STATEMENT OF HON. EDWIN D. ESHLEMAN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF PENNSYLVANIA

Mr. ESHLEMAN. I have introduced during the 90th Congress two bills relating to cigar tobacco tariff rates, H.R. 7982 and H.R. 13993. Both bills are designed to raise the tobacco price paid to the domestic producer who is being priced out of the marketplace by the importation of foreign tobacco commodities.

H.R. 7982 is designed to levy a 20-percent increase, or an average hike of 4 cents per pound, in cigar filler tobacco and scrap tobacco tariff rates. These are the types of tobacco that compete directly with the Pennsylvania type 41 Seedleaf tobacco grown in my district. The impact of the competition of increased imports has been such that the domestic farmer has seen his price rapidly depressed to the point that it is almost not advantageous to grow a tobacco crop. The extent of the competition is shown by the fact that nearly 50 percent of the cigar filler tobacco consumed in this country is imported. Certainly, part of the explanation of the adverse competition is the lower price availability of the foreign tobacco. It is offered, even after tariff, at lower prices than the production costs of the domestic tobacco grower. Actually, there is a great deal of feeling that only the quality of the American-grown product has kept it at all competitive. However, consistently low prices will tend to cut down attempts toward quality production and leave even a greater market for the foreign products. The 20-percent increase in the tariff rate would have the effect of immediately stimulating the prices of our own tobacco and thereby make the present uneven competition in the marketplace far more balanced.

H.R. 13993 is intended to aid the domestic tobacco grower pricewise too, but relates specifically to a need for tariff revision brought on by new technology in the cigar manufacturing industry. The present regulations do not reflect the complete revision of the cigar industry in recent years, and although the tariff law as it was established was equitable in its time, some new manufacturing innovations have served to increase the desirability for usage of foreign tobacco over domestic products.

Stemmed filler tobacco, that is tobacco with the stem removed, has an import duty of 23 cents per pound. Unstemmed filler tobacco is imported at a rate of 16.1 cents per pound. The stems, themselves, enter this country free, if they are removed before duty payment. These rates reflect the cigarmaking process of the past when scrap tobacco and stems were known as an inferior grade of tobacco and not included in the finished cigars.

With the advent of mechanization in the cigar industry, the former inferior grades could be included in the final product. The entire tobacco leaf is now cut into small pieces and manufactured into cigars. This, of course, means that stems can now be used in final production.

A unique feature of tobacco importation leads to the present problem confronting the domestic farmer. Section 1562, title 19, United States Code, provides in part that merchandise may be manipulated in bonded warehouses. The stemming of tobacco is considered to be production and therefore permissible in a manipulation warehouse.