of the assembly and a suitably juxtapositioned earthed surface. The electrode assembly comprises a first set of annular electrodes for connection to a suitable power source, a second set of annular electrodes alternating with and of greater external diameter than the electrodes of the first set, and dielectrical material spacing the electrodes so as to form a series of parallel capacitors.

U.S. Patent 4,447,708. Developed by Roger A. Allen, Gt. Missenden; Robert J. Hall, Flackwell Heath, Nr. High Wycombe, both of England. Assigned to The Wiggins Teape Group Limited, England.

**Hauni-Werke:
Apparatus for reciprocating
rod guide during rod cutoff**

Apparatus for reciprocating the tubular rod guide which supports the cigarette rod during severing by the orbiting knife of a cutoff has a pair of identical drives whose first driving units receive rotary motion from a common driver gear and transmit torque to eccentrically mounted second driving units. The second driving units support an eccentrically mounted holder for the rod guide. The eccentricity of the second driving units with reference to the respective first driving units is the same as the eccentricity of the holder with reference to the second driving units. The RPM of the first driving units is half the RPM of the second driving units, and the first and second driving units of each drive rotate in opposite directions. Elastic cushions are interposed between the holder and each second

driving unit.

U.S. Patent 4,444,210. Developed by Peter Schumacher, Hamburg, West Germany. Assigned to Hauni-Werke Korber & Co. KG., Hamburg, West Germany.

**Brown & Williamson: ✓
Cigarette filter with
lateral smoke diversion**

A filter for a cigarette which includes means at the mouth end thereof to divert the exiting smoke in a lateral direction.

U.S. Patent 4,446,878. Developed by Harry S. Porenski, Jr., Louisville, Ky. Assigned to Brown & Williamson Tobacco Corporation, Louisville, Ky.

**Tobacco harvester
with mobile frame**

A tobacco harvesting apparatus including a mobile frame, having a cutting station comprising a rotary cutter blade, a rotary paddle assembly, and a receiver for a longitudinally and forward projecting tobacco stick in a stick receiving position behind the cutting station, whereby forward movement of the mobile frame causes the cutting station to move along a row of tobacco plants so that the tobacco stalk is cut by the rotary cutter blade and is impaled and moved along the tobacco stick by the rotary paddle assembly.

The apparatus further includes an automatic stick ejector mechanism for receiving the rear end of the tobacco stick and rotating the tobacco stick upward and behind the mobile frame upon actuation by a predetermined accumulation of stalks upon the tobacco stick, and a stick feeding mechanism for feeding one stick at a time from a stick reservoir to the stick receiver, operating in synchronism with the stick ejector mechanism.

U.S. Patent 4,444,001. Developed by Henry J. Thurnau, New Milford, N.J.; Ray K. Smalling and Peter F. Thurnau, both of Lafayette, Tenn.

All new patents for the tobacco industry are supplied exclusively to Tobacco Reporter by Inventions, Inc. They are reviewed and summarized by Tobacco Reporter's staff. To get a copy of a patent, send the number and 50 cents to the Commissioner of Patents, Washington, D.C. 20231. U.S.A. (Design patents are 20 cents each.) To reach inventor or assignees, if the address is insufficient, write them in care of the Commissioner of Patents, being sure to cite patent number.

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Rothmans of Pall Mall introduces new 100's

Rothmans of Pall Mall Canada Limited has introduced new Rothmans 100's filter cigarettes to the Golden Horseshoe and Ottawa areas of Ontario.

The new line extensions under the Rothmans banner are: Rothmans Special Mild 100's at 10 mg. tar and 0.9 mg. nicotine; Rothmans Special Mild 100's Menthol at 10



mg. tar and 0.9 mg. nicotine; and Rothmans Extra Light 100's at 8 mg. tar and 0.8 mg. nicotine. New Rothmans 100's are available in packs of 20's and 25's in a three-row hinge lid pack.

An advertising campaign featuring extensive magazine and press, combined with point of sale material, supported the introduction.

"The 100mm segment in Canada is enjoying considerable growth and we have gone to great lengths to produce the very best 100mm product on the market today. One which we feel the consumer will be very happy with," said Robert H. Hawkes, president of Rothmans of Pall Mall.

Camel cigarettes introduced to Turkish market

R.J. Reynolds Tobacco International has announced that Camel cigarettes will be introduced in Turkey for the first time.

Turkey is a \$1.4 billion cigarette

market where more than 78 billion units were sold in 1983. Camel Filters for Turkey will be manufactured in the United States in Winston-Salem. RJR International will work closely with Tekel, the Turkish monopoly through which all cigarettes are sold and distributed.

The introduction of Camels will be supported by a newspaper advertising campaign.

In addition to Camel, Winston King Size, Winston 100's and Salem 100's have been introduced in Turkey for the first time by RJR International.

Court dismisses Imperial's claim against Raffles

The British High Court has dismissed Imperial Tobacco's claim that advertising and packaging for Raffles, a rival Philip Morris Inc. brand, infringed on its John Player Special brand.

Justice Whitford ruled in favor of Philip Morris, saying: "Anyone who could possibly mistake Raffles for John Player Special must be very muddled." He added that Imperial had no exclusive right to black and gold packs, nor could it prove that Raffles was calculated to be mistaken for John Player Specials.

Imperial was ordered by the Justice to pay legal costs which are unofficially estimated to be about us\$140,000.

Raffles was launched in a us\$7.5 million campaign last January.

Lorillard stops producing nonmenthol Newport Red

Lorillard has ceased production and marketing of the two-year-old Newport Red brand. Poor sales performance and product differentiation problems prompted the action.

The brand, introduced in test markets in March, 1981, was marketed in approximately half of the United States. Sales peaked at 140 million units in 1982, but by the end of last year they were at 70 million pieces. Advertising for Newport Red had been curtailed.

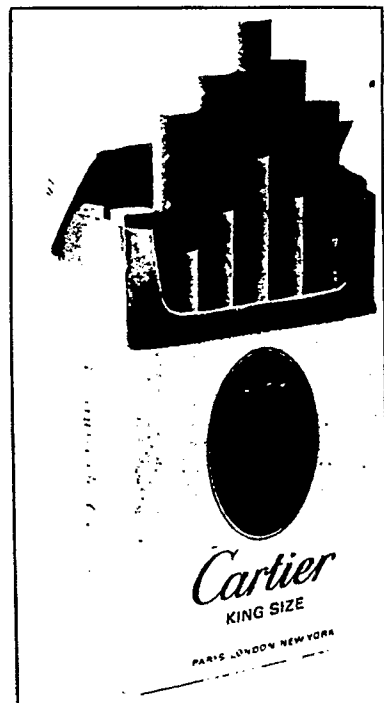
Newport Red had the same packaging and advertising theme—"Alive with pleasure"—as the

Newport menthol brand, except it used red coloring in ads and on packs instead of Newport's green. Lorillard believes consumers had some difficulty identifying the Red brand as a nonmenthol cigarette.

Newport Menthol continues to be the company's major growth brand. The Newport brand family was the fastest growing in the industry last year, according to John C. Maxwell Jr. It posted a 9.7 percent growth in sales in 1983, making it number 11 in the industry.

Rothmans launches new luxury cigarette in U.K.

Rothmans has announced the introduction of a luxury cigarette to the U.K. market. Cartier King Size is a premium-priced, 84mm, low-to-middle tar brand with Virginia tobacco. It sells for us\$1.76 per 20-pack at selected national retail



outlets, with hopes of going completely national in the future.

Cartier King Size follows the launch of Cartier International Luxury Length and is an addition to the Rothmans' range, with none of their brands being withdrawn, says the company. The launch is supported by a us\$1.75 million ad campaign.

“When you’ve got pride in your work, it shows.”

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NEW PRODUCTS & EQUIPMENT

Coupling provides ready access to piping

The Lorenz Coupling, introduced by Lorenz & Son Manufacturing Company, allows quick access to piping. It cuts maintenance costs on bulk handling, vacuum or pneumatic conveying lines that require frequent access and can also be used to repair leaking pipes.

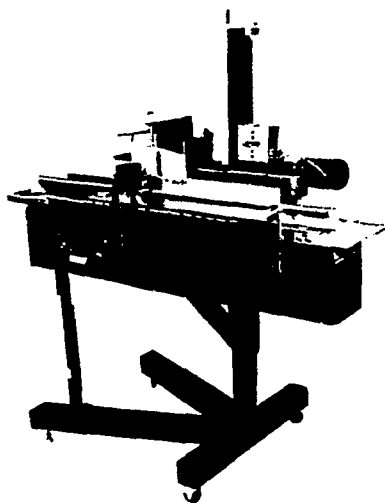
One-piece stainless steel construction prevents loss of parts, and the neoprene rubber gasket provides a secure seal. The clamp works by contraction rather than expansion, exerting greater torque for a tighter seal. Installation requires no tools. Standard sizes range from two to 24 inches, and special sizes are also available.

For further information contact Diane Lorenz, Lorenz & Son Manufacturing Company Ltd., P.O. Box 1002, Cobourg, Ontario K9A 4W4; telephone: (416) 372-2240.

Round product label machine introduced

Auto-Labe has introduced a new high-volume, fully automatic Model 600 pressure sensitive labeling machine.

The Model 600 is designed to handle a wide variety of round



package configurations from small vials to gallon-size containers at speeds up to 100 per minute. The basic machine includes the labeler, product turning device, stand and conveyor. It can be used with its

own conveyor or can be integrated into existing conveyor lines. Optional equipment includes front and back labeling capability, hot-stamp or ink imprinters, product spacers and lazy susan product accumulators.

For a data sheet detailing specifications, contact Auto-Labe, Division of Booth Manufacturing Company, 3101 Industrial Avenue Two, Fort Pierce, Florida 33450; telephone: (305) 465-4441.

Special duty drive expands motor control line

The new CSI-1000 AC motor speed control has been announced by Ramsey. Incorporating both current source and pulse width modulation wave shaping for torque smoothing at low frequencies, it provides full load torque at zero speed and precise torque and speed control for optimum operation. CSI-1000 drives are offered from 30 to 400 horsepower, 460v, 0-140 Hz., three phase, with special configurations available for specific applications.

The CS-1000 will provide an adjustable speed range for machine tools (bending rolls, grinding, lathe metalworking, etc.); cranes and hoists (clamshell buckets, elevators, main hoists, reversing skiphoists, etc.); test stands (compressors, engines, pumps, etc.); and other miscellaneous applications.

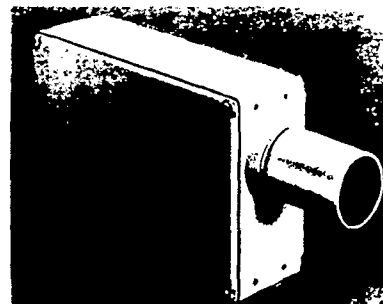
For additional information contact Ramsey Controls, Inc., 333 Route 17, Mahwah, New Jersey 07430; telephone: (201)529-4400.

Non-contact infrared thermometers introduced

The new Capintec/Heimann 1700 series infrared thermometers combine performance and precision engineering to create a line of non-contact temperature measurement instruments that are capable of a variety of applications. The S-1700 Sensor Units operate in one of five different spectral bands. All models feature single or dual temperature spans and linear process current output. High-performance features include through-the-lens sighting with small target optical resolution; fast response (as short as 30 msec.);

and a digital emissivity setting.

Precision radiometric techniques combining a pyroelectric detector with optical chopping form the basis for the 1700 series high performance capabilities. Special circuitry maintains system accuracy over ambient excursions of zero



degrees to 60 degrees Centigrade. With added water-cooled accessories, ambients to 150 degrees C. can be tolerated.

The 1700 series Sensor Unit may be integrated directly into distributed process control systems. Where temperature must be displayed, optional indicator units may be added. The indicators are available with digital or analog displays as well as with various signal conditioning and control capabilities.

Typical applications for the 1700 series infrared thermometers include plastics extruding of small cross-section shapes; plastic film and textile web scanning; and research and development studies.

For more information contact Capintec Instruments, Inc., 6 Arrow Road, Ramsey, New Jersey 07446; telephone: 1-800-631-3826.

Hybrid process controls dilute VOC emissions

AMCEC Corporation announces a new process design which controls dilute VOC emissions. Sources of these emissions are typically non-process air exhausts from manufacturing building vents, press hall sweeps, and secondary coater ovens.

The AMCEC Hybrid process utilizes activated carbon adsorption technology to concentrate VOCs from a dilute air flow onto a mass

of activated carbon. During steam regeneration of the carbon the VOCs are carried into the burner of an adjacent waste heat boiler for destruction.

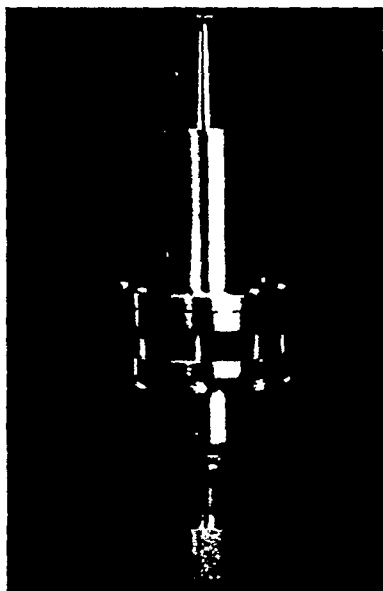
The recovered VOCs contribute valuable heat energy to produce additional steam for the carbon regeneration, and are thereby completely destroyed on-site. Operating cost is reduced, and the user avoids the cradle-to-grave responsibility which accompanies off-site disposal of hazardous wastes.

For additional information contact Robert M. Saxer, P.E., Sales and Marketing Engineer, AMCEC Corporation, 2625 Butterfield Road, Oak Brook, Illinois 60521; telephone: (312) 986-1515.

Three additions to ultrasonic nozzle system developed

The Sono-Tek Corporation has expanded its line of ultrasonically operated liquid atomizing nozzles. Three new lines with extended capability have been developed for atomizing viscous materials, for extremely low flow rates and humidification applications.

Distinguished by their tapered amplifying stems, the nozzles designed for atomizing viscous



materials, are currently available in two nominal flow rate capacities, 1.7 gph and 3.5 gph maximum de-

livery.

The MicroSpray nozzle, designed for low flow rates, is useful in applications requiring minute quantities of low velocity spray. The small atomizing head makes it possible to confine the spray within a small area.

The humidification nozzle uses only a small amount of electrical energy to create a mist of fine

droplets. In addition, the nozzle features soft, low velocity spray. Placed in open areas, the spray can be mixed with air from a small auxiliary fan with adjustable flow to provide coverage over as large or as small an area as desired.

For more information contact the Sono-Tek Corporation, 313 Main Mall, Poughkeepsie, New York 12601; telephone: (914) 471-6090.

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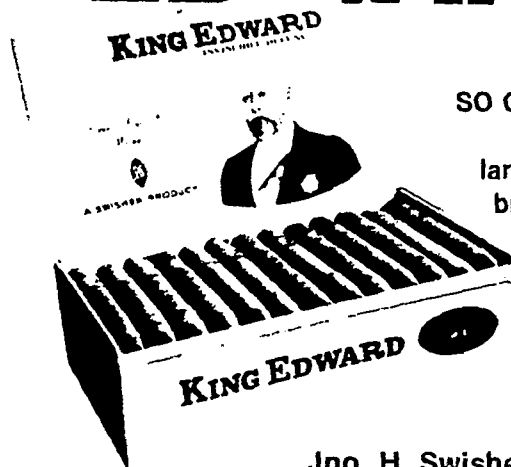
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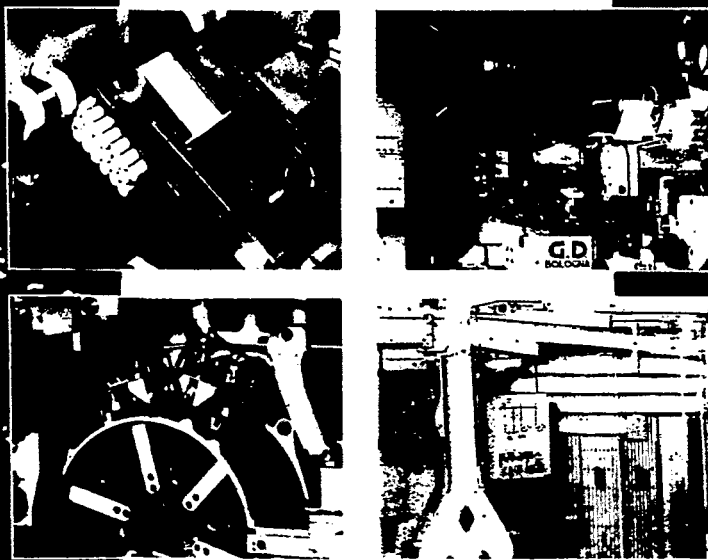
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G.D.
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NEWSMAKERS

IMPORTERS:

Stuart Alexander

Stuart Alexander & Co., an Australian importer of tobaccos, cigars and coffee, is celebrating its centenary this year. The company's 100th birthday in February was marked by a Centenary Dinner held at the Sydney Opera House.

As its special guests, the company invited executives from overseas principals. Companies represented were Burger Cigars of Switzerland, Douwe Egberts and Henri Winterman of Holland, Gallaher of Britain, the General Cigar Company of New York, Harald Halberg of Denmark and the Jamaica Tobacco Company.

The company was founded in Sydney in 1984 by a Frenchman, Fernand Levic, who began by importing cigars from Switzerland. Stuart Alexanders' turnover today

is more than A\$50 million a year.

In addition to Gallaher (tobaccos), Henri Winterman (cigars) and Douwe Egberts (tobaccos, cigarette papers and coffees), Stuart Alexander imports McBaren tobaccos from Harald Halberg, White Owl cigars and Half & Half tobacco from the U.S., Cuban cigars from Havana, St. Andrew cigars from the Jamaica Tobacco Co., Kiko pipes from Tanganyika and Geneva cigars and Mahawat cigarettes from Switzerland.

LEAF:

Rothmans

J. Doug Kilpatrick is the new leaf director for Rothmans of Pall Mall Canada Limited. He will be in charge of all company leaf purchasing and blending activities and will be based in Toronto.

Prior to joining Rothmans as a

trainee in 1967, he had worked for Simcoe Leaf Tobacco Company and the Federal Department of Agriculture in Prince Edward



Kilpatrick

Island. As an extension worker with the Department he was involved in assisting growers with production and marketing. He returns several times a year to negotiate with the P.E.I. Tobacco Marketing Board.

He also played a leading role in the establishment of the Maritime Tobacco Research Project funded by the Canadian Tobacco Manufacturers Council. The project is designed to supplement Federal research to improve the quality and yield of the Maritime tobacco crop.

MANUFACTURING:

Reemtsma

Christian Klar, deputy director of Reemtsma Cigarettenfabriken GmbH and managing director of Reemtsma International has been appointed full member of the board of directors by the supervisory board.

R.J. Reynolds

Charles A. Tucker, vice president and assistant to the chairman of R.J. Reynolds Tobacco Co., has joined the office of the chief executive of R.J. Reynolds Industries, Inc.

While continuing to serve as a vice president and director of Reynolds Tobacco, Tucker will also be responsible for carrying out a variety of special assignments for Edward A. Horrigan Jr. and J. Tylee Wilson, who, respectively, became president and chief operating officer and chairman and chief executive officer of Reynolds Industries on June 1.

Tucker first joined R.J. Reynolds in 1972 as a brand director of RJR



With the "Relex. Enjoy a Cigar" campaign well underway, the Cigar Association of America recently honored five major suppliers who have made a significant contribution to the industry's new public relations program. Receiving a plaque and a 14K gold lapel pin featuring the new logotype were (left to right) Young Hall Jr., president of Rex Packaging, a division of Y.E. Hall, Inc., Osvaldo Lamar, president of Imperial Processing Corporation, Tom Arthur, CAA chairman and president of Havatampa, Claude Martin, president of Lancaster Leaf Tobacco Inc., and Tim Shepard, president of NuWay Tobacco Company. John Oliva, president of Oliva Tobacco Co., was unable to attend. CAA chairman Tom Arthur, made the presentation on behalf of the industry.

Tobacco's Message Is Free Choice

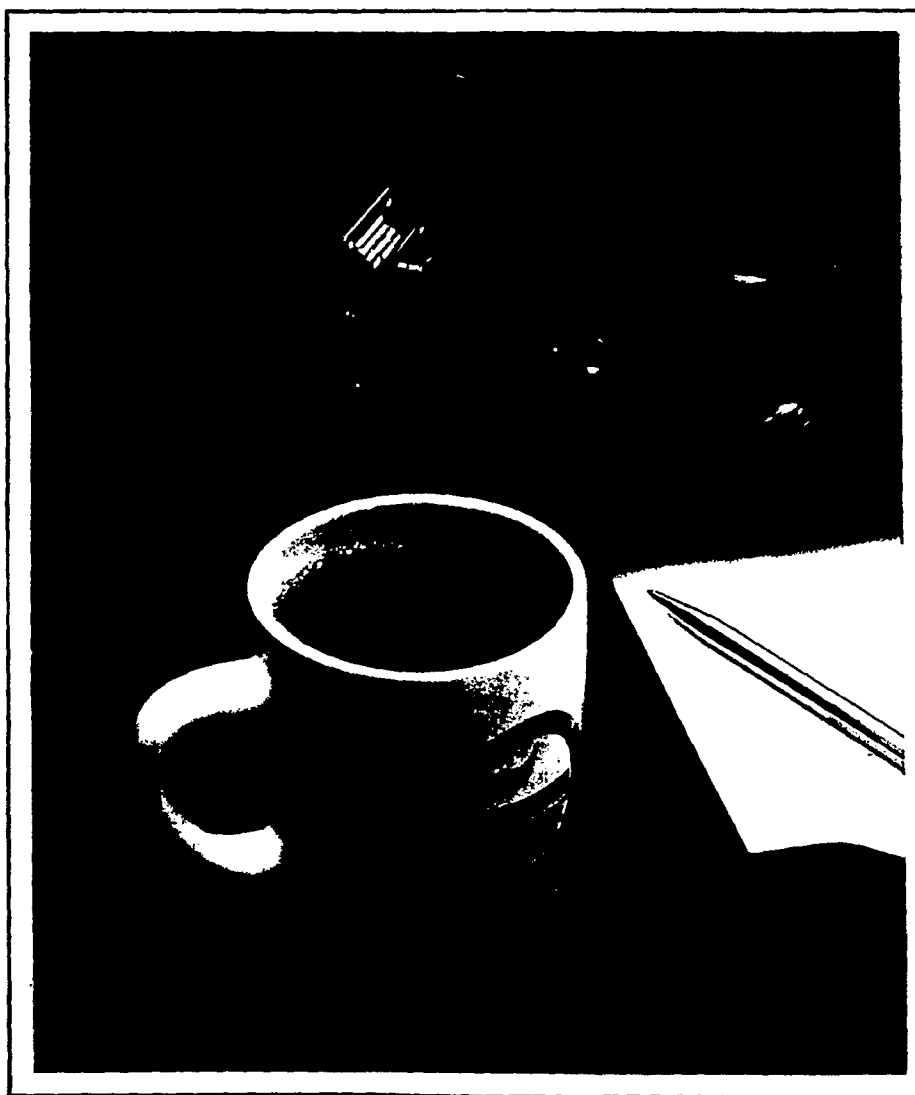
You, as a decision maker in the tobacco industry, occupy an important position in promoting tobacco's message. Your voice will help keep the industry alive.

Despite the efforts by various groups in many countries to intimidate smokers and make them feel guilty for their habit, the tobacco industry is still surviving. In order to insure that tobacco, as an industry, maintain its position in the future, it is important that all involved product manufacturers, sales companies, suppliers, equipment manufacturers and growers as well as smokers themselves, do their part in promoting tobacco's message of free choice. W.A. Adams is doing its part to offset the widespread campaign to treat smoking as a crime instead of a custom, and brings you the following promotional offer with the hope that you and your company will welcome the opportunity to spread tobacco's message and secure its future.



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Foods, Inc., and was promoted later that year to vice president of market planning.

In 1973, he joined Reynolds Tobacco as vice president and director of marketing and a member of its board of directors. In 1976, he was promoted to group vice president.

Tucker became Reynolds Tobacco's vice president of public affairs in 1978 and assumed his current position as vice president and assistant to the chairman in 1982.

Fumas Tobacco

Alonso Menendez has been appointed vice president of manufacturing and new product development for Fumas Tobacco Corp. Prior to affiliating with Fumas, he was affiliated with Menendez & Amerino, Brazilian manufacturers of Amerino and Copacabana cigars.

Menendez is the son of Alonso Menendez Sr., the late founder of Menendez, Garcia Compania and originator of H. Upmann and Montecristo cigars in Havana. He worked in that company from 1951 to 1960 and, after the firm was confiscated by the Castro government, he established Compania Insular Tabacalera S.A. in the Canary Islands with Gulf + Western.

When that company was sold to G + W in 1976, he moved to Brazil to found the Menendez & Amerino Factory with his brothers. That company's Copacabana brand is distributed in the U.S. by Fumas Tobacco.

Philip Morris U.S.A.

Shepard P. Pollack, president of Philip Morris U.S.A., has resigned. He also resigned as a director and corporate vice president.

Frank W. Resnik has been named to succeed Pollack. He has been president of Philip Morris's Tobacco Technology Group since 1982 and a corporate vice president since 1978.

Resnik joined Philip Morris U.S.A. in 1952. He became director of commercial development for tobacco in 1967. In 1971 he was named director of development, and was appointed director of research center operations the following year. In 1976 he became vice president for operations for administration Philip Morris U.S.A. He served as vice president of tobacco operations for Philip Morris Inc. from November 1978 to January 1980, when he became executive vice president of the Tobacco Technology Group.

OBITUARY:

Peter Sampoerna

Peter Adi Sampoerna (Liem Swie Hwa), president of P.T. Adi Sampoerna, died April 22, 1984, in Singapore. The company is an exporter of cigar tobacco (Besuki NO), shag and cigarette tobacco (Lumajang VO) and dark smoke tobacco from Central Java.

Sampoerna was also the president of the House of Sampoerna, known for clove cigarettes with the trademark JI SAM SOE (234), and was an advisor to The Indonesian Tobacco Association.

SALES & MARKETING:

TOBACCO REPORTER

Del R. Hall has been named director of sales and marketing for Specialized Agricultural Publications, Inc., publishers of TOBACCO REPORTER. Hall has more than 24 years of experience in sales and marketing, including eight years with two major international firms and 16 years selling and managing advertising sales operations with long-established national publications in the U.S. He will direct TR's worldwide sales activities from the Raleigh office.



Hall



Themans

SUPPLIERS:

FD&O GmbH

Fritzsche Dodge & Olcott Inc. has announced the appointment of Albert Themans as sales manager of flavors for FDO GmbH, its subsidiary in West Germany.

Themans has held positions with I.F.F., Dragoco, P.P.F. International in Hamburg and with other Unilever companies.

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EQUIPMENT

ARENCO CIGAR MACHINES 5" Perfecto & 5½" Invincible Shapes. Most machines have binder aprons. Some with Binder Dies. Several with automatic feeds for manufactured binder and wrappers. Most machines will make all-tobacco products. Two Hayssen box wrapping machines. JACOBS CIGAR CO., RED LION, PA. 17356, USA



Classified

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