

To: Kwangtung L. T.  
 Total  
 e-Imported  
 CH\$ 1,370  
 78  
 CH\$ 1,292  
 May 1937  
 Jan. - May 1936  
 CH\$ 13,095  
 3,024  
 16,119  
 CH\$ 14,393  
 4,882  
 Jan. - May 1937

The following figures are expressed in Chinese Standard Dollars  
 in this office from Customs Statistics for the same period of 1936, as compiled  
 from the statistics furnished by the Chinese Customs.

Shanghai, China, July 14, 1937.

DU. FOR. & COM. DIV.  
 AUG 10 1937  
 Subject:  
 Submitted by:

THE CIGAR TRADE OF CHINA.

A. Bland Calder, Assistant Commercial Attache.

3472

Cigars accounted for or taxed by the Internal Revenue Administration for China for the fiscal year ended June 30, 1936, according to published official statistics, were as follows:

Production in five major districts of the Consolidated Tax Administration's territory . . . . .	26,190,875 pcs.
Imports from abroad . . . . .	<u>27,307,790 "</u>
Total . . . . .	53,498,665 "

The distribution of the domestically produced cigars is credited to 21 Chinese factories in Shanghai, 3 Chinese factories at Tseyang in Shantung Province, to 3 foreign factories in Shanghai and to one foreign factory at Peiping, while production in Kwangtung Province imported into other parts of China is stated as amounting to 6,522,000 pieces. (Apparently production in Kwangtung Province for consumption there is not taken into account in the compilation. There is also understood to be some production and consumption of cigars from native tobacco in Szechwan Province of West China, not recorded in these statistics.)

21  
 18-23  
 Distribution of tax paid cigarettes<sup>s</sup> by Chinese factories is stated as 16,689,350 pcs., and by foreign factories 2,949,525 pcs., making a total of 19,638,875 pcs., this figure with the shipments from Kwangtung into North China and with certain untaxed items, making up the total domestic production of 26,190,875 pcs. above stated.



THE CIGAR TRADE OF CHINA  
July 14, 1937

The largest producing Chinese factory, in the period reported upon, put out only 5,061,700 cigars in the twelvemonth, while the smallest producer is credited with 250 pieces only. There are only 5 Chinese factories listed as producing more than one million cigars apiece during the year. The largest foreign owned factory which is located in Shanghai, is credited with a production of 2,575,875 pieces out of the total of 2,949,525 produced in non-Chinese plants. Hence the production of the other three foreign plants is very small.

Imports of cigars into China, according to Customs statistics, for the first five months of 1937 totalled 14,057,200 pieces, as compared with 7,688,950 pieces in the same period of 1936. The chief gains were in imports from Macao and the Philippine Islands. The article brought in from Macao, we are informed by contacts, consists chiefly of a small cheroot type little bigger than a cigarette, as mentioned in past reports, and very low in price. The imports jumped up from 5.1 million from Macao in the first 5 months of 1936 to 9.2 million in the same period of 1937, but the total valuation of the 9.2 million of imports is only Gold Units 14,027. or U.S.\$9,342. Imports from the Philippines jumped up from 2,040,650 pieces in the 5 months period of 1936 to 3,680,750 pieces in the first 5 months of 1937, the 3.68 million pieces being valued at G.U.87,903. or about U.S.\$58,596. Imports of cigars from the United States in the 5 months period totalled only 21,950 pieces (nearly 6,000 pcs. less than in same period of last year) valued at G.U. 3,173. or about U.S.\$2,115.

The prospects for developing any considerable volume of business in American cigars are very poor. The rates of duty in force as worked out by the Customs formula, with surtaxes, etc., make total charges on entry



into China approximately 100%. An American 10¢ brand of cigar, if importer and retailer are to make an adequate profit, must be sold at around 67¢ Chinese currency each to the consumer, whereas a better Manila cigar can be bought at retail at 50¢ Chinese currency each, Philippine labor costs, probably leaf, and the transportation to China on the latter all being below similar charges going into the production and delivery of an American cigar.

Despite a jump up in value of cigar imports into China of nearly 83% (total value G.U. 281,111 or about U.S. \$187,380.) in the first 5 months of 1937 over imports in the same period of 1936, the whole market is on rather a small scale both as to imports and domestic production. The big business in tobacco lines in China is in cigarettes and cheap native smoking tobacco.

*A. Bland Calder*

A. Bland Calder,  
Assistant Commercial Attache.

Approved by:

*Ja*

Julian Arnold,  
Commercial Attache.

ABC:MKD.