Subject: BIGARETTE AND TOBACCO TRADE CONDITIONS, CHINA, AT MID APRIL, 1988.

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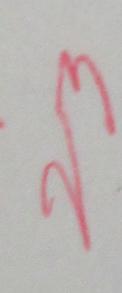
Cigarette Trade: The depression which started in the second week in March in eigerette manufacture has continued throughout April nearly all factories continuing on reduced working schedules. A general feeling that tobacco business could not be seriously affected by economic depression appears to have been exploded in that 1932 consumption of eigerettes in the United States is estimated to be down about fourteen billion pieces below 1931 figures. Likewise, in China, it appears there are several causes contributing to a definite curtailment of smoking.

Cigarette sales in certain areas of North China where great uncertainties, fear, or terror have been created due to the military operations in Jehol, are heavily reduced, the populace apparently saving every penny against the possible contingency of having to flee before advancing or retreating armies.

In parts of Homan and Shantung there is depression because commodities have not moved to markets normally, world demand for Chinese produce not having recovered and cotton goods consumption within China being sub-normal.

As late as Vebruary and March in both provinces heavy stocks of cotton, ground nuts, and other products were still on hand unsold, and in Human much surplus rice had not moved to consuming centers in other provinces.

Declining value of copper coins in exchange for silver is given as smother cause. Cigarette wholesale prices are in silver currency, whereas retail sales are made at so many coppers per pack or per piece. The



exchange value has dropped in some areas in the past two or three years from 500 to 400 or from 400 to 500 coppers to the Chinese silver dollar. This mids 25 to 50% or more to the retail price of eigersttes and emong the femming and laboring classes is a distinct factor.

Cigarette sales are more nearly normal in Manchuria, in the Shanghei area, in the lower Tengtese regions and in certain parts of the upper rengtese Valley (though poor in Szechuen).

parts of South China and from Manchuria to large numbers of people in Shantung and Hopeh (Chihli) Provinces are heavily reduced or not coming in at all. Remittances from Manchuria are cut off probably mainly because postal facilities between Manchuria and China have been suspended for some months. Remittances from abroad are lessened because of depression in the countries where Chinase have settled in large numbers and customary income seriously curtailed.

stocks of digarottes supplied to dealers in Jenuary and February in many of the areas above mentioned simply have not been sold at the normal rate and manufacturers in Changhai thus began summer curtailment two months earlier than usual in order to avoid leaving large stocks in dealers hands to be carried over into the humid summer weather.

operating on full schedules. This concern has had a thoroughpoing reorganization and is making a special drive to extend its business, especially in areas where sales are possible, by all the usual methods of promotion such as price reduction, the giving of an extra packet free with a sale, and by the numerous other methods in vogue in China for

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chinese factories to both this one large aggressive Chinese organization end to the brands manufactured by the large non-Chinese factories which have maintained quality and have in general better sales organizations and means for keeping business moving artificially when normal consumption threatens to slacken. But even these large foreign owned organizations tions were sown to virtual summer schedules early in April.

Leaf Robacco: The factory curtailment of operations has reduced offtake of leaf tobacco from Shenghai declers' stocks by 30 to 40% and the factories are offering lower prices for leaf than asked by declers.

Thus the likelihood of a shortage of supply developing before 1933 crop tobacco is available now appears more remote as full manufacturing activity is unlikely to be resumed before September. Stocks now on hand or coming forward are considered ample for requirements and consists almost entirely of 1932 crop leaf, very little older stock being left.

There are plantiful supplies of China erop leaf on hand in Shanghai.

Nost of it is owned by factories or being held by banks for factories.

There is probably 8 million pounds of Hauchow (Honan) tobacco in Shanghai now and drying plants are active preparing most of this tobacco against seasonal deterioration with the approach of summer. There is very little Hauchow tobacco in dealers hands and only about 1,500,000 lbs. of Shantung tobacco remains unsold. Prices of China leaf are lower by about 185 than those prevailing a month ago.

Imports of leaf tobacco into Shanghai in the three months period ended March 31 amounted to 14,630,866 lbs. of which 14,480,666 lbs. were from the United States. 2,142,400 lbs. were re-exported during the period leaving a net import of 12,487,860 lbs. for the quarter.

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Not imports of leaf tobacco into all China for two months ended February 28 totalled 11,730,400 lbs., no figures as to sources being yet available but undoubtedly the bulk of the amount being from the United States.

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