

Shanghai, (City)

China, (Country)

April 28, 1933. (Date)

Subject: CIGARETTE AND TOBACCO TRADE CONDITIONS, CHINA, AT END APRIL, 1933.

Submitted by: A. Bland Calder, (Name)

Assistant Commercial Attache. (Title)

GOVERNMENT PRINTING OFFICE 11-5128

173334

Cigarette Trade: The depression which started in the second week in March in cigarette 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 cigarettes 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 Honan 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 February and March in both provinces heavy stocks of cotton, ground nuts, and other products were still on hand unsold, and in Hunan much surplus rice had not moved to consuming centers in other provinces.

Declining value of copper coins in exchange for silver is given as another 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 300 to 400 or from 400 to 500 coppers to the Chinese silver dollar. This adds 25 to 30% or more to the retail price of cigarettes and among the farming and laboring classes is a distinct factor.

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

Emigrant remittances from abroad to residents in Fukien or other 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 Chinese have settled in large numbers and customary income seriously curtailed.

Stocks of cigarettes supplied to dealers in January and February in many of the areas above mentioned simply have not been sold at the normal rate and manufacturers in Shanghai 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.

One of the very largest of the Chinese factories alone appears to be operating on full schedules. This concern has had a thoroughgoing 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

There has been a decrease of public interest in cigarettes as a result of a general shortage for part of winter here. 1935

STANDARD
7d
BOSTON

cigarette sales promotion. Thus some business is being lost by other Chinese factories to both this one large aggressive Chinese organization and 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 competition threatens to slacken. But even these large foreign owned organizations were down to virtual summer schedules early in April.

Leaf Tobacco: The factory curtailment of operations has reduced offtake of leaf tobacco from Shanghai dealers' stocks by 30 to 40% and the factories are offering lower prices for leaf than asked by dealers. 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 plentiful supplies of China crop leaf on hand in Shanghai. Most of it is owned by factories or being held by banks for factories. There is probably 8 million pounds of Hsuechow (Honsan) 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 Hsuechow tobacco in dealers hands and only about 1,500,000 lbs. of Shantung tobacco remains unsold. Prices of China leaf are lower by about 15% 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 14,490,666 lbs. were from the United States. 2,142,400 lbs. were re-exported during the period leaving a net import of 12,487,866 lbs. for the quarter.

Please read this sentence out of published material as suppliers are anxious to avoid mention or suggestion of a possible shortage for fear of unfavorable reactions here. H.S.B.

- 4 -

Net 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.

A. Bland Calder,
Assistant Commercial Attache.

ADC:DK.