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# **The U.S. Tobacco Situation and Outlook**

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Prepared for  
USDA Agricultural Outlook Forum

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# The U.S. Tobacco Situation and Outlook

Agricultural Outlook Conference  
2000

Arlington, Virginia

## Cigarette Price Increases to Cover Cost of MSA and Farmers' Trust

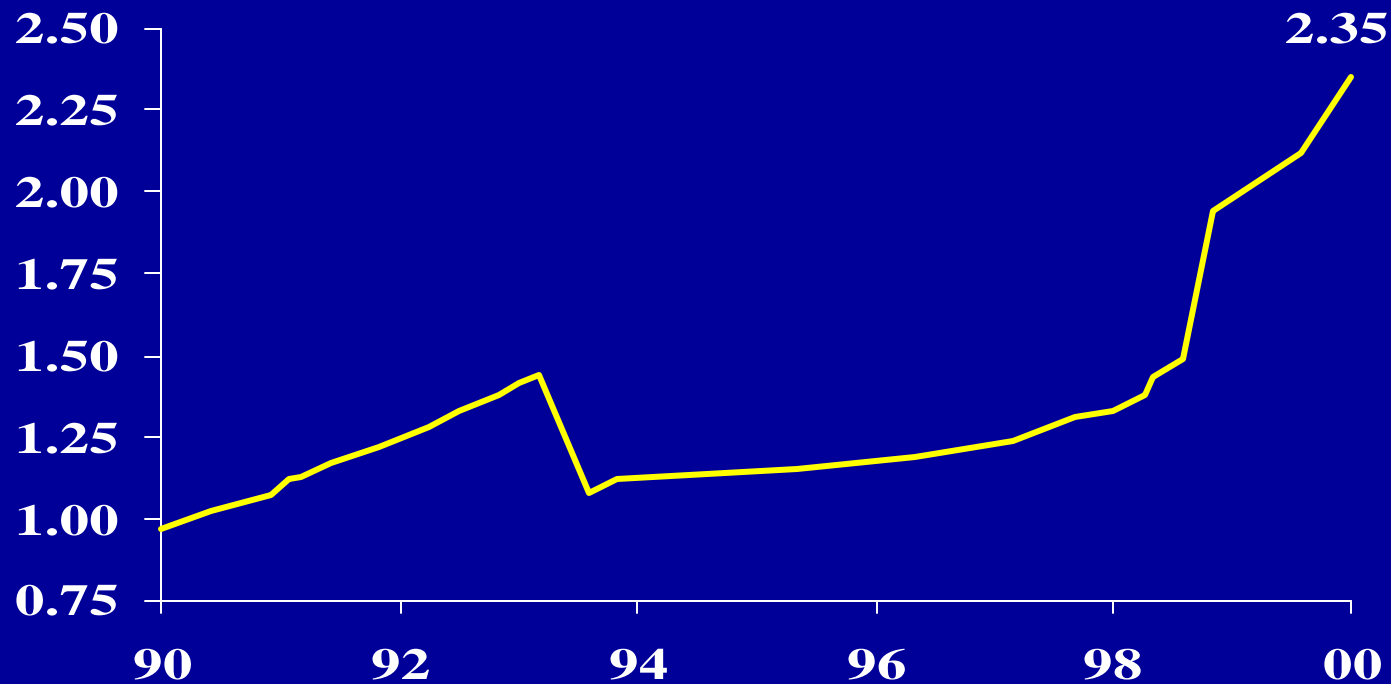
- **The major cigarette manufacturers have agreed to pay 56 State and territorial governments about \$245 billion over the next 25 years, subject to inflationary, volume and other adjustments.**
- **In addition, manufacturers have agreed to pay \$5.15 billion over 12 years to the National Farmers' Trust for distribution to tobacco farmers.**
- **These costs are the primary reason for record cigarette price increases since November 1998.**

## Per Pack Wholesale Cigarette Price Increases -- Including Fed Excise Tax

January '98	2.5 cents to \$1.33
April '98	5 cents to \$1.38
May '98	5 cents to \$1.43
August '98	6 cents to \$1.49
November '98	45 cents to \$1.94
August '99	18 cents to \$2.12
January '00	10 cents to \$2.22 (Tax)
January '00	13 cents to \$2.35

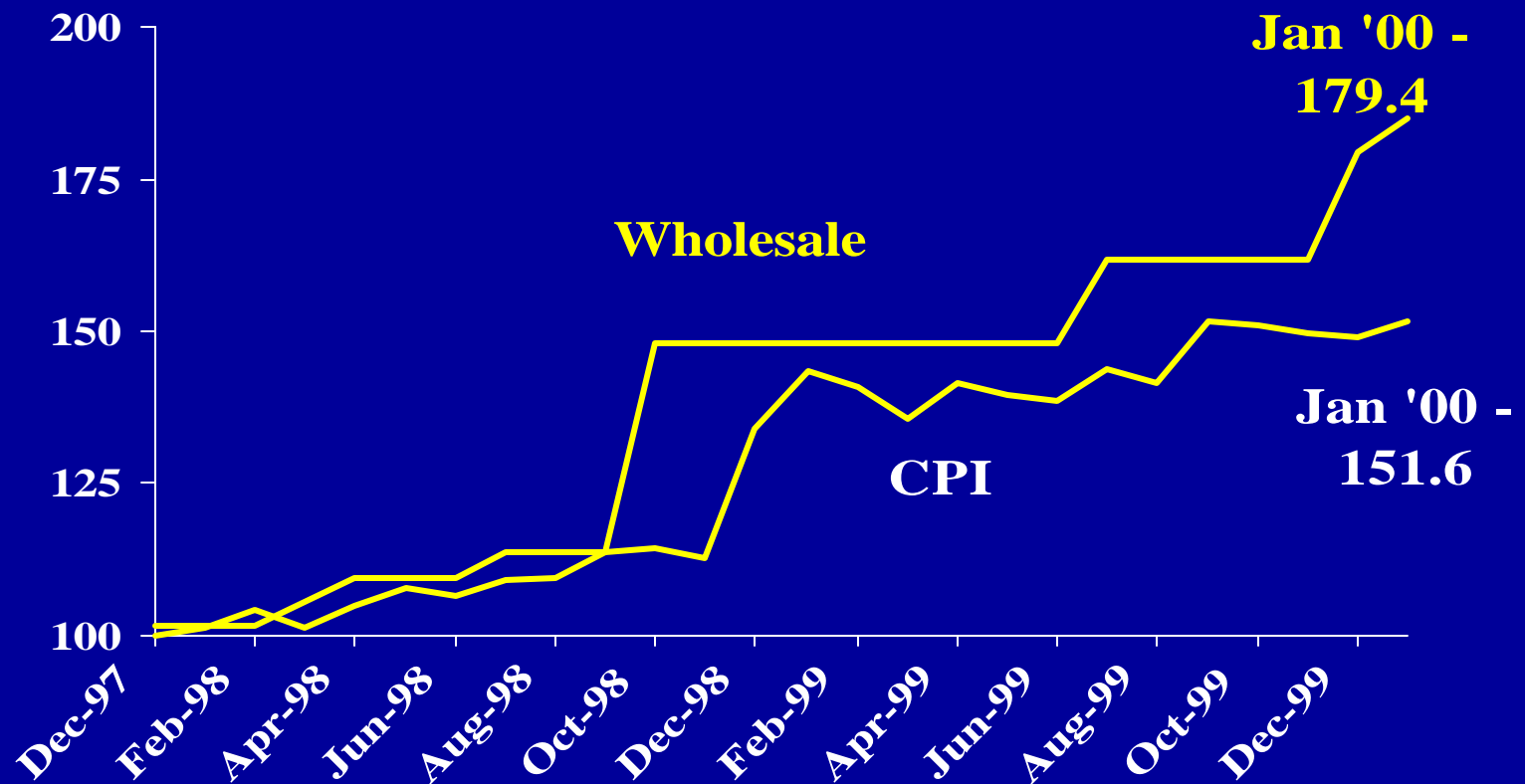
# Cigarette Wholesale Price 1990-2000 -- Including Federal Tax

\$ per pack



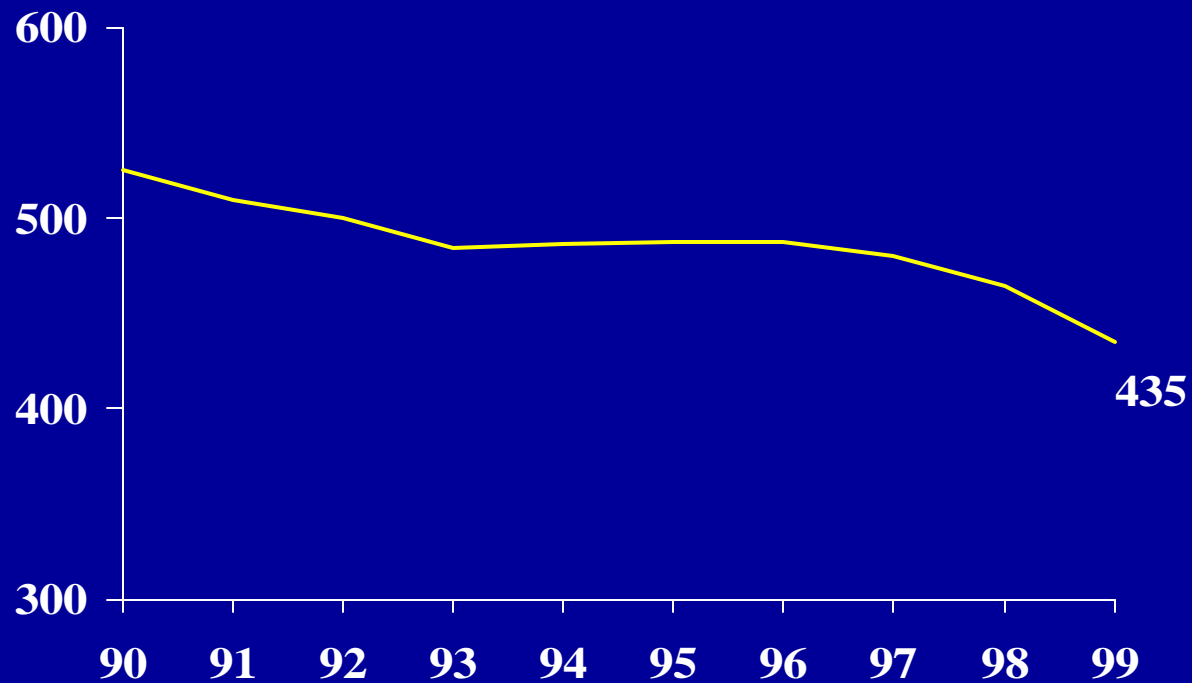
# Cigarette Price Indices 1998-2000

Dec 1997 = 100



# U.S. Cigarette Consumption 1990-99

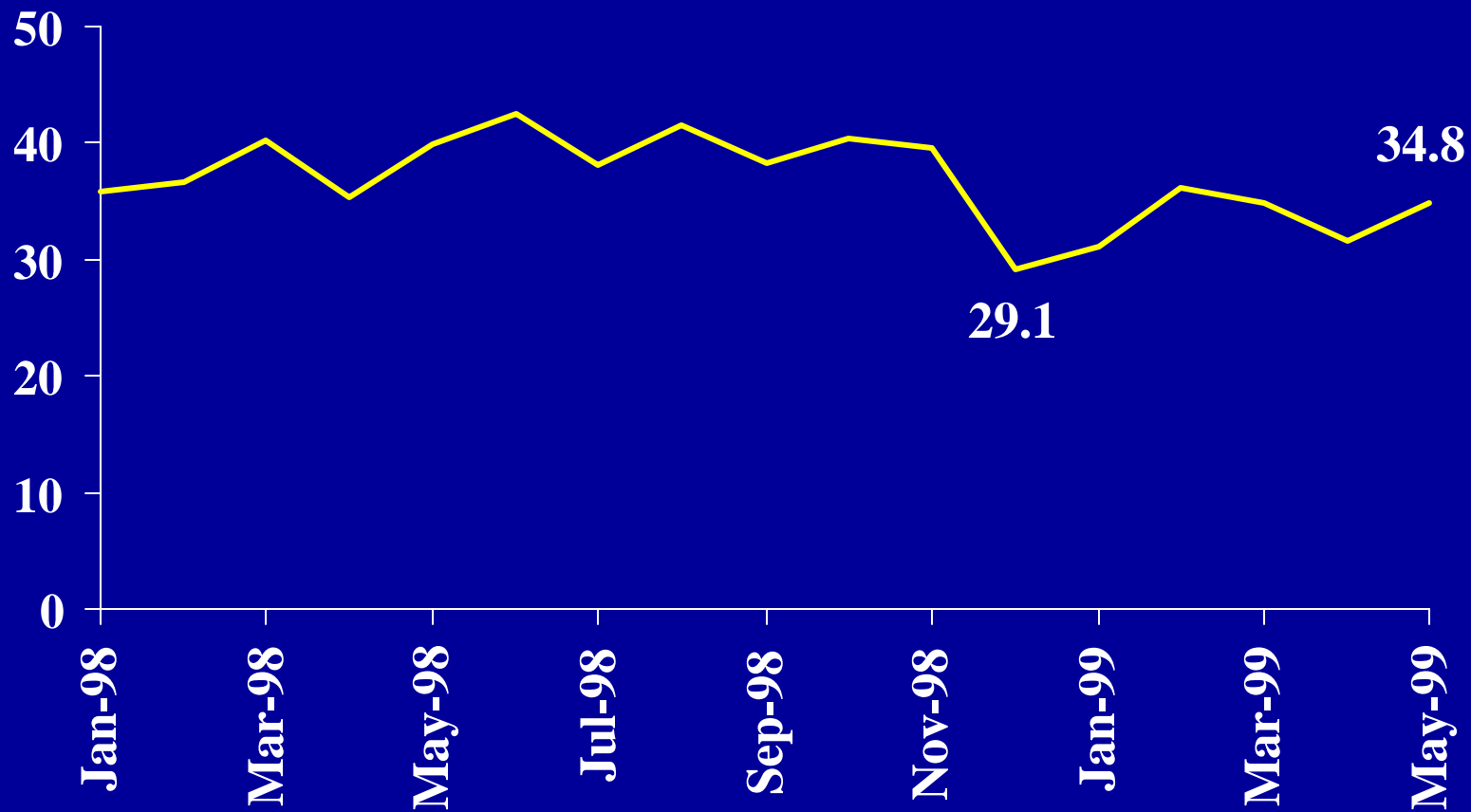
**Billion Pieces**





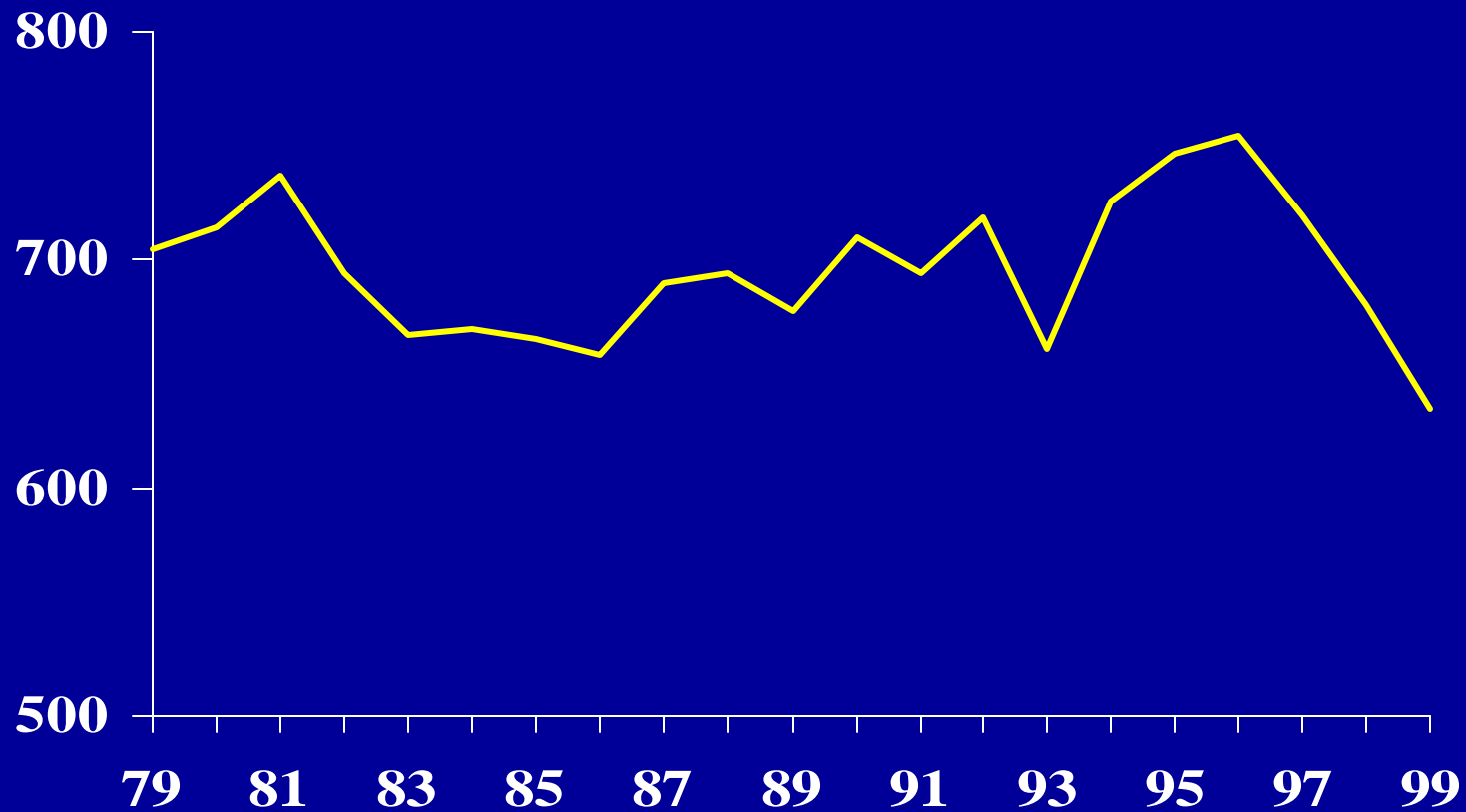
# Monthly U.S. Cigarette Removals 1998-99

Billion Pieces



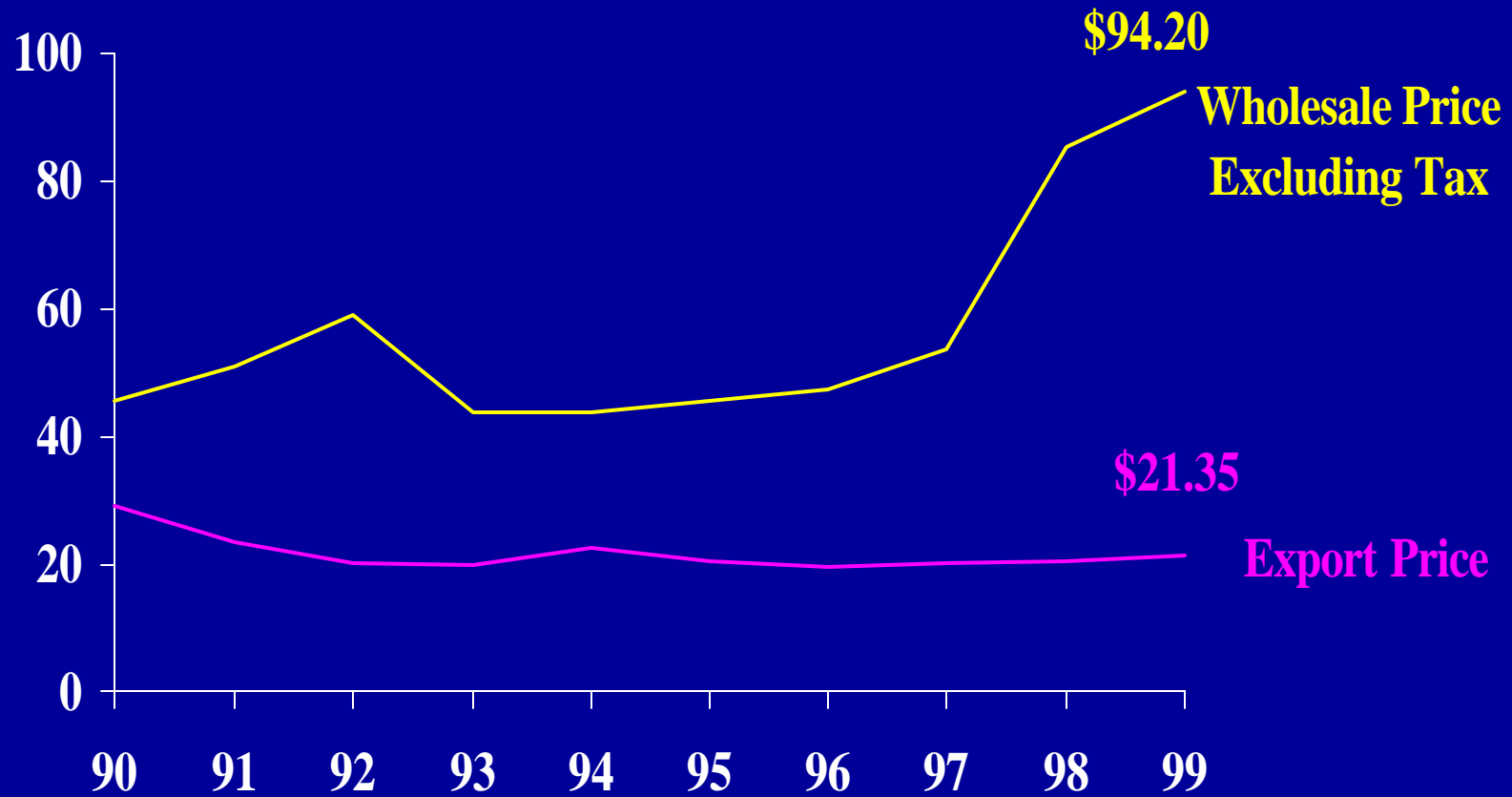
# U.S. Cigarette Output

**Billion Pieces**



# Cigarette Prices 1990-1999

\$ per 1,000 Pieces

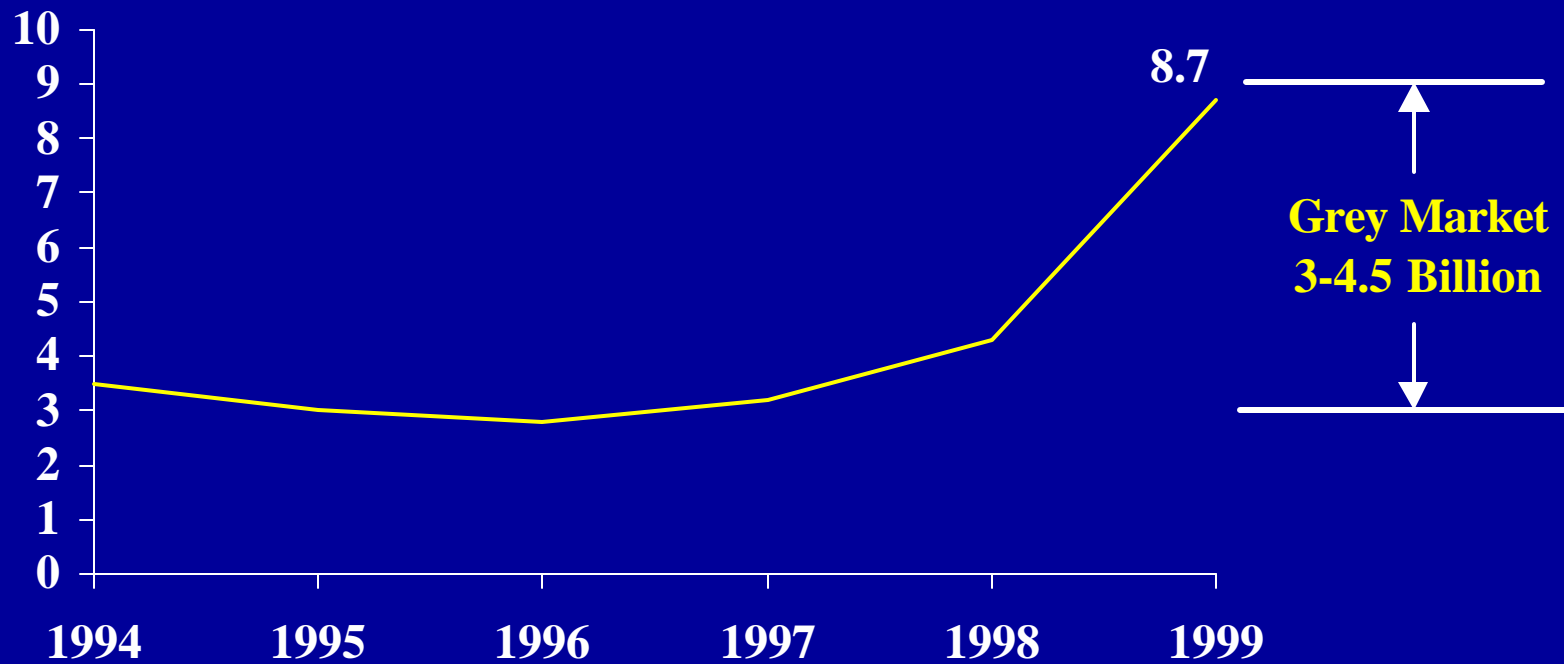


# Grey Market Takes Off in 1998

- The large differential between the **manufacturer price** and **export price** of U.S. cigarettes, makes it profitable for independent traders to re-import U.S.-made cigarettes designated for sale outside the U.S. back into the domestic market.
- These traders pay applicable taxes and duties.
- Federal and state legislation now prohibits grey market sales.

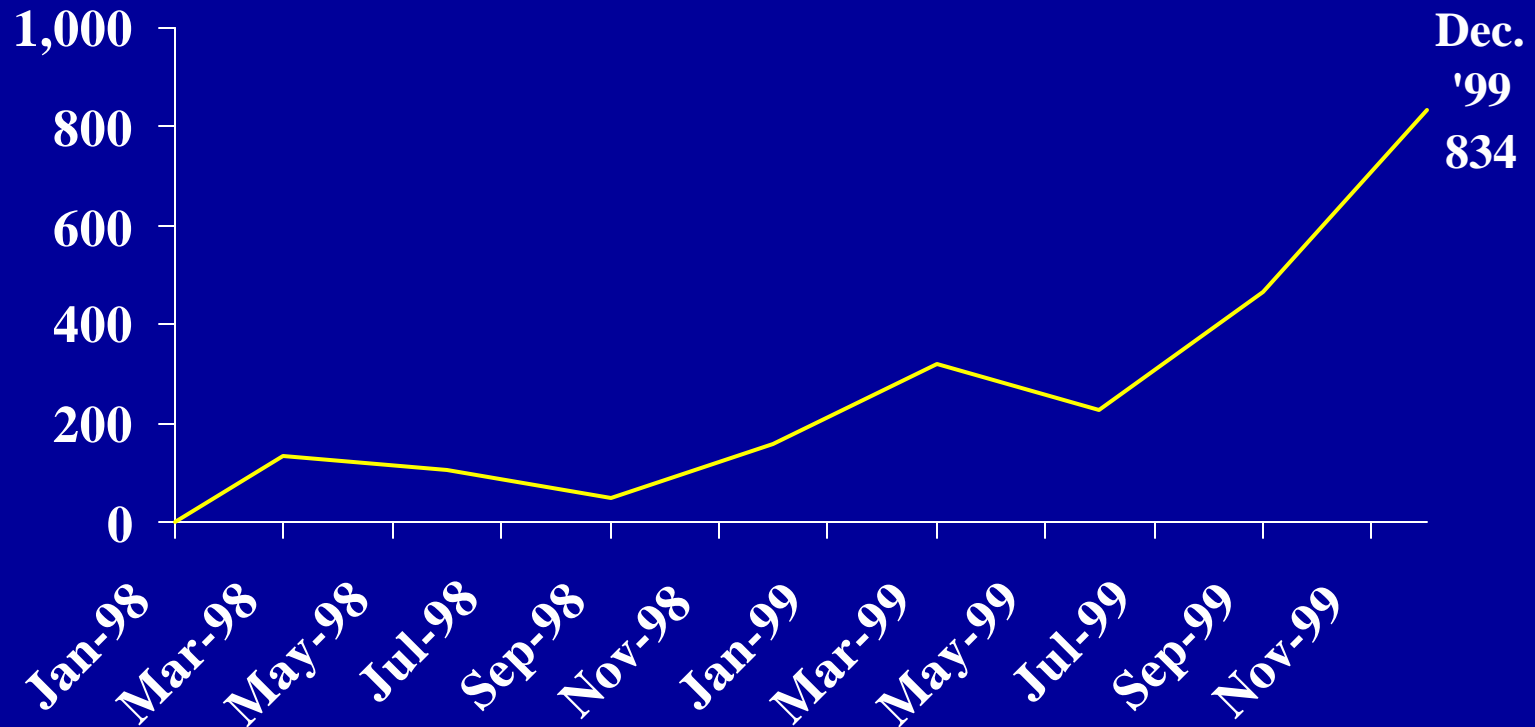
# U.S. Imports and the Grey Market

**Billion Cigarettes**



# Estimated Size of Grey Market: Monthly Imports Less Selected Asian Countries and Base Imports

Mil. Pieces

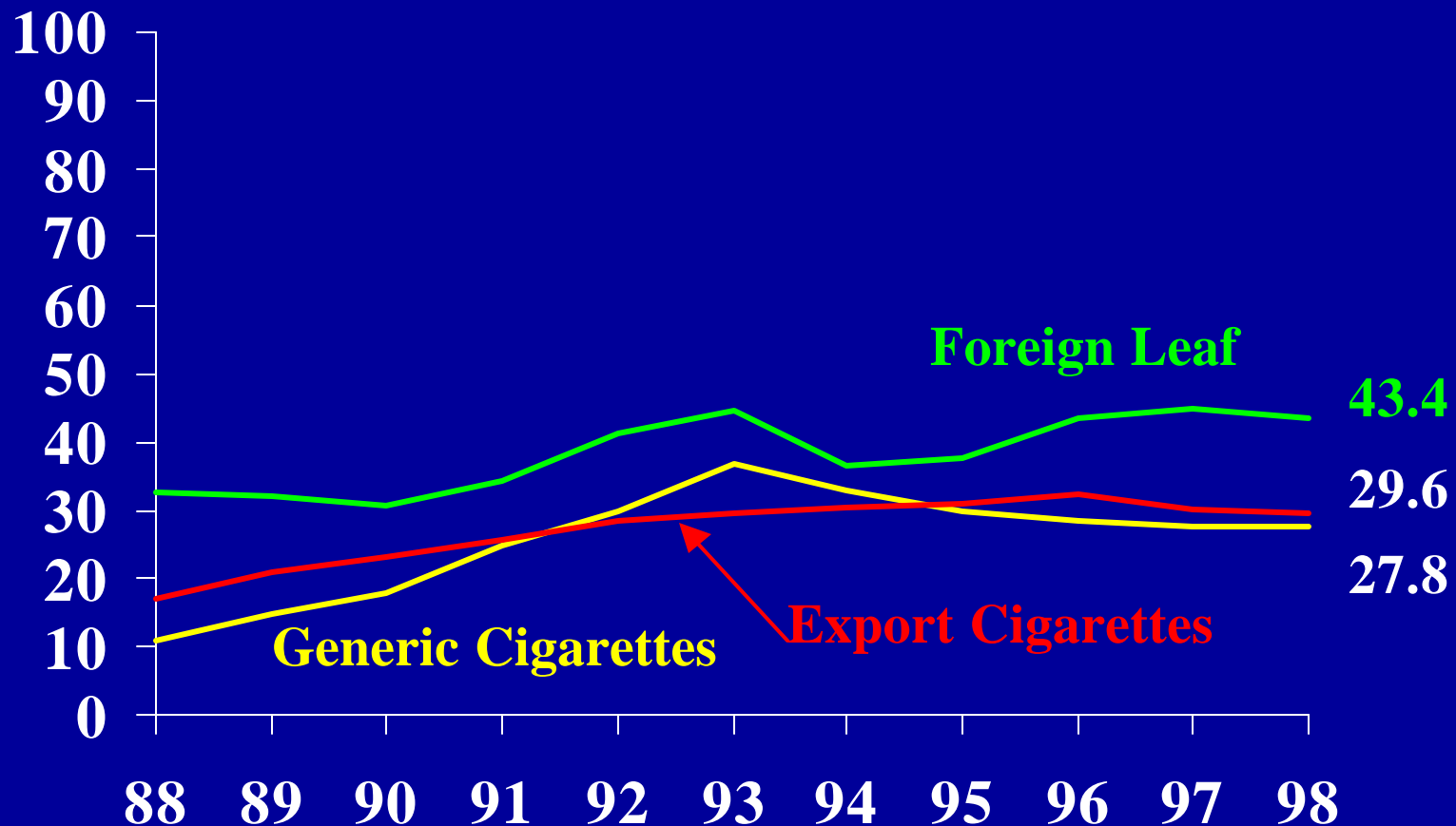


# Black Market

- **Black market cigarettes** are defined as those that are illegally sold, whereby tariff duties and excise taxes (at either the Federal, State, or Local level) are not paid.
- Unlike grey market cigarettes, black market cigarettes do not appear in normally gathered trade or tax statistics.
- Estimates of black market imports range from 10 to 60 billion cigarettes.
- Within the U.S., smuggling of cigarettes occurs from low tax states to high tax states.

# Percent of Generic and Export Cigarette Production and Foreign Leaf Content

Percent

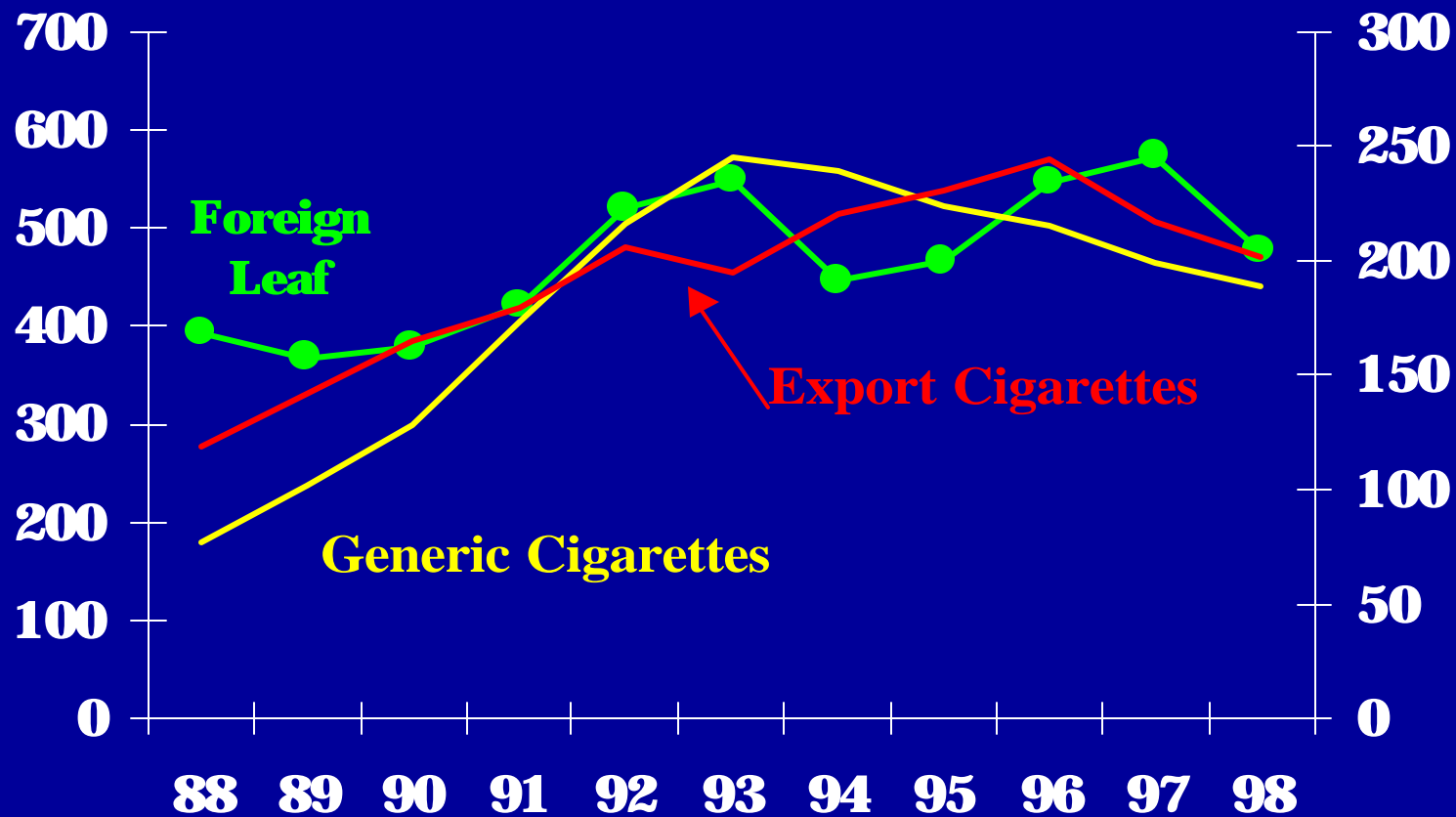




# Volume of Generic and Export Cigarette Production and Foreign Leaf Use

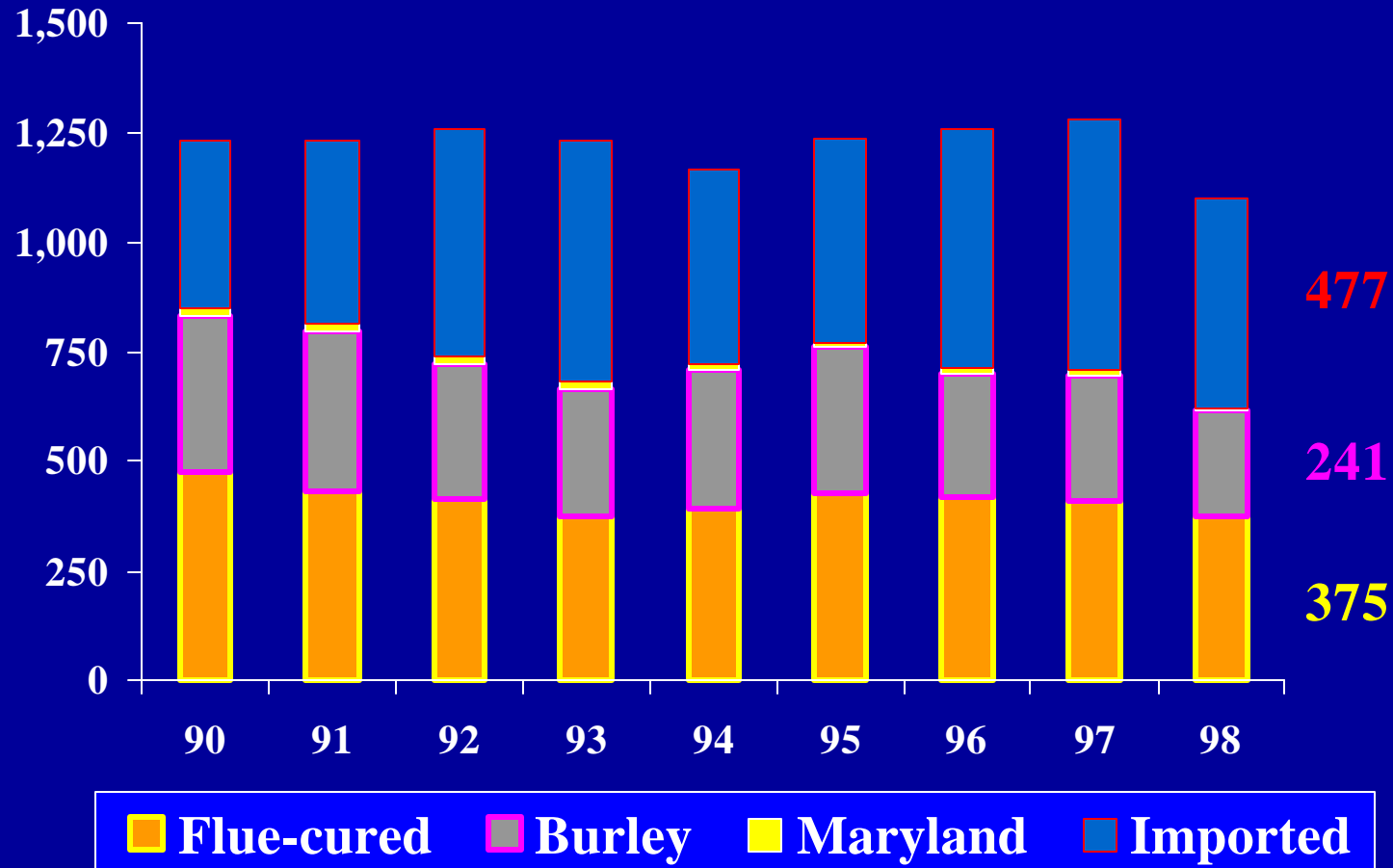
Bil Cigarettes

Mil. Lbs.



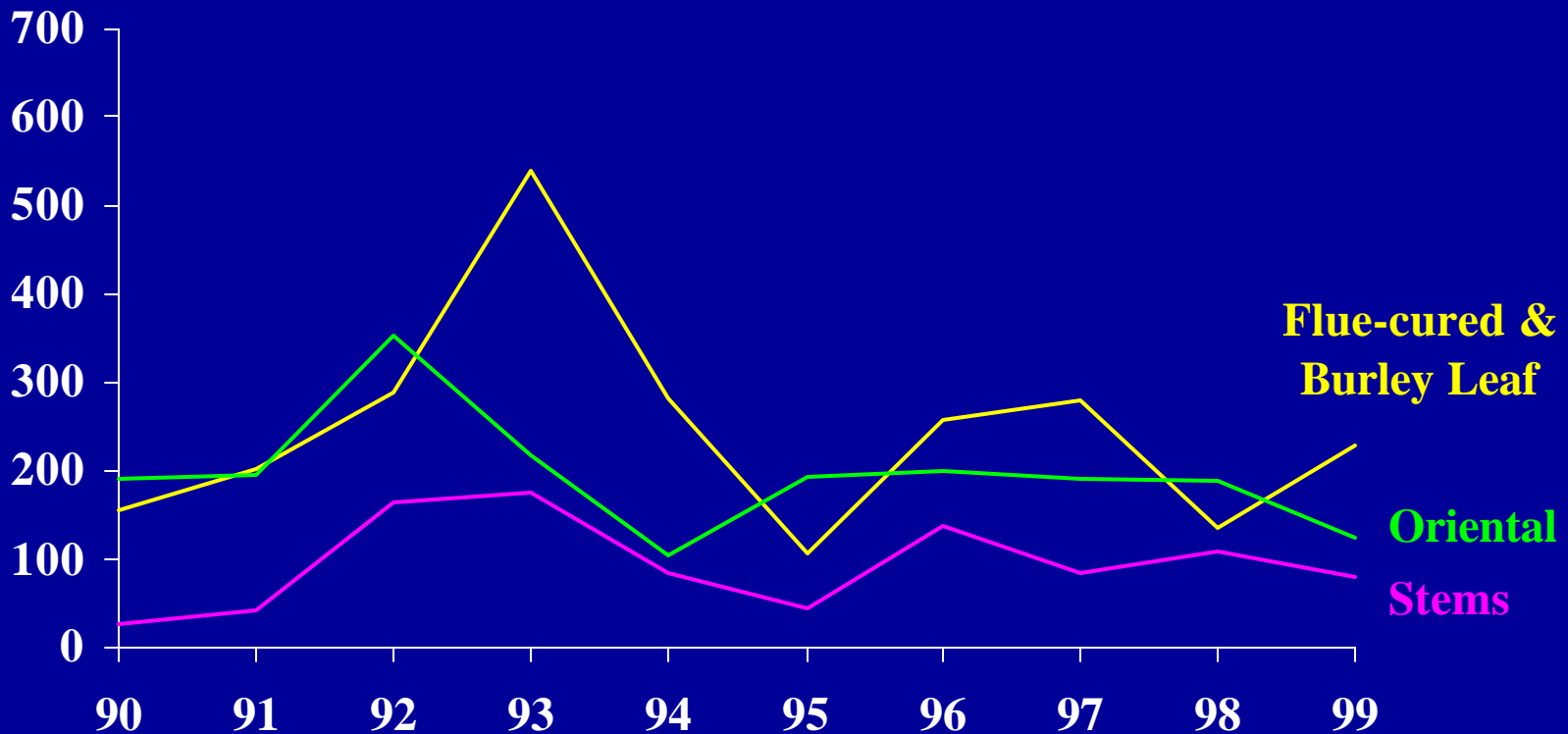
# Tobacco Used for Cigarettes

Million Lbs.



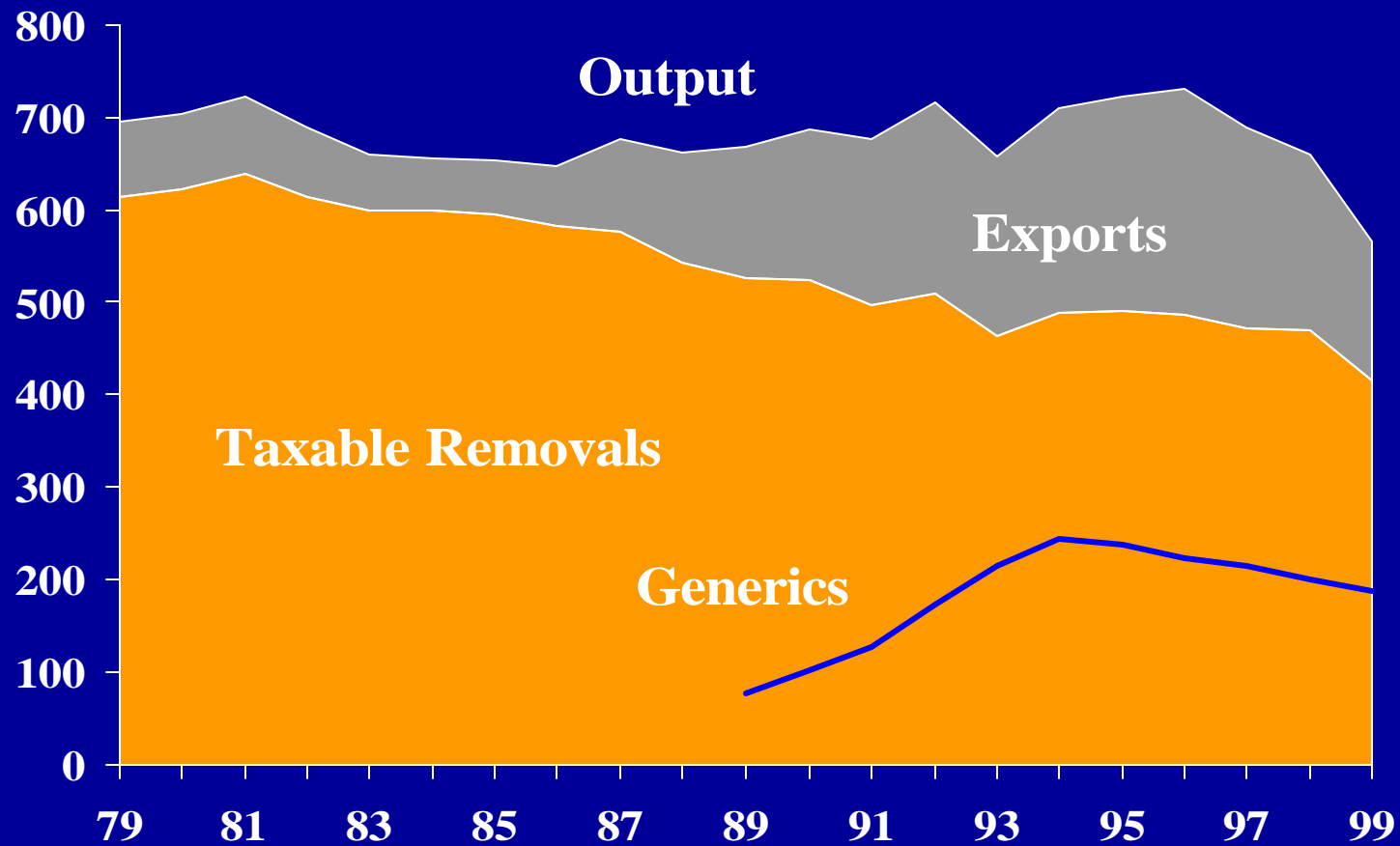
# U.S. Cigarette Leaf Imports--Declared Weight

Mil. Lbs.



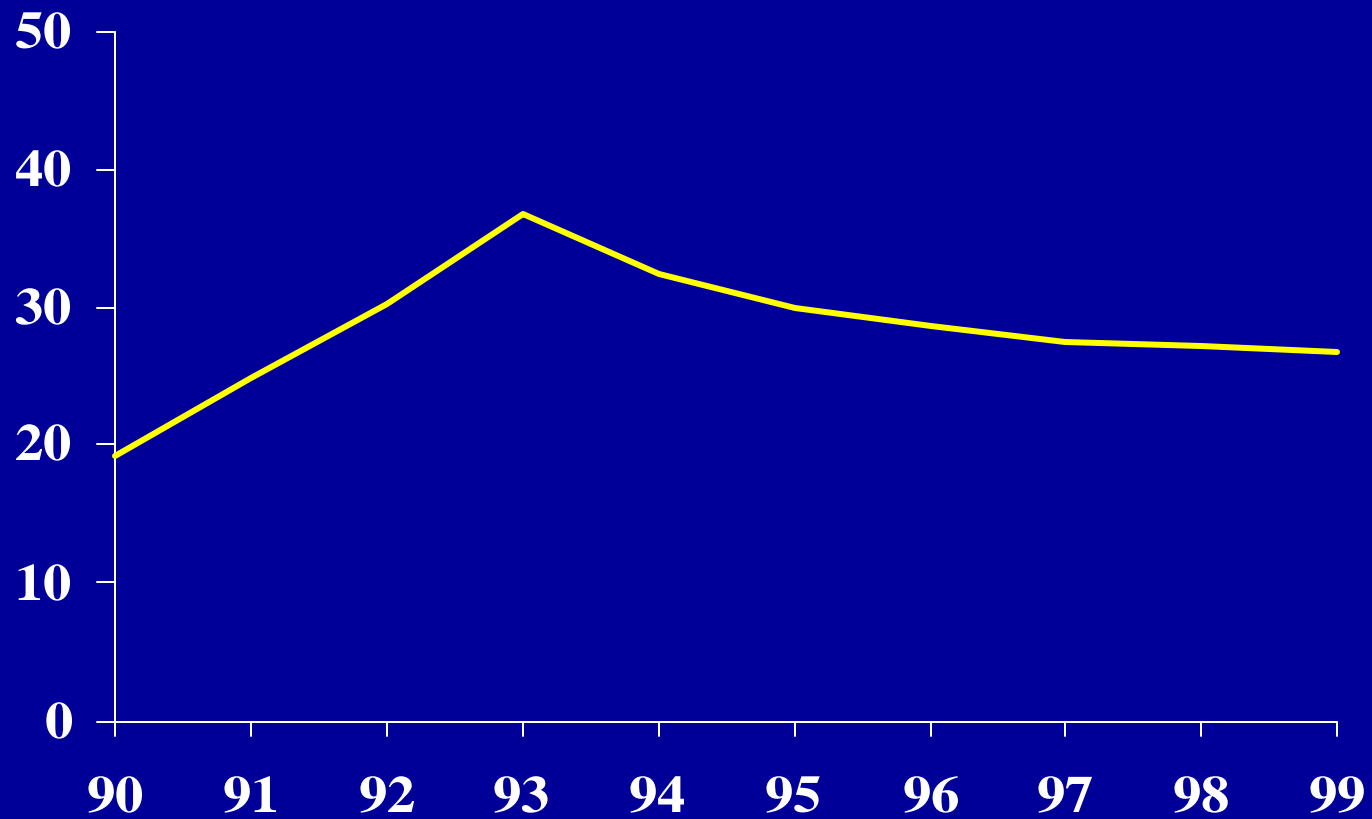
# U.S. Cigarette Output

Billion Pieces



# U.S. Output of Generic Cigarettes

Percent



# U.S. Cigarette Exports

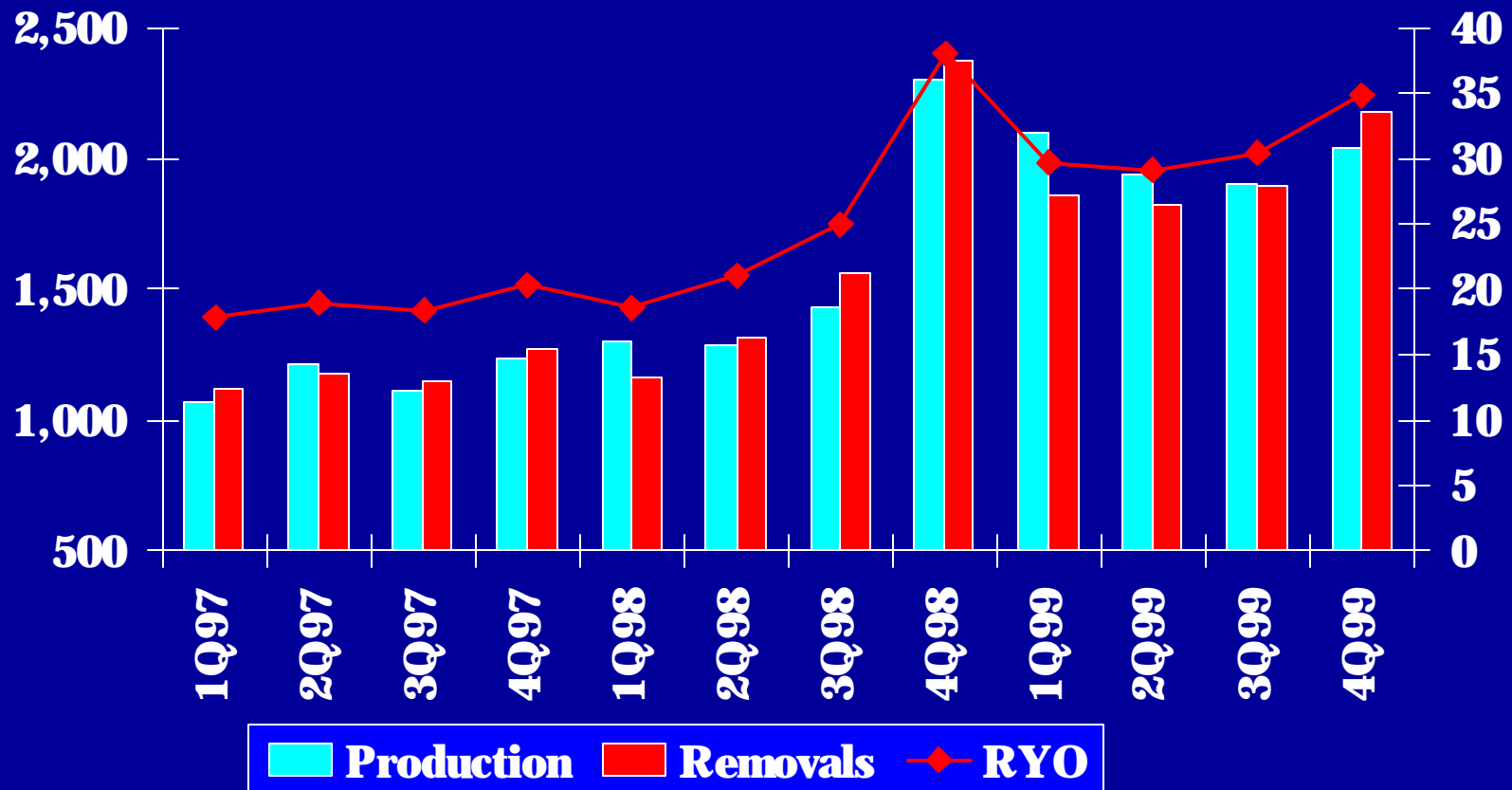
Billions



# Roll Your Own Advances

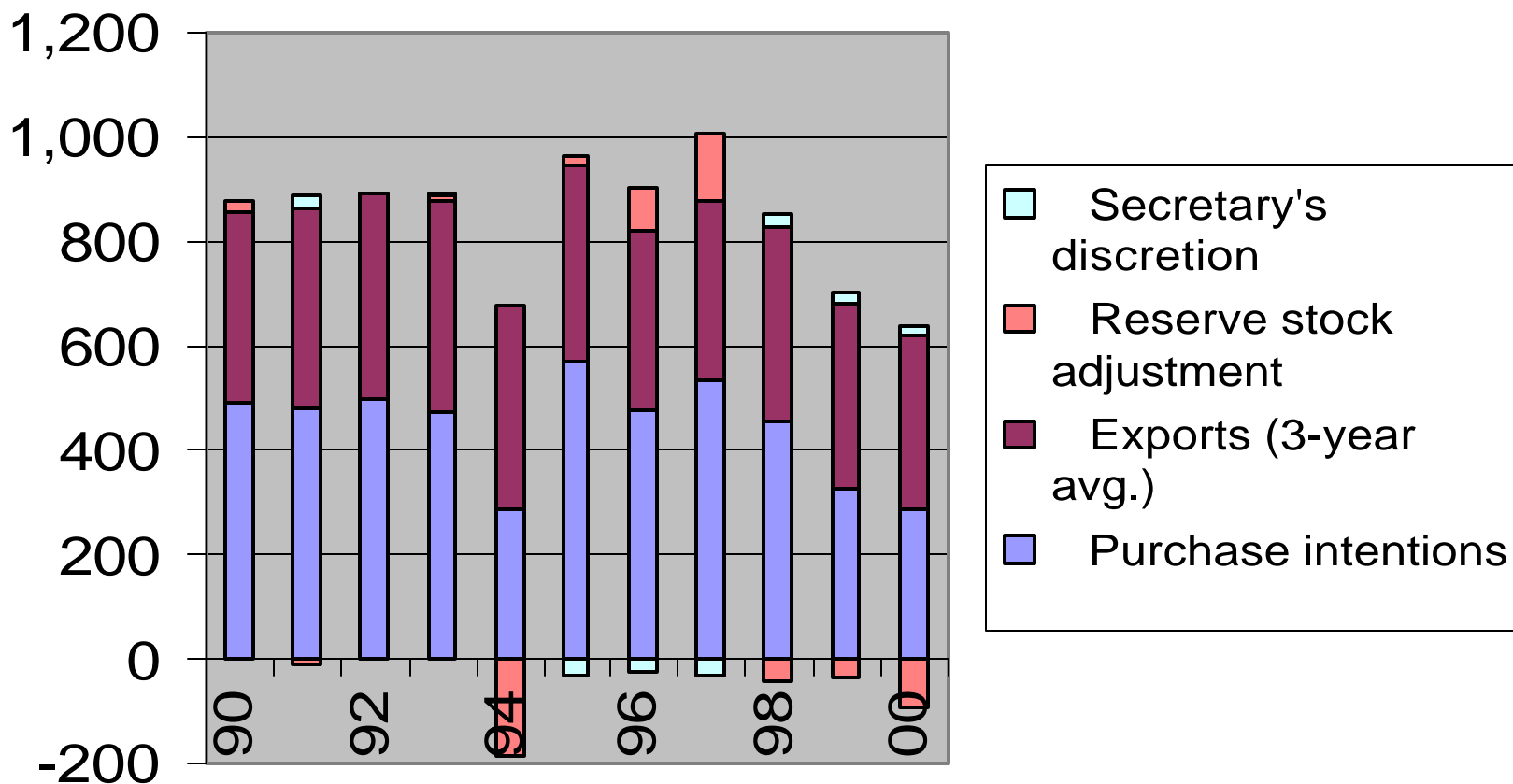
Thous. Lbs.

Mil. Pieces (est.)



# Flue-Cured Basic Quota Components

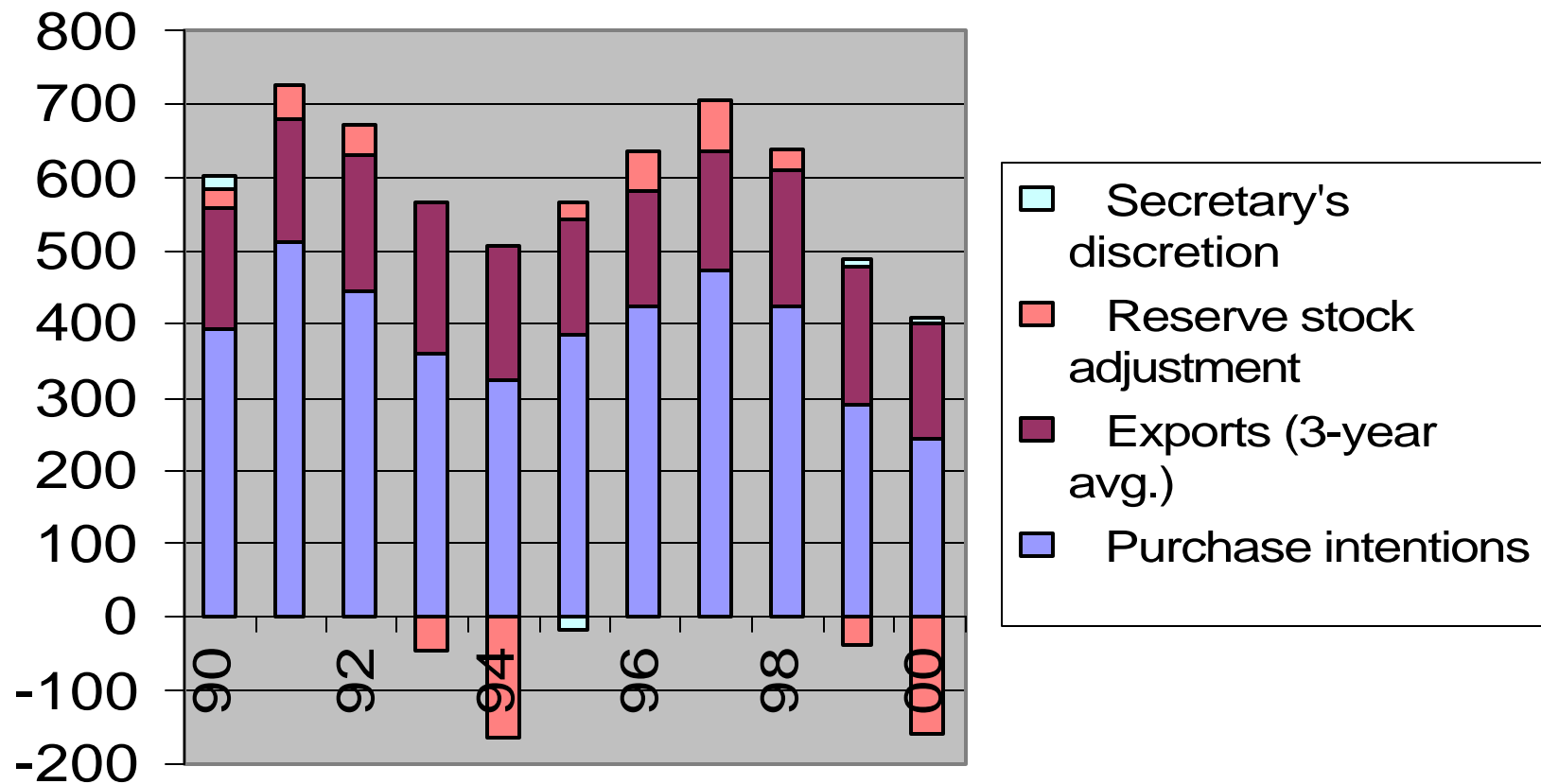
Mil. Lbs.





# Burley Basic Quota Components

Mil. Lbs.



End