

Remarks by
Joseph R. Williams, President, Tobacco Associates, Inc.
at
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In the past 60 days, I have had the opportunity to meet with over 500 tobacco and Government leaders from countries that purchased over 80% of U.S. raw tobacco and tobacco products in 1971.

May I present to you briefly some of the conclusions:

1. American tobacco is the standard of the world in terms of flavor and aroma.

With only one exception, the 1971 crop of tobacco is considered to be the best crop of tobacco produced in the last 25 years. We owe a debt of gratitude to our research boys for not only creating for us a proper balance between tar, nicotine, flavor, and aroma but also to our quality variety committee in maintaining superior flavor and aroma in all the new releases in recent years. It was pointed out to me by many manufacturers the unique advantage that we have in being able to offer a multiple choice of high quality tobacco varieties.

2. Cigarette consumption worldwide will increase an average of 3% in 1972 and as much as 6% in many Far Eastern countries which are heavy users of U.S. tobacco. Although the number of cigarettes will increase, the total use of tobacco will remain constant.

3. Assuming a normal crop in 1972, U.S. tobacco exports will hold firm with increases likely to the U.K., Thailand, Taiwan, Ireland, Japan and Austria. I think that Hugh Kiger and FAS should be proud of

the market development programs that they have conducted through the years with Malcolm Seawell and his dealers; Frank Snodgrass and his Burley Association; and our own Tobacco Associates. The four countries alone where we have maintained programs will purchase \$125 million worth of U.S. tobacco in 1972. Our market development countries are the most aggressive supporters of U.S. tobacco in all the world.

4. The dynamic promotion programs being conducted by our domestic industry is spectacular and will result in record sales of U.S. manufactured cigarettes in 1972. These sales not only consume American-produced tobacco but set a standard of quality which forces foreign manufacturers to use American tobacco to maintain their competitive position.

5. I would also like to pay special tribute to our many tobacco export dealers for the militant job that they are doing, traveling the world explaining to the manufacturers our barter program, CCC credit, Export-Import Bank and any other programs that we have to reduce the price of U.S. tobacco.

6. I heard nothing but praise for the Tobacco Institute and the U.S. tobacco industry for the splendid way in which they handled the health issue in the United States. They feel that we have turned the corner and many countries are following closely the U.S. pattern as the health issue is now reaching its peak in many areas of the world.

7. The pesticide residue issue is major in countries that purchase a high percent of U.S. exports. All of Europe will follow West Germany and likely the Far East will do the same. We owe a special debt of gratitude to Hugh Kiger, Joe Todd, Malcolm Seawell, Frank Snodgrass,

and Ken Keller and his committee as well as our own Tobacco Growers' Information Committee headed by Bill Anderson and Carl Hicks, which Tobacco Associates is proud to join in the sponsorship, for the excellent job that they have done in assuring the German Government that if we are given reasonable time and tolerance that our farmers will solve this great problem.

8. Sanctions against Rhodesia are eroding rapidly with the exception of the U.K., Ireland, Austria, and some of the African countries.

9. Mainland China in the opinion of many has a genuine surplus of Bright, dead ripe, low nicotine tobacco that she can deliver to Western Europe for 41¢ per pound. A number of manufacturers stated that it was an excellent reducer of nicotine when blended with American tobacco. We extended an invitation to representatives of Mainland China for an exchange of tobacco teams. The invitation has been sent to Peking.

10. Price is a major U.S. problem which has been temporarily eased by revaluation and devaluation. The dollar is still floating and is being discounted 5-10% below official rate by stores and hotels. Revaluation has helped tobacco exports up until this point. However, the time is rapidly approaching when we must have monetary stability. All U.S. competitors quote tobacco export prices in U.S. dollars so they, too, have enjoyed the full benefit of currency manipulation. The devaluation in the U.K. could affect the 1972 purchase.

11. The situation in the expanded European Community that takes 60% of U.S. tobacco exports, is static. We lost the initiative in trade negotiations when we abandoned the surtax. I am afraid that no meaningful negotiations will take place before July of 1973. The next year will be

consumed by negotiations between the six and the four new members. Very little progress is being made as each of the four is considering tax harmonization in terms of her own national interest. I saw no one that offered a means of integrating the \$12.00 a pound levied by Great Britain and Ireland into tax harmonization. I am convinced that the CAP on tobacco is as permanent as our farm programs are in the United States and as long as the farmers are politically the balance of power, as they are in most of the six, then support prices will continue to increase.

The only hope for U.S. tobacco to obtain fair treatment in trade negotiations is for Ambassadors Eberle and Malmgren to keep industry and agriculture in one trade package and, in addition, trade negotiations must be kept closely coordinated with monetary negotiations.

And finally, if I know my own heart, my primary desire throughout my career has been to help the tobacco farmer. I believe in the auction system of selling tobacco because I have seen all other systems work in various parts of the world at the expense of the farmers. I believe in the Bright Belt, the South Carolina, and the Burley warehouse associations because they have cooperated in integrating the price support program into the auction system. Last year, this system amounted to 8¢ per pound over and above the guaranteed price, all of which went into the pockets of our farmers. Search the world and its many systems of selling tobacco and I challenge you to find a duplicate. It is the only system where the buyer can inspect and test the tobacco before, during, and after the sale.

I have known and worked closely, both officially and unofficially, with the leadership of these organizations since their inception. During this period no suggestion or proposal has ever been presented to me by the leadership of these organizations which I thought was detrimental to the tobacco farmers. Furthermore, no suggestion or proposal has ever come to me which I thought in the long run was intended to discriminate against one warehouseman in favor of another. Human nature has made some of the problems of these organizations as unsolvable as the Israeli or Northern Ireland issues.

Today you are a multi-million dollar profitable free enterprise organization because the leaders of these associations have devoted their lives to make it so. Too often we have majored on the minors when the system itself is at stake.

May we here today rededicate ourselves to the fundamental principles embodied in the charters of these organizations and fulfill the dreams of our leadership whose motivating force in life has been to obtain the highest possible dollar for the tobacco farmers of this Nation. I wish for you a happy and prosperous 1972 season.