

Newsletter on the Common Agricultural Policy

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Tobacco  
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DRAFT PROPOSAL FOR A REGULATION ON THE ESTABLISHMENT  
OF A JOINT ORGANIZATION OF THE MARKET IN UNMANU-  
FACTURED TOBACCO

PRELIMINARY NOTE:

Before beginning a study of unmanufactured tobacco, its production, and commercial importance and the possibility of establishing a joint market organization for it, it is important to define the term "leaf tobacco", which must not be confused with "baled tobacco" and "manufactured tobacco".

These three terms will be used in close association in the study and it is essential that their exact meaning be kept in mind.

LEAF TOBACCO: This is tobacco as delivered by the growers, either to the monopolies (in Italy and France), or directly to the processing industries; it has not been baled.

BALED TOBACCO: This is tobacco which has already passed through the first processing stage. It has been dried and fermented in establishments specially equipped for this purpose and has then been "baled".

It is in this baled form that it is delivered to the processing industries or exported. Baled tobacco is the only kind of tobacco entering into international trade.

Since it has passed through the first processing stage the cost price of baled tobacco is higher than that of leaf tobacco.

The term "unmanufactured tobacco" covers both leaf tobacco and baled tobacco.

MANUFACTURED TOBACCO: This is the product supplied to the consumer: cigarettes, cigars, and tobacco in packets for pipes and hand-rolled cigarettes.

THE WORLD TOBACCO SITUATION  
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World production of all varieties of tobacco has been increasing steadily for some years past. It has risen from 3 million tons in 1939 to 4.1 million tons in 1964. Geographically speaking, production is fairly wide spread; tobacco grows in most countries of the world. However, nearly all tobacco produced is grown in the following ten countries:

<u>Countries</u>		<u>Tons</u>
USA	950 000	- 1 050 000
China	750 000	- 850 000
India	300 000	- 350 000
USSR	120 000	- 170 000
Japan	120 000	- 170 000
Rhodesia	120 000	- 170 000
Turkey	100 000	- 160 000
Pakistan	100 000	- 160 000
Greece	90 000	- 130 000
Bulgaria	90 000	- 130 000
World production	3 900 000	- 4 100 000
EEC production	100 000	- 140 000

The largest exports of tobacco come from the countries which produce on a large scale. It should be noted that exports too have been steadily increasing - they have risen from 530 000 tons in 1939 to 850 000 tons in 1964, an increase of 60%.

The principal exporting countries are:

<u>Countries</u>	<u>Tons</u>
USA	220 000
China	100 000
Rhodesia	100 000
Turkey	75 000
Bulgaria	75 000
Greece	55 000
India	50 000
Brazil	50 000
EEEC	14 229

Main importers:

<u>Countries</u>	<u>Tons</u>
United Kingdom	156 350
Germany	126 733
France	48 990
Netherlands	45 294
Belgium and Luxembourg	31 139
Italy	22 537

From this information three conclusions can be drawn which will enable the Community's position to be defined.

1. Production:

With an average harvest of 130 000 tons a year, the EEC accounts for roughly 3% of the world tobacco output.

2. Exports:

The Community exports practically no tobacco at all.

3. Imports:

The EEC is the world largest importer.

THE EEC TOBACCO SITUATION

With an annual production of roughly 130 000 tons, valued at \$140 million, Community growers produce only about 35% of the tobacco industry's needs; manufacturers therefore depend on imports from non-member countries for more than 60% of their requirements. In 1964, the Community produced 134 800 tons of leaf tobacco and imported approximately 274 693 tons of baled tobacco.

EEC production was broken down as follows between the six countries:

<u>Italy</u>	<u>France</u>	<u>Germany</u>	<u>Belgium/Luxembourg</u>	<u>Netherlands</u>
53%	35%	10%	2%	0

The degree of self-sufficiency of the six countries is as follows:

<u>Italy</u>	<u>France</u>	<u>Germany</u>	<u>Belgium/Luxembourg</u>	<u>Netherlands</u>
100%	30%	10%	10%	0

This then is the overall situation in the Community (see the tables annexed for the situation in the individual countries).

To complete the picture, we must refer to the prices paid to Community growers and compare these with the prices paid for baled tobaccos of comparable quality imported into the Community. Generally speaking, the cost price of Community tobacco is higher than that of tobacco from non-member countries.

Only two varieties of tobacco, oriental and dark air-cured are examined here. These two varieties are the most representative as regards the difference in cost price. (For other varieties, see the annexed tables.)

Oriental tobacco:

Prices paid to Italian growers for the 1963 harvest:

Leaf tobacco:	1.25 u.a./kg
Baled tobacco:	2.50 u.a./kg.

Average of the prices paid for baled tobaccos of comparable quality imported into the Community from Albania, Bulgaria and Yugoslavia:

$$1.05 \text{ (fob)}^1 + 0.06 + 0.29 \text{ (CCT)}^2 = 1.40 \text{ u.a./kg.}$$

<sup>1</sup> free on board.

<sup>2</sup> CCT = common customs tariff.

Dark air-cured:

Prices paid to French growers for the 1963 harvest:

Leaf tobacco:	1.10 u.a./kg
Baled tobacco:	1.60 u.a./kg

Average prices paid for baled tobacco of comparable quality imported into the EEC from Cuba, Colombia, Brazil, Argentina, Rumania:

0.45 (fob) + 0.06 + 0.29 (CCT) = 0.80 u.a./kg.

The situation for growers

90% of the tobacco grown in the Community is assured of a market at prices - based on costs - fixed in advance. There are two monopolies for this purpose:

The AAMS<sup>1</sup> in Italy  
The SEITA<sup>2</sup> in France

guaranteeing growers employment and income.

In the other Community countries, various measures encourage the marketing of home-grown production.

The situation can therefore be summed up as follows:

- (a) The Community accounts for 35% of its requirements from its own output;
- (b) The remaining 65% is imported.
- (c) The cost price of EEC tobaccos is higher than that of tobaccos imported from non-member countries, and 90% of the EEC production benefits from guaranteed prices and markets.

The proposed market organization must take this situation into account

- (1) Since 90% of the Community's production of tobacco benefits from special arrangements assuring growers of a guaranteed market at remunerative prices, there can be no question of offering these growers, under the common market organization, conditions less favourable than those now enjoyed by them at national level.
- (2) Since the Community imports 65% of its requirements, protection must not be excessive and indeed cannot be excessive since the CCT duties have been bound in GATT, a fact which is of particular importance to many exporting non-member countries.

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<sup>1</sup> AAMS = Amministrazione Autonoma dei Monopoli di Stato.

<sup>2</sup> SEITA = Service d'Exploitation Industrielle des Tabacs et des Allumettes.

In these circumstances, the type of market organization which appeared to be the most suitable was one comprising a trade policy towards non-member countries based on the application of the CCT, and a system of prices and support measures which would make it possible to maintain or improve the incomes accruing to Community growers.

The special interests of the tobacco-producing associated states had also to be taken into account, particularly the interests of Greece,<sup>1</sup> whose tobacco exports to the EEC make an important contribution to the incomes of Greek farmers. In addition, imports from the Yaoundé countries<sup>2</sup> had to be accorded preferential treatment - in tariff cuts - over imports from non-member countries.

## STRUCTURE OF THE PROPOSED ORGANIZATION

### PRICE SYSTEM

Because of the difference between the cost price of tobacco imported from non-member countries and the cost price of tobacco grown in the Community (and consequently the difference between the price which an industrial user has to pay for his supplies depending on whether he buys his tobacco in non-member countries or from Community growers), a price difference which cannot be eliminated by the application of a simple customs duty, a price support system had to be devised. This system has two main aims:

1. To encourage manufacturers to buy their tobacco supplies in the EEC, by making it possible for them through the operation of a premium system to buy Community tobacco at prices close to or even lower than the world price.
2. To guarantee growers an income equal to or higher than that enjoyed by them before the establishment of the joint market organization, through the introduction of two prices, the norm price and the intervention price.

### Arrangements to guarantee growers' incomes:

The regulation provides for the annual fixing of a basic norm price and a basic intervention price for leaf tobacco at the production stage.

### THE PRICES:

- (a) For which tobaccos will the prices be fixed?

The Community prices will be fixed each year before 1 August for the following year's harvest. They will be fixed for those varieties which are considered most representative of Community production, and for a given standard of quality.

<sup>1</sup>Greece is associated with the EEC under the Athens Agreement (9 July 1961)  
<sup>2</sup>18 signatories of the Yaoundé Convention (20 July 1963):

Burundi	<del>Dahomey</del>	Niger
Cameroon	<del>Jabon</del>	Rwanda
Central African Republic	<del>Ivory Coast</del>	Senegal
Chad	Madagascar	Somalia
Congo (Brazzaville)	Mali	Togo
Congo (Kinshasa)	Mauritania	Upper Volta.

The most representative varieties and the standard quality are to be defined at a later date.

It need hardly be said that this will be a difficult task in view of the many varieties of tobacco cultivated in the Community and the varying quality criteria applied by the individual member countries.

Thus the quality criteria will be those applied in the Member States; the development of the market will make it possible to regroup varieties and to standardize quality criteria at a later stage.

Derived norm and intervention prices will be fixed by the Community for varieties other than those for which the basic norm price is fixed.

(b) What will the level of these prices be?

This links up with a major policy aim, namely the need to maintain or improve the incomes of Community growers.

Thus Article 2 of the proposed regulation stipulates that for the first year, prices will be fixed at such a level that the intervention price will ensure that growers will receive prices at least equal to those they obtained for varieties or groups of varieties during the marketing year preceding the introduction of the market organization plus the aids granted to them over the same period.

In simple terms this means that growers will be paid at least as much as they had been paid before when they sell their produce at the intervention price (this is therefore a minimum price) and may even be able to get a higher price (the norm price) depending on the state of the market.

(c) When will growers be paid the target price or the intervention price?

- (i) Growers will be paid the norm price when their tobacco crop is bought directly by industrial users.
- (ii) If a grower does not find a direct buyer, he will offer his crop to the intervention agencies set up for this purpose, which will be obliged to buy his tobacco but in this case he will be paid the intervention price.

(d) The Premium

To enable growers to obtain a price close to the norm price, the regulation provides that any individual or corporate body buying leaf tobacco direct from Community growers will receive a premium,

which when paid will bring down the price of baled tobacco originating in the Community to the same level as that of baled tobacco imported from non-member countries, with a certain margin of preference for EEC produce.

It is therefore in the interests of industrial users to buy direct from Community growers, and these will be able to obtain prices higher than the intervention price for their better-quality tobaccos.

The premium will be fixed annually and its amount will be determined in such a way that the price of baled tobacco produced in the Community, less the premium, will be lower than the average price of baled tobacco of comparable quality originating outside the Community, this average being calculated for the marketing year preceding the fixing of the premium.

#### Community action to prevent a tobacco glut

Should the volume of production become excessive, particularly in the case of certain varieties of tobacco, the Council of Ministers, acting on a proposal of the Commission and following an examination of the situation, will have power to adopt the necessary intervention measures.

They may include, in particular, the fixing for each of the varieties in question of separate production quotas which will determine:

- (a) The quantities to which the application of the provisions of Articles 4 (premium) and 5 (intervention) will be limited;
- (b) The quantities above which the intervention prices, and the premium, will be gradually reduced.

#### Minimum selling price

When the intervention agencies have been obliged to buy tobacco offered to them by Community growers, what happens next?

The intervention agency carries out the initial processing and packing, after which the product may be stored or transported over a considerable distance.

The intervention agency then puts the tobacco up for sale by public auction; it is knocked down to the highest bidder, but the sale price cannot fall below a minimum price.

This minimum selling price will be fixed for varieties or groups of varieties, for a specific quality standard and a given type of packing.

This price will be fixed by reference to the level of prices for comparable baled tobacco imported into the Community,



through the level of the minimum selling price cannot be lower than the cost price of baled tobacco originating within the Community, less the premium.

To sum up, under the proposed market organization a grower will be able to sell his produce at a price close to the norm price, which means that his income will be higher.

If he is unable to sell his tobacco on the market, he will offer his crop to the intervention agency, which is then obliged to buy his produce from him at the intervention price. The intervention price will be at least equal to the price which he had been receiving previously; the grower is therefore guaranteed an income and a market for his tobacco.

As for the processing industry, it retains the right to procure supplies on the world market, but because of the premium system it will normally pay processors to purchase their supplies from Community growers.

#### TRADE ARRANGEMENTS

Since the proposed price system will assure Community growers a fair return, trade with non-member countries has been liberalized, and imports from these countries will be subject to the CCT duties only.

All quantitative restrictions on the external frontier of the Community will be prohibited save in exceptional cases (safeguard clause).

Imports from these countries will attract CCT duties only:

- (a) An ad valorem duty of 24%,
- (b) With a maximum charge of 34 dollars per 100 kg,
- (c) With a minimum charge of 28 dollars per 100 kg.

Provision has been made for preferential rates of customs duty on imports from the Yaoundé countries.

Tobaccos imported from Greece will be admitted duty-free.

Imports and exports of tobacco will be subject to certain conditions:

- (a) Importers and exporters will have to apply to the competent authorities for a licence valid for a given period, stating the variety or group of varieties in question;
- (b) The issue of a licence will be subject to a deposit which will be refunded to the depositor if the tobacco is actually imported or exported during the period of validity of the licence and, in the case of an import licence, if the importer produces evidence of having paid the duty.

.../...

It should be noted, finally, that for tobacco exports, provision has been made for the possibility of export refunds being paid under conditions similar to those applied to other agricultural produce.

If, despite the precautions taken, the EEC market is affected, or is in danger of being affected, by grave disturbances brought about by imports or exports to the extent that the working of the regulation could be jeopardized, appropriate measures may be applied to trade with non-member countries until such time as the disturbances have disappeared.

#### TOBACCO IN GREECE

The principal crops grown in Greece are tobacco, wheat, olives and fruit.

In the sphere of crop production, cereals hold pride of place, being valued at 5 843 000 drachma, followed by tobacco (3 554 000 drachma), vegetables (2 047 000 drachma), and fruit (1 877 000 drachma).

Greece-EEC relations in respect of tobacco are governed by Protocol No. 15 (concerning imports of unmanufactured tobacco and tobacco refuse) and Protocol No. 16 (concerning common agricultural policy arrangements for tobacco) to the Athens Agreement.

By these protocols, the Community acknowledges the very important role played by tobacco in the economy and external trade of Greece.

#### Protocol No. 15 to the Athens Agreement concerning imports of unmanufactured tobacco and tobacco refuse

The tariffs in force in 1957 in the Member States on imports of unmanufactured tobacco and tobacco refuse will be reduced by 50% on imports from Greece as from 1 November 1962.

The Member States have already taken the initial steps towards aligning their tariffs on unmanufactured tobacco and tobacco refuse with the CCT.

Customs duties on imports of unmanufactured tobacco and tobacco refuse into the Member States from Greece shall be abolished altogether not later than 31 December 1967. On the same date, the Member States will apply in full the CCT in respect of these products.

Member States with monopoly systems have undertaken to maintain and increase their imports from Greece.

.../...

Protocol No. 16 concerning common agricultural policy arrangements in respect of tobacco

Common agricultural policy arrangements in respect of tobacco are to be so devised as not to impair the maintenance and development of tobacco imports from Greece as they result from the implementation of the Athens Agreement and of Protocol No. 15 concerning imports of unmanufactured tobacco and tobacco refuse.

Should Greece be unable to harmonize its policy with the common agricultural policy as framed, Greece has the right to maintain, in an appropriate form, a volume of imports into the Community equal to that which it has achieved at the present time (1 November 1962).

The amount of the increase intended to ensure the expansion of imports of Greek tobacco is determined by the Association Council.

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Measures to improve conditions of competition in respect of manufactured tobacco

I. General

At present there has been little integration of the Member States' markets in manufactured tobacco. Intra-Community trade in this sector lags far behind the general level of trade between the Six.

The main reason for this poor pattern of trade lies in the legislation of the States: trade in manufactured tobacco is still determined, at least in part, by customs duties, quantitative restrictions, monopoly systems and taxation systems. Market segregation is due to the bad conditions of competition, which have been made artificially unequal for the various categories of tobaccos belonging to a single group of products, and to the existence of frontier obstacles.

In this sector then it is imperative to plan measures to achieve one of the Treaty objectives, the creation of an economic union similar in character to an internal market.

Apart, then, from the abolition of customs duties and quantitative restrictions, concerted action is required to reorganize the tobacco monopolies in France and in Italy and to reorganize taxation arrangements affecting the consumption of manufactured tobacco.

II. Draft proposal for a regulation concerning taxes levied on the consumption of manufactured tobacco, other than turnover taxes

This proposal attempts to create the conditions which would make free circulation possible by creating, in the first instance, a harmonized pattern of excise duties, neutral in its impact on competition, and by setting out rules which would guarantee that sale price formation systems would not impair this neutrality.

The harmonization of excise duties would be followed by measures which would make it possible to remove tax frontiers.

1. Principles on which the Community reorganization of excise duties on manufactured tobacco is based

- (a) The tax should normally be a percentage of price.
- (b) Within a single Member State, the rate should be the same for all categories of products belonging to a single group of manufactured tobacco.
- (c) The tax should be levied on the basis of retail prices inclusive of customs duties.
- (d) The scales of retail prices for which fiscal bands are available should be drawn up in such a way that the range of prices adequately reflects the variety of products which may be offered to consumers in each country.
- (e) In the case of excise duty on cigarettes, however, provision should be made for a specific rate of duty (minimum tax, but ~~without~~ a minimum price system) up to a certain retail price level, and for a degressive duty as from another retail price level. In the case of excise duty on each of the other groups of manufactured tobacco, provision should also be made for a degressive rate, once the rate of duty exceeds a given level; although the fixing of the level of the proportional rate can be left to the free choice of each Member State initially, Community criteria must be drawn up to govern the ~~mini-~~ imum tax and the degressive tax on cigarettes.

2. Proposed solution

A. Fixing the retail price and the manufacturer's selling price

The proposed system of taxation cannot be neutral in its effect on competition unless the retail price formation systems exclude all elements which might impair fiscal neutrality.

In the Member States running tobacco monopolies, several components of the selling price are controlled by the monopolies (for example, distribution costs, storage costs). A provision has therefore been included in the proposal making it possible to prevent the manipulation of these components.

At present some Member States have a retail price system controlled by legislative or administrative rules, including high minimum prices. This might lead to difficulties with regard to competition.

For this reason, it is proposed that the manufacturer be free to choose in the light of market opportunities, the selling price at which he wishes his produce to be sold.

Since the manufacturer's selling price is determined by the difference between the retail price on the one hand, and the sum of excise duties, turnover tax and the profit-margin allowed traders on the other, a system which allows retail prices to be freely chosen means that the manufacturer's selling price should also be reached freely. The fixing of this latter price will of course remain subject to the Treaty's rules guaranteeing sound competition.

(B) Basis of assessment

It is proposed that the excise duty be levied on the basis of the retail price inclusive of customs duty: the customs duty is normally one of the components of the retail price.

When the customs duties on manufactured tobacco were fixed (CCT, 6 February 1962) provision had been made for revision of these duties once agreement had been reached on the harmonization of internal taxation of these products. Consequently, new customs duties will have to be fixed by the Council. These duties may be **much lower** on paper to guarantee, in absolute terms, the same protection. In the meantime, the Member States would be free to exclude customs duties from the tax base.

(C) Minimum excise duty on cigarettes

The arrangements for taxing cigarettes must be accompanied by a minimum tax so as to protect the revenue receipts of the Member States and to make it possible to establish a certain balance between cheap cigarettes and high-quality cigarettes. A minimum tax of this kind exists in almost all the Member States.

So as to enable the Member States and the industries to adapt to the effects of a minimum Community tax, provision must be made in the draft regulation for a gradual adaptation of the minimum excise duty now charged to the duty resulting from the proposed system.

(D) Degressive excise duty

In the case of cigarettes, it is proposed, apart from a minimum tax and a range at which the tax is a fixed percentage of price, to introduce a degressive duty above a certain price level.

The degressive tax for other groups of manufactured tobacco will be laid down in another regulation.

The degressive excise duty will only apply to that part of the selling price ~~exceeding~~ the part of the selling price corresponding to the manufacturer's selling price, the price on which the degressive tax depends.

### III. Draft proposal concerning national commercial monopolies in manufactured tobacco

France and Italy, who have national commercial monopolies in manufactured tobacco, have already taken measures to reorganize them, following, in particular, recommendations made under Article 37(6) of the Treaty of Rome.

Despite efforts made by these two Member States, a free market in manufactured tobacco has not yet been realized. The two monopolies still have exclusive importation and distribution rights.

The ultimate aim, that is to say a truly free market, is to be realized in its entirety by 1 January 1970.

Before that date, these Member States will have to take the necessary measures to:

- (a) Ensure the opening of their markets to imports of manufactured tobacco coming from the other Member States, suppliers established in these two Member States having the right to import direct, to create their own wholesale distribution network, and to maintain stocks,
- (b) To ensure to tobaccoists the commercial independence at law vis-à-vis the monopoly and where necessary the State;
- (c) To ensure that retailers will have the right to purchase any quantity or quality direct from suppliers in other Member States;
- (d) To introduce rules in the matter of advertising which will be applied to domestic and imported products in the same way.

During an initial phase beginning on 1 July 1968, the date on which the single agricultural market comes into force, the Member States running monopolies will have to take a first series of measures. Some of these will be of a temporary nature, but all of them will be designed:

- (a) To facilitate the importation and marketing of all brands and quantities of manufactured tobacco originating in other Member States, as needed to meet market requirements;

- (b) To ensure that distribution arrangements involve no arbitrary favouritism;
- (c) To ensure that the retail price formation system prevents all discrimination between domestic and imported products;
- (d) To ensure that the national manufacturing services ceases to fulfil any fiscal role. The services will be subject to the taxation arrangements applied to manufacturing enterprises. Their balance-sheets, which should disclose manufacturing costs, will be published;
- (e) To ensure that producers in other Member States may be allowed to advertise their wares to tobacconists and smokers in the same way as domestic producers. Retailers will be free to draw smokers' attention to tobacco manufactured in other Member States which they have on offer, under the same conditions as those applying to their lines of home-produced goods.

The main advantage of the future market organization for unmanufactured tobacco and manufactured goods lies in the fact that the measures to be taken in the agricultural and fiscal spheres, and in connection with monopolies, form an integral whole which should be given binding and equal force of law.

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BELGIUM

Area under tobacco (ha)			Yield (kg./ha)			Production (tons)		
<u>1964</u>	<u>1965</u>	<u>1966</u>	<u>1964</u>	<u>1965</u>	<u>1966</u>	<u>1964</u>	<u>1965</u>	<u>1966</u>
800	800	700	3150	2670	2900	2500	2200	1900

Varieties and prices:

<table border="0"> <tr> <td><u>Philippin</u></td> <td rowspan="2">}</td> <td rowspan="2">Prices almost level with the world market price</td> </tr> <tr> <td><u>Lignée</u></td> </tr> </table>	<u>Philippin</u>	}	Prices almost level with the world market price	<u>Lignée</u>
<u>Philippin</u>	}			Prices almost level with the world market price
<u>Lignée</u>				

TRADE

(1) BLEU imports (from EEC and non-member countries)

Value (\$'000)			Volume (t)		
<u>1963</u>	<u>1964</u>	<u>1965</u>	<u>1963</u>	<u>1964</u>	<u>1965</u>
28 733	33 864	38 777	28 973	31 139	33 334

(2) BLEU imports (from EEC)

Value (\$'000)			Volume (t)		
4 460	5 775	7 372	2 780	3 655	4 494

Direction of trade flows

Value (\$'000)			Volume (t)		
335→ F	388→ F	344→ F	186→ F	169→ F	176→ F
3 745→ NL	5 032→ NL	6 681→ NL	2 226→ NL	3 062→ NL	4 015→ NL
113→ D	140→ D	100→ D	88→ D	179→ D	84→ D
267→ I	215→ I	247→ I	280→ I	245→ I	219→ I

(3) BLEU exports (to EEC and non-member countries)

Value (\$'000)			Volume (t)		
2 526	2 633	2 394	2 022	2 053	1 988

(4) BLEU exports (to EEC)

Value (\$'000)			Volume (t)		
2 526	2 633	2 393	2 022	2 053	1 988

Direction of trade flows

Value (\$'000)			Volume (t)		
2 525→ NL	2 632→ NL	2 390→ NL	2 021→ NL	2 053→ NL	1 981→ NL
1→ I	1→ F	3→ D	1→ F		5→ F
					2→ D



GERMANY

Area under tobacco (ha)			Yield (kg/ha)			Production (tons)		
1964	1965	1966	1964	1965	1966	1964	1965	1966
4 000	3 700	3 400	2 500	2 350	2 480	10 000	8 300	8 300

Varieties and prices

Gesu Dertheimer }  
 Havana (Cigars) } black  
 Burley  
 Virginia

Average price for Burley: 2.20 u.a./kg (very much higher than world prices)

TRADE

(1) German imports (from EEC and non-member countries)

Value (\$'000)			Volume (t)		
1963	1964	1965	1963	1964	1965
165 035	178 084	189 428	118 983	126 733	136 430

(2) German imports (from EEC)

Value (\$'000)			Volume (t)		
10 551	8 163	5 964	7 144	4 926	3 332

Direction of trade flows

Value (\$'000)			Volume (t)		
132→,F	151→,F	462→,F	102→,F	115→,F	273→,F
36→,NL	2→,BL	14→,NL	40→,NL	4→,BL	1→,BL
10 383→,I	17→,NL	5 488→,I	7 002→,I	22→,NL	17→,NL
	7 993→,I			4 786→,I	3 052→,I

(3) German exports (to EEC and non-member countries)

Value (\$'000)			Volume (t)		
1 601	2 001	3 389	1 322	1 500	2 408

(4) German exports (to EEC)

Value (\$'000)			Volume (t)		
195	205	395	182	175	369

Direction of trade flows

Value (\$'000)			Volume (t)		
25→,BL	40→,BL	80→,BL	26→,BL	27→,BL	44→,BL
170→,NL	165→,NL	295→,NL	156→,NL	147→,NL	306→,NL
		20→,I			20→,I

FRANCE

Area under tobacco (ha)			Yield (kg/ha)			Production (tons)		
1964	1965	1966	1964	1965	1966	1964	1965	1966
20 400	21 300	20 900	2 120	2 300	2 360	43 400	49 000	49 500

Varieties and prices:

Dark air-cured: Paraguay Dordogne, Dragon-Vert - Fl Hybrid  
 Growers receive 1.10 u.a./kg for these black tobaccos  
 After fermentation they are worth 1.64 u.a./kg  
 These prices are very much higher than world market prices: the price in Latin America is 0.60 u.a./kg (fob).

Trends in France

- (a) Increased yields per hectare
- (b) Drop in the number of hectares cultivated
- (c) Tobacco cultivation is losing its competitive and social importance
- (d) Specialization by growers.

Reasons for the decline in tobacco cultivation

- (a) A relative fall in receipts per hectare as compared with receipts prior to the appearance of mildew, this fall being due to the price policy practised by the SEITA
- (b) Structure of the cost of production: 60%.

TRADE

(1) French imports (from EEC and non-member countries)

Value (\$'000)			Volume (t)		
1963	1964	1965	1963	1964	1965
37 205	36 457	35 192	47 461	48 990	49 341

(2) French imports (from EEC)

Value (\$'000)			Volume (t)	
605	113	294	44	95

Direction of trade flows

Value (\$'000)			Volume (t)		
556 → NL	81 → NL	257 → NL	87 → NL	30 → NL	78 → NL
45 → D	32 → D	37 → D	18 → D	14 → D	17 → D
4 → I			5 → I		

(3) French exports (to EEC and non-member countries)

Value (\$'000)			Volume (t)	
4 920	2 577	2 476	1 361	1 420

(4) French exports (to EEC)

Value (\$'000)			Volume (t)	
991	1 285	1 358	541	618

Direction of trade flows

Value (\$'000)			Volume (t)		
317 → BL	594 → BL	584 → BL	142 → BL	361 → BL	352 → BL
334 → NL	482 → NL	154 → NL	101 → NL	89 → NL	26 → NL
340 → D	209 → D	620 → D	248 → D	168 → D	331 → D

Sources:

- (a) Annales statistiques 1963, 1964, 1965 (Import-Export).
- (b) Evolution du Commerce extérieur des produits agricoles et alimentaires depuis 1958 (Exportations - Partie III - Juillet 1966)  
(Importations - Partie III - Mars 1967).
- (c) Production végétale (1967 n° 2)

Abbreviations:

- F = France
- BLEU = Belgo-Luxembourg Economic Union
- NL = Netherlands
- D = Germany
- I = Italy

ITALY

Area under tobacco (ha)			Yield (ha/kg)			Production (t)		
<u>1964</u>	<u>1965</u>	<u>1966</u>	<u>1964</u>	<u>1965</u>	<u>1966</u>	<u>1964</u>	<u>1965</u>	<u>1966</u>
53 600	55 400	54 900	1 470	1 330	1 320	78 900	73 500	72 500

Varieties grown

Dark air-cured: Nostrano - Beneventano - Renstant - Brazil

Price 1.28 u.a./kg

Average non-member countries export price to the Member States

0.36 to 1.84 u.a./kg

Flue-cured: Average price 1.54 u.a./kg

Average non-member countries export price to the Member States

0.45 to 1.84 u.a./kg

Light air-cured: Burley Maryland: Average price 1.14 u.a./kg

Average non-member countries export

price 0.40 to 1.98 u.a./kg

Fire-cured: Kentucky: Average price 1.29 u.a./kg

Average non-member countries export price 0.50 to

1.34 u.a./kg

Sun-cured: Oriental and semi-oriental (the major varieties grown)

Average price: 2.45 u.a./kg.

Average non-member countries export price 0.73 to 1.75 u.a./kg.

TRADE

(1) Italian imports (from EEC and non-member countries)

Value (\$'000)

Volume (t)

<u>1963</u>	<u>1964</u>	<u>1965</u>	<u>1963</u>	<u>1964</u>	<u>1965</u>
35 935	26 816	13 203	28 531	22 537	10 235

(2) Italian imports (from EEC): Nil

(3) Italian exports (to EEC and non-member countries)

Value (\$'000)

Volume (t)

15 160	9 928	9 023	11 158	5 130	3 829
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(4) Italian exports (to EEC)

Value (\$'000)

Volume (t)<sup>+</sup>

10 739	7 437	6 999	8 780	5 955	3 829
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+ based on import returns.

NETHERLANDS

TRADE

(1) Dutch imports (from EEC and non-member countries)

Value (\$'000)			Volume (t)		
1963	1964	1965	1963	1964	1965
46 151	55 663	56 297	39 630	45 294	47 800

(2) Dutch imports (from EEC)

Value (\$'000)			Volume (t)		
16 275	20 835	17 108	9 282	10 866	9 580
<u>Direction of trade flows</u>					
Value (\$'000)			Volume (t)		
234 → F	361 → F	574 → F	43 → F	97 → F	120 → F
2 517 → BL	2 912 → BL	2 541 → BL	2 356 → BL	2 530 → BL	2 447 → BL
12 281 → D	16 708 → D	13 361 → D	5 390 → D	7 316 → D	6 394 → D
1 243 → I	854 → NL	631 → I	1 493 → I	924 → I	568 → I

(3) Dutch exports (to EEC and non-member countries)

Value (\$'000)			Volume (t)		
4 393	6 481	8 517	2 824	4 181	5 346

(4) Dutch exports (to EEC)

Value (\$'000)			Volume (t)		
3 230	4 348	5 870	1 798	2 493	3 419
<u>Direction of trade flows</u>					
Value (\$'000)			Volume (t)		
92 → D	36 → F	87 → F	49 → F	21 → F	49 → F
192 → F	4 267 → BL	5 737 → BL	1 610 → BL	2 416 → BL	3 319 → BL
2 946 → BL	44 → D	45 → D	140 → D	56 → D	50 → D
		1 → I			

GEOGRAPHICAL BREAKDOWN OF TOBACCO-GROWING AREAS

Region	1964			1965			% variation of production
	Area (ha)	Production (t)	Yield (per ha)	Area (ha)	Production (t)	Yield (per ha)	
Northern Italy	7 931	16 336	20.6	8 613	14 169	16.5	- 13.3
%	14.8	20.7		15.5	19.3		
Central Italy	9 627	15 452	16.1	10 464	15 208	14.8	- 1.6
%	17.9	19.6		18.9	20.7		
Southern Italy	35 905	46 977	13.1	36 230	43 935	12.1	- 6.5
%	67.1	59.6		65.4	59.8		
The Islands (Sicily, Sardinia, etc.)	84	119.8	14.3	84	138	16.5	+ 15
%	0.2	0.1		0.2	0.2		
Italy	53 547	78 884	14.7	55 400	73 450	13.3	- 6.9
%	100	100		100	100		