

# TARIFF ACT OF 1929

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## HEARINGS

BEFORE A

### SUBCOMMITTEE OF THE COMMITTEE ON FINANCE UNITED STATES SENATE

SEVENTY-FIRST CONGRESS

FIRST SESSION

ON

## H. R. 2667

AN ACT TO PROVIDE REVENUE, TO REGULATE  
COMMERCE WITH FOREIGN COUNTRIES, TO  
ENCOURAGE THE INDUSTRIES OF THE UNITED  
STATES, TO PROTECT AMERICAN LABOR, AND  
FOR OTHER PURPOSES

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### VOLUME VI

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#### SCHEDULE 6

#### TOBACCO AND MANUFACTURES OF

JUNE 14 and 15, 1929

(With Supplement)

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Printed for the use of the Committee on Finance

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INDEXED

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## COMMITTEE ON FINANCE

UNITED STATES SENATE

SEVENTY-FIRST CONGRESS, FIRST SESSION

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ISAAC M. STEWART, *Clerk*

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### SUBCOMMITTEE OF THE COMMITTEE ON FINANCE

SCHEDULE 6.—TOBACCO AND MANUFACTURES OF

SAMUEL M. SHORTRIDGE, California, *Chairman*

REED SMOOT, Utah.

JAMES E. WATSON, Indiana.

PAT HARRISON, Mississippi.

TOM CONNALLY, Texas.

## FOREWORD

Under authority of Senate Resolution 335, Seventieth Congress, second session, the United States Senate Finance Committee, for the purpose of investigating the effects of the operation of the tariff act of 1922 and the proposed readjustments as set out in House bill 2667, commenced general tariff hearings on June 13, 1929, pursuant to the following public notice authorized by the committee on June 7, 1929:

### *Dates of hearings and tariff subcommittees*

Schedules	Date to commence	Subcommittees
		<i>Subcommittee No. 1, Room 212, Senate Office Building</i>
1. Chemicals, oils, and paints.	June 14.....	Smoot, chairman, Reed, Edge, King, and Barkley.
2. Earths, earthenware, and glassware.	June 19.....	Edge, chairman, Smoot, Reed, King, and Barkley.
3. Metals and manufactures of.	June 26.....	Reed, chairman, Smoot, Edge, King, and Barkley.
		<i>Subcommittee No. 2, Room 312, Senate Office Building</i>
6. Tobacco and manufactures of.	June 13.....	Shortridge, chairman, Smoot, Watson, Harrison, and Connally.
8. Spirits, wines, and other beverages.	June 14.....	Shortridge, chairman, Smoot, Watson, Harrison, and Connally.
7. Agricultural products and provisions.	June 17.....	Watson, chairman, Smoot, Shortridge, Harrison, and Connally.
5. Sugar, molasses, and manufactures of.	June 26.....	Smoot, chairman, Watson, Shortridge, Harrison, and Connally.
		<i>Subcommittee No. 3, Room 301, Senate Office Building</i>
9. Cotton manufactures.....	June 14.....	Bingham, chairman, Greene, Sackett, Simmons, and George.
10. Flax, hemp, jute, and manufactures of.	June 19.....	Greene, chairman, Bingham, Sackett, Simmons, and George.
11. Wool and manufactures of.	June 24.....	Bingham, chairman, Greene, Sackett, Simmons, and George.
12. Silk and silk goods.....	July 1 (2 p. m.)...	Sackett, chairman, Greene, Bingham, Simmons, and George.
13. Rayon manufactures.....	July 8.....	Sackett, chairman, Greene, Bingham, Simmons, and George.
		<i>Subcommittee No. 4, Room 412, Senate Office Building</i>
14. Papers and books.....	June 13.....	Deneen, chairman, Couzens, Keyes, Walsh (Mass.), and Thomas (Okla.).
4. Wood and manufactures of.	June 17.....	Couzens, chairman, Deneen, Keyes, Walsh (Mass.), and Thomas (Okla.).
15. Sundries.....	June 25.....	Keyes, chairman, Couzens, Deneen, Walsh (Mass.), and Thomas (Okla.).

NOTE.—Hearings on "Valuation" will be conducted before the full committee June 12. All meetings will commence at 9.30 a. m. unless otherwise noted. Hearings on free list, administrative and miscellaneous provisions will be conducted before full committee at the conclusion of the subcommittee hearings.

Stenographic reports were taken of all testimony presented to the committee. By direction of the committee all witnesses who appeared after the conclusion of the hearings on valuation were to be sworn.

The testimony presented together with the briefs and other exhibits submitted, is grouped together as far as practical in the numerical order of the House bill, which has made necessary the abandoning of the sequence of the statements and the order of appearance.

ISAAC M. STEWART, *Clerk.*



## TARIFF ACT OF 1929

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### SCHEDULE 6.—TOBACCO AND MANUFACTURES OF

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FRIDAY, JUNE 14, 1929

UNITED STATES SENATE,  
SUBCOMMITTEE OF THE COMMITTEE ON FINANCE,  
Washington, D. C.

The subcommittee met, pursuant to notice, in room 312, Senate Office Building, Senator Samuel M. Shortridge presiding.

Senator SHORTRIDGE. Pursuant to notice, the subcommittee will be in order. The subcommittee has met this morning to consider Schedule 6 of the proposed tariff act, and the subcommittee will be pleased to listen to statements from witnesses interested in this particular schedule.

It has been deemed proper, without any reflection upon any contemplated witness, that the witnesses be severally sworn as they appear before the subcommittee to give in their evidence or present their arguments in behalf of the matters in question.

The subcommittee has been furnished with the names of a number of gentlemen who desire to be heard. I will call them in the order in which they appear in our record, and if the gentlemen are present they will be heard in this order.

#### WRAPPER TOBACCO

[Par. 601]

#### STATEMENT OF NATHAN I. BIJUR, NEW YORK CITY, REPRESENTING THE NATIONAL CIGAR LEAF TOBACCO ASSOCIATION

(The witness was duly sworn by the chairman of the subcommittee.)

Senator SHORTRIDGE. What is your business or profession?

Mr. BIJUR. Wholesale leaf tobacco and importer; cigar leaf tobacco and importer.

I represent the National Cigar Leaf Tobacco Association of America.

Our organization has been in existence for 31 years, and I represent not only the dealers, but also the manufacturers, most of whom are members of our organization, and many farm organizations.

Last night at a conference, in order to shorten matters here to-day and make our statements as brief as possible, our members decided that I might outline our position a little more fully, and then the others will be rather short in their testimony.

We stand between the farmers and the manufacturers.

Senator WATSON. Did you testify before the House Committee on Ways and Means?

Mr. BJR. Yes, sir.

Senator WATSON. Do you desire to change your testimony?

Mr. BJR. Not in any way.

Senator SHORTRIDGE. It is the wish of the subcommittee that there be no repetition.

Mr. BJR. The action of the Ways and Means Committee at the eleventh hour, subsequently approved by the House, raising the duty on wrapper tobacco 40 cents per pound, has caused consternation throughout our trade, and threatens the most important division—the manufacturers of 5-cent cigars—with ruin.

The views of the entire trade as to the probable effect of this legislation if it shall finally become law are forcibly set forth in a series of resolutions adopted within the past week at its annual convention in New York City.

The House action was unprecedented. It was an eleventh-hour decision of the Ways and Means Committee, and was subsequently approved by the House.

The history of the action of the Ways and Means Committee and of the House on the tobacco schedule is extraordinary. Unfortunately no statement has been made by any member of the committee or of the House that sheds any light whatever upon the question as to why this increase in the wrapper rate was either recommended or voted. It was in direct opposition to a report made to, and approved by, the Ways and Means Committee from its own subcommittee on the tobacco schedule which gave every sound reason for declining to make any change in the duty on wrapper tobacco as provided by the present law. The subcommittee's report is before you and in our opinion it presents a far stronger case against the increased wrapper rate voted by the House than any facts, figures, or arguments of ours could place before you. We are forced to the conclusion, therefore, that the decision of the Ways and Means Committee and of the House in this case was influenced by some consideration of expediency, possibly involving apprehension regarding the fate of the tariff bill, concerning which we have no definite information.

The action of the House, however, threatens the complete demoralization of the cigar industry, including the growers of cigar leaf, its distributors, and the cigar manufacturers. Of this there can be no doubt, and it is our earnest request that your committee will carefully investigate the matter, if necessary with the aid of the United States Tariff Commission, for we are confident that a most searching inquiry will bring your committee to conclusions identical with those of the Ways and Means Committee—namely, that the proponents of the increased duty on wrapper leaf "have failed to sustain their case."

The cigar industry has stood still for 30 years. Its output for the current calendar year will probably not exceed the production of the year 1900. In that year the number of cigars produced was more than four times the number of cigarettes; to-day the output of cigarettes is twenty times that of cigars. It is useless to undertake an analysis of the reasons why the industry has made no progress; our chief concern is to prevent the adoption by the Government of a policy that will speedily destroy what is left of the industry.

Senator HARRISON. Would this affect cigars other than the 5-cent cigars? All my letters indicate that it would affect a rise in the price of 5-cent cigars.

Mr. BIJUR. It would affect the other cigars.

Senator HARRISON. Why do you pick out just the 5-cent cigars? Do you think the 5-cent cigar has more friends than any other cigar?

Mr. BIJUR. No; it is a more effective argument applying it to the 5-cent cigars. It is different from other business. The cigar industry sells cigars on a very close profit basis, and the profit on a 5-cent cigar at the outside is \$2. Often that is not made on the legitimate 5-cent cigar. This increase of 40 cents means 80 cents per thousand.

Senator HARRISON. In the last 20 years have the production and sale of the 5-cent cigars increased or diminished?

Mr. BIJUR. Diminished tremendously. The House and the Senate gave the trade relief by reducing the internal revenue from \$3 to \$2. Immediately after that the nickel cigar began to jump. It had been reduced to about 10 or 15 per cent of the business, and to-day it is over 50 per cent, and the farmers are receiving very much more for their tobacco since that time.

Senator HARRISON. It is pretty hard for some of us to find a 5-cent cigar.

Mr. BIJUR. There are some.

Senator HARRISON. It is not a relic of antiquity, then?

Mr. BIJUR. No.

Senator WATSON. I remember when we took the tax off, and they told us that they were going to make a 5-cent cigar; but it was a year before they began to make them.

Senator HARRISON. There is a tax on it now?

Mr. BIJUR. Yes; \$2, and they made it \$3. Your other question was in reference to the 10-cent cigar and those of higher price. A dollar a thousand would be a great hardship on those people, just as well as on the manufacturers of the 5-cent cigar, and those people will suffer. The only way they can also adjust themselves is by paying the farmers less for their binder, and possibly saving on wrapper, because they also are working on a close basis; but it would not put them out of business, as it would the other fellows.

Senator HARRISON. You mentioned something to the effect that it was going to be destructive to the leaf-tobacco grower.

Mr. BIJUR. Yes. The filler and the binder. I will get to that. I will try to cover the whole matter more or less thoroughly, and I will be glad to answer any questions.

The nickel cigar is the backbone of the cigar industry.

It is uniformly admitted that the production of nickel cigars which now amounts to more than one-half of the output of the industry constitutes the backbone of the cigar business. All but a small percentage of these cigars are wrapped with Sumatra tobacco at the relatively high cost to the producers of approximately \$6 per thousand. The manufacturer does not use Sumatra because of any personal preference but solely because the smokers of nickel cigars demand it.

Senator WATSON. Have you ever discovered a substitute for the Sumatra wrapper?

Mr. BIJUR. Not in this country. We would welcome it. Everybody would welcome it.

Senator WATSON. But you have never found it?

Mr. BIJUR. Never a satisfactory substitute.

Senator HARRISON. Then this particular wrapper does come in competition with the Sumatra wrappers?

Mr. BIJUR. The Florida?

Senator HARRISON. Yes.

Mr. BIJUR. Yes.

Senator HARRISON. And the Connecticut?

Mr. BIJUR. The subcommittee came to the conclusion that the Connecticut does not interfere with the Sumatra, or the Sumatra with the Connecticut. It does not compete, particularly, on the 5-cent cigar at all.

Senator WATSON. Regardless of what the subcommittee thinks, what is your opinion?

Mr. BIJUR. My opinion is that it does not compete with Connecticut.

Senator WATSON. What does compete with tobacco raised in this country?

Mr. BIJUR. The Havana wrapper was substituted for this Connecticut shade grown wrapper, and under the present duty they have gradually raised Connecticut shade grown tobacco. The Florida is in appearance very similar to Sumatra, but it is so bad in taste that it does not satisfy the public, and the manufacturers are afraid to use it, besides which they could not get it. There is a disease which has developed in Florida in the last 4 or 5 or 10 years, and they could not raise the quantity to supply this country. But the article is inferior, anyway, on account of the taste.

Senator WATSON. And the Sumatra wrapper in nowise competes with Connecticut tobacco used for the same purpose, as a wrapper?

Mr. BIJUR. To a very small extent.

Senator WATSON. Why to a small extent?

Mr. BIJUR. Because if you would put a prohibitive duty on Sumatra tobacco, the manufacturers would be forced to use anything to cover a cigar for the time being, and every part of the business is more or less the servant of the other.

Senator BINGHAM. Mr. Chairman, may I interrupt the witness for a moment?

Senator SHORTRIDGE. Certainly.

Senator BINGHAM. I am trying to follow another hearing on another schedule. There are here present several representatives of the Connecticut tobacco-growing farmers and the tobacco industry whom I hope you will hear as soon as possible. They were here all day



yesterday waiting. Curiously enough, some of them are on one side of the question, and some of them are on the other side of the question. Therefore you have a chance to hear both sides from people of the same State, rather an unusual occurrence, and one which will test the judicial capacity of this subcommittee.

Senator SHORTRIDGE. I thank you, Senator. I am sure the subcommittee will be glad to listen to the witnesses on both sides of the controversy, if it be a controversy.

Mr. BIJUR, you will resume. As I understand you, you are proceeding to address yourself to the subject matter of the proposed tariff on the wrapper?

Mr. BIJUR. Yes, sir.

Senator SHORTRIDGE. Proceed.

Mr. BIJUR. The change is from \$2.10 per pound to \$2.50. Our contention is that it should not be raised; that if they want really to benefit the American farmer, it should be lowered to the pre-war rate of \$1.85.

Senator SHORTRIDGE. It is now, under the present law—

Mr. BIJUR. \$2.10 a pound.

Senator SHORTRIDGE. And the proposed rate is what?

Mr. BIJUR. \$2.50.

Senator SHORTRIDGE. You appeared before the House committee?

Mr. BIJUR. Yes, sir.

Senator SHORTRIDGE. You took the same position there you are now advancing?

Mr. BIJUR. Yes, sir.

Senator SHORTRIDGE. All right; proceed.

Senator WATSON. What difference would that make in the price of a 5-cent cigar?

Mr. BIJUR. It would probably make no difference, because the 5-cent piece is fixed. You could not sell a cigar at 5½ cents.

Senator WATSON. What difference would it make in the cost of making it?

Mr. BIJUR. It would make a difference of between 80 cents and \$1 per thousand.

Senator HARRISON. I understood you to say—and I just want to get the matter clear in my own mind, and then we can travel along faster—that there was no tobacco raised in this country that comes in competition with the Sumatra tobacco. Did I understand you correctly?

Mr. BIJUR. No, sir. The Florida tobacco does come in competition with certain grades of Sumatra tobacco.

Senator HARRISON. It is that out of which you make the 5-cent cigar?

Mr. BIJUR. Yes; and Florida is used for "two-fers," cigars that sell for two for five, and for cigarettes. But it does not satisfy the ordinary smoker of 5-cent cigars.

Senator HARRISON. It has a bad taste, you say?

Mr. BIJUR. That is the idea.

Senator WATSON. Do you make any 5-cent cigars with the Florida wrapper?

Mr. BIJUR. We are not manufacturers.

Senator WATSON. Who does? Does anybody?

Mr. BIJUR. A great many people.

Senator WATSON. And use the Florida wrapper?

Mr. BIJUR. Yes. The York County manufacturers make a great many. About 25 or 30 per cent of the Florida tobacco is shipped to the Philippines. Then it goes through a curious process. They take this cheap Philippine tobacco, which is raised at a much less cost than the American-grown tobacco, they put the Florida wrapper around it and send it here as a 5-cent cigar. So it does not benefit the Ohio and Wisconsin and the Pennsylvania farmers in any particular. The only one who gets any benefit is the Florida farmer. So insistent is the demand for the Sumatra wrapper that the use of Sumatra as a wrapper for the nickel cigar is widely advertised by the producers, and it is a significant fact that the most prominent of the producers of the relatively small number of nickel cigars wrapped with any other leaf and who are among the leaders in this movement for a higher duty have with questionable ethics marketed their goods under labels stating them to be "Sumatra wrapped."

Senator WATSON. What percentage of all the cigars made in the United States, of any and all costs, use the Sumatra wrapper?

Mr. BIJUR. I think they import about twenty-five to thirty thousand bales.

Senator WATSON. That does not mean anything to us.

Mr. BIJUR. May Mr. Crouse answer that?

Senator WATSON. Not now.

Mr. BIJUR. The records as to that are on file in the Department of Agriculture.

Senator WATSON. I thought perhaps you knew.

Mr. BIJUR. I am not sure of it.

Senator WATSON. All right.

Mr. BIJUR. It is also significant that these producers who advocate a higher wrapper rate in the avowed interest of the domestic cigar-leaf grower produce their most popular brands with a scrap of filler for which the farmer receives 6 to 8 cents per pound as compared with an average of 21 or 22 cents for the crop, or less than half the cost of growing it.

Gentlemen, the people who sell Florida-wrapped cigars produce and sell them at very much lower cost than the Sumatra-wrapped cigars, because otherwise they would not sell. They sell that cigar for seven or eight dollars cheaper than the other 5-cent cigar, and in order to keep the costs down they use the offal of tobacco raised in this country. If the farmers in Ohio, Wisconsin, and Pennsylvania had to depend on the consumption of these people, they would go out of business, because they take the lowest grade, for which the farmer receives 6 to 8 cents. That is not enough, so they import from the Philippines scrap, which sells for half the price our scrap sells for. This 6 to 8 cents is compared with an average of 20 cents, and they import it from the Philippines at 12 or 13, and they mix it, but the public will not stand for it. Then they buy the cheapest possible binders. It is a good thing for the farmers, because it enables them to get rid of the off grades.

Senator WATSON. The Florida people send their tobacco to the Philippines, and the Philippine people send their tobacco over here?

Mr. BLYER. Yes; and compete with the American farmer, and almost put him out of business. If it was a little better, they would put him out entirely. Fortunately for the American farmer, it is not.

The statistics of the Department of Agriculture prove the fact that the most popular brands use a scrap filler, for which the farmer receives 6 to 8 cents per pound as compared with an average of 21 and 22 cents for the crop, or less than half the cost of growing it, as over 40 per cent of the scrap produced in the United States is used in York County, where they use Florida wrappers.

Senator HARRISON. That is, York County, Pa.?

Mr. BLYER. York County, Pa.

The interests of 40,000 "dirt" farmers are at stake. The wrapper of the bulk of the nickel cigars is the only material used therein that is not of domestic origin. The binders and fillers are grown in Connecticut, Pennsylvania, Ohio, and Wisconsin and provide a substantial revenue for more than 40,000 genuine "dirt" farmers who raise approximately 150,000,000 pounds of tobacco per annum. The remainder of the cigar leaf grown in the United States, amounting to some 7,000,000 pounds or less than 5 per cent of the total, is shade-grown wrapper produced in two districts, Connecticut and Massachusetts and Georgia and Florida, chiefly by a few large well-financed corporations.

Senator WATSON. Who are proposing this tariff, the people who make a higher-price cigar than the 5-cent cigar, in order to drive the 5-cent cigar out of business for their own benefit?

Mr. BLYER. No, sir. The Florida growers are proposing this, and the Tariff Commission, I believe, testified that five sections are raising the major portion of Florida tobacco.

Senator SHORTRIDGE. Pardon me just a moment. This wrapper tobacco, or cigar wrapper, to which you are now directing immediate attention, is raised in the Connecticut Valley and in Massachusetts?

Mr. BLYER. Yes, sir.

Senator SHORTRIDGE. Also in Florida?

Mr. BLYER. And in Georgia.

Senator SHORTRIDGE. Also in Georgia?

Mr. BLYER. Yes, sir.

Senator SHORTRIDGE. Those are the principal territories?

Mr. BLYER. That is the only section where shade-grown tobacco is raised.

Senator SHORTRIDGE. Exactly. And you are opposing any increase in tariff on that particular kind of tobacco?

Mr. BLYER. Imported tobacco; yes, sir.

Senator HARRISON. Is there any duty now on filler tobacco?

Mr. BLYER. From Cuba. There is 35 cents a pound duty on all filler tobacco.

Senator HARRISON. If the growers of filler tobacco were here asking for an increase, you would oppose that, would you not?

Mr. BLYER. I do not think I should oppose it. I do not think it would be wise. It is something I have not given consideration to.

Senator HARRISON. You are not interested in the growing of filler tobacco?

Mr. BLYER. We are not interested in growing any tobacco. We are dealers. But we represent manufacturers and dealers and the

farmers. What is good for the trade is good for us. We can not prosper unless the farmers who raise tobacco prosper.

Senator HARRISON. The price of filler tobacco would be increased if there were a higher duty on it, would it not?

Mr. BIJUR. Certainly.

Senator HARRISON. Then perhaps for the same reason you have given for opposing the duty on wrapper, because it would raise the price of the 5-cent cigar, you would oppose a duty on the filler, would you not?

Mr. BIJUR. I think I would oppose it for various reasons. I do not think the farmers of this country need protection on the filler. They are getting satisfactory profits now. At the present time they are getting very good profits.

Senator HARRISON. Are these other people, in Georgia, Florida, and Connecticut, getting very good profits on their wrapper tobacco?

Mr. BIJUR. They seem to be. They are growing more and more in Connecticut each year. In Florida they are growing less than they did 10 years ago, but that is due to the disease, which makes it too hazardous.

Senator HARRISON. If they were not getting a reasonable profit, and a duty would help them, would you then be in favor of it?

Mr. BIJUR. If it did not hurt more people than it did good. I do not believe it would do them any good, and I believe it would do the rest of the country a great deal of harm. Connecticut really is not affected by this wrapper raise.

As against the 5,000,000 pounds of wrappers produced under shade in the Connecticut-Massachusetts district, at least 30,000,000 pounds of so-called outdoor tobacco is raised in that district, chiefly by individual farmers, and in addition Pennsylvania produces 50,000,000 pounds; Ohio 80,000,000 pounds, and Wisconsin 45,000,000 pounds. It will be seen, therefore, that if farmers as a class are to receive any benefit from the legislation you are now engaged in framing the interests of those who raise domestic binders and fillers far outweigh those of the producers of shade-grown wrappers.

Senator HARRISON. Why?

Mr. BIJUR. Because in Florida there are about 2,000,000, as against 150,000,000 pounds in this country. Connecticut does not need any protection. Connecticut shade grown I would say in some ways is much better than Sumatra. They have succeeded in raising a very fine article up there.

Senator HARRISON. That industry up there is prosperous?

Mr. BIJUR. I believe so.

Senator WATSON. It that shade-grown tobacco of Connecticut used for wrapper purposes?

Mr. BIJUR. Yes, sir; in the highest class cigars.

Senator WATSON. But you can not afford to use that in a nickel cigar?

Mr. BIJUR. They can not produce it cheap enough in the light colors which the public demands in nickel cigars.

I have something here which will interest you. The House passed this raise in the tariff on May 28. A circular was sent out advertising the American Sumatra Tobacco Corporation early in June, and I want to read to you just half a dozen short extracts. This

was sent out by a Wall Street house. I will file it with the committee. I read:

American Sumatra Tobacco Corporation should be one of the most important beneficiaries of the higher duties on cigar-wrapped tobacco provided by the new tariff bill (H. R. 2007) as passed by the House of Representatives on May 28, and now before the United States Senate. Schedule D, paragraph 601, of this bill provides, in effect, that the duty on unstemmed cigar leaf shall be increased from \$2.10 to \$2.50 per pound, and that the duty on stemmed cigar leaf shall be raised from \$2.75 to \$3.15 per pound. If this schedule becomes a law, it should increase the growing preference for light-colored domestic cigar wrappers and enlarge the demand for the output of the company's plantations.

American Sumatra Tobacco Corporation is the largest single factor in the production of tobacco leaf wrappers for cigars, raising something like one-third of the requirements of the cigar manufacturers of the United States at its plantations in Connecticut, Massachusetts, Georgia, and Florida. It owns about 30,000 acres in Georgia and Florida and about 7,000 acres in the Connecticut Valley.

Senator HARRISON. How much in acreage do they raise?

Mr. BIJUR. They raise a great deal of that in Georgia and Florida. This is a circular issued by a Wall Street concern; but they are the largest raisers of Connecticut shade-grown tobacco. I read further:

The per acre cost of producing cigar wrapper leaf of American Sumatra quality is so high as to require a large amount of capital; and this explains the fact that tobacco of the cigar wrapping type usually is produced by corporations or by individuals with large capital resources.

Senator SHORTRIDGE. What is the significance of the matter you are now reading? What is its materiality? What is the point you are now calling attention to?

Mr. BIJUR. That this is a successful, prosperous concern; that this concern is not the ordinary dirt farmer whom I understand Congress is trying to help; this is a large corporation which is back of this effort to secure an increase in wrapper duty to make themselves still more prosperous.

Senator SHORTRIDGE. Is this document issued by some bonding house?

Mr. BIJUR. I think it was issued by some Wall Street house. I just wanted to call your attention to the fact that a few days after the increase was voted by the House this circular was circulated by a Wall Street house.

Senator SHORTRIDGE. The sum and substance of it is that the company is already prosperous and has good prospects; is that the idea?

Mr. BIJUR. That is what it says.

Senator SHORTRIDGE. That is the purport of the document you have?

Mr. BIJUR. Yes, sir.

Senator HARRISON. Mr. Bijur, you attack that company, do you not?

Mr. BIJUR. I do not attack it; I oppose the increase.

Senator HARRISON. Your proposition is that you attack the alleged facts and you state that they owned a large part of the acreage of this kind of tobacco in Georgia and Florida—

Mr. BIJUR. Yes.

Senator HARRISON. Can you not tell us how many individual farmers down there produce this tobacco, and what acreage they have so that we can make our own comparisons?

Mr. BIJUR. Yes. The report of the Tariff Commission showed that five large corporations raised the major portions of the shade-grown tobacco in Florida; it is very difficult to get the acreage of the Florida and Georgia tobacco because included in that is Burley tobacco which has been successfully raised and is being raised in Georgia to-day in the very same districts where they raise this Florida and Georgia tobacco. The figures do not show it as large as they are. May I file this thing?

Senator SPOFFORD. It may be filed.

Mr. BIJUR. The logic of the report of the Ways and Means Committee as to the needs of the producers of shade-grown wrappers is unanswerable. In declining to accept the viewpoint of the Connecticut shade growers that greater protection was needed by that interest, the report declares that the major portion of shade-grown wrapper tobacco does not enter into competition with the imported Sumatra wrapper for use in the 5-cent cigar industry; the broad leaf and Havana shade furnish a limited amount of wrappers, but figures indicate that only about 3 per cent of the total of this grade is so used. Therefore, we can safely assume that the Connecticut Valley growers have no serious competition by reason of the importation of the grade of Sumatra used on the 5-cent cigar.

The committee called attention to the fact that the complaints of the Georgia and Florida growers regarding existing conditions were based chiefly upon the necessity of constantly moving the tobacco crop to new acreage because of the presence of the disease known as black shank, and added that, while this is an unfortunate situation, they did not believe that an increase in the tariff was the proper remedy; that what the growers require is some attention from the plant-disease experts of the Department of Agriculture, as the venture seems to have lost its standing as an economic business proposition.

Now, gentlemen, I am trying to cut this as short as I can. We have gone over this matter very carefully. The manufacturer of nickel cigars has no control whatever of the price he shall pay for his Sumatra wrappers, that price being fixed by world competition in Amsterdam where this tobacco is sold at auction. He can not cut the cost of his wrappers, of his boxes, of his labor, or of any other detail of production, except the binders and fillers he buys from the American farmers, who have no other outlet for their product except the cigar manufacturers. During the past two years the manufacturers have paid the growers unprecedentedly high prices which can not possibly be maintained whether the wrapper rate is increased as proposed by the House or left as in the present law.

These high prices have been due in part to the fact that the manufacturers, in redemption of the pledge given by them in 1926 when Congress reduced the internal revenue taxes, have passed on a generous share of this reduction to the growers, but in even greater part to a drastic reduction in acreage made by the growers upon the advice of the Department of Agriculture which resulted in a shortage that proved embarrassing to all branches of the trade.

We claim that the wrapper duty should be reduced instead of raised.

Now, gentlemen, there is one very important thing that has not been brought up over in the House, and that is the question of revenue. We desire especially to call your attention to the fact that nowhere in the record of the hearings before the Ways and Means Committee of the House is there any evidence that consideration was given to the effect upon the Federal revenues of so drastic a change in the wrapper duty as is proposed by the House bill. It certainly is of great importance that the tobacco revenues should not be seriously decreased as the result of tariff legislation, yet it is the unanimous opinion of those engaged in the cigar industry that the amendment of the Ways and Means Committee will seriously demoralize the entire trade and menace the revenue now received from cigars.

According to the report of the Commissioner of Internal Revenue, the cigar taxes for the fiscal year 1928 amounted to \$23,000,000. The duties paid on imported cigar-leaf tobacco during the same period amounted to \$20,000,000, making a total revenue of \$43,000,000 in direct taxes, exclusive of such corporate and individual income taxes as those engaged in the industry may have been called upon to pay.

Surely this revenue should not be jeopardized unless it can be shown that important domestic interests will be substantially benefited thereby; and on this point we do not hesitate to repeat with emphasis the conclusion reached by the Ways and Means Committee that the proponents of the increased duty voted by the House have failed to sustain their case.

Gentlemen, this is an important telegram I have received, and I am sure you will be interested in it. On June 11 a resolution was unanimously adopted by the Legislature of the State of Wisconsin, and I received this telegram in time to put it in my brief. It is resolution No. 338, relating to the proposed increase in the tariff duty on Sumatra wrapper tobacco:

Whereas the tariff bill which has passed the House of Representatives provides for a sharp increase in the tariff duty on Sumatra tobacco used for wrapper purposes; and

Whereas this increase in the duty on Sumatra tobacco, if put into effect, will adversely affect the consumption of cigars; and

Whereas the tobacco grown in Wisconsin is used mainly for fillers and binders, the wrappers for which are imported from Sumatra; and

Whereas the increase in the duty of the Sumatra wrappers is thus certain to impair the price of and retard the market for Wisconsin tobacco: Therefore be it

*Resolved by the senate (the assembly concurring).* That the Legislature of Wisconsin hereby respectfully memorializes the Senate of the United States to strike out of the pending tariff bill the clause increasing the duty on Sumatra wrapper tobacco; and be it further

*Resolved.* That properly attested copies of this resolution be sent to the President of the Senate, the Committee on Finance of the United States Senate, and to each of the Wisconsin Senators.

Senator HARRISON. I want to ask you a few questions, Mr. Bijur. Have you appeared before either the Ways and Means Committee or the Finance Committee in the last decade or thereabouts arguing for reduction in the revenue taxes on cigars?

Mr. BIJUR. I have not personally; no, sir.

Senator HARRISON. You have favored the reduction?

Mr. BIJUR. Yes, sir.

Senator HARRISON. And you would favor the reduction now if it were possible to obtain it?

Mr. BIJUR. Yes, sir.

Senator HARRISON. So the question of revenue is not so close to your heart—

Mr. BIJUR. I am—

Senator SHORTRIDGE. Revenue of the Federal Government.

Mr. BIJUR. I am a patriotic citizen.

Senator HARRISON. We understand that.

Mr. BIJUR. But I believe sincerely that a raise in the wrapper rate will decrease the amount of money that the Government will get from the cigar industry.

Senator HARRISON. Suppose we should tack onto this increased duty a proviso to reduce the tax on 5-cent cigars from \$2 per thousand to \$1 per thousand—I believe it is down to \$1 per thousand—you would favor that, would you not?

Mr. BIJUR. It would condone the other, that is all.

Senator HARRISON. It would kind of appeal to you, would it not?

Mr. BIJUR. Naturally it would, because that is what we are asking for—relief.

Senator HARRISON. Let me ask you this: Are you a member of any organized pool?

Mr. BIJUR. Yes, sir; I am.

Senator HARRISON. Are you directly, or indirectly, interested in marketing either Florida or Georgia wrapper tobacco?

Mr. BIJUR. No, sir.

Senator HARRISON. Are you, or your company, the holder of any stock in, or are you in any way directly interested in any corporation manufacturing cigars with wrappers of Sumatra tobacco?

Mr. BIJUR. Yes, sir; I own some stock in a company that manufactures Sumatra-wrapper cigars.

Senator HARRISON. Have you any knowledge of a pool of tobacco farmers having been formed in Wisconsin who have agreements from the individual farmers to the effect that they would not market their growing crops through any other agency?

Mr. BIJUR. Yes, sir; I am very familiar with them.

Senator HARRISON. Are you aware of the fact that the tobacco pool as used herein is identical with farmers' cooperating marketing organizations?

Mr. BIJUR. Yes, sir.

Senator HARRISON. Were you individually, or your corporation, its agents, or you as an official of any corporation, ever restricted or restrained by a court order from purchasing crops of tobacco from members of the Wisconsin pool?

Mr. BIJUR. Yes, sir.

Senator HARRISON. I think that is all.

Senator SHORTRIDGE. For the benefit of other members of the committee, and perhaps to enable the testimony of others to be better understood as we receive it, I wish to read into the record a few words. They may be correct or not, but it will aid us all, I think.

Three distinct kinds of leaf tobacco go into the ordinary cigar, the filler leaf, binder, and the wrapper. The binder is used to hold together the small pieces of tobacco making up the filler. After the cigar is put together and wrapped it is finished up with a wrapper cut from a specially selected leaf. Although in weight the wrapper



is but a small part of the cigar, sometimes less than one-tenth, it is important since it is the part that comes in contact with the mouth, and it almost entirely determines the appearance of the cigar. The best wrappers are either neutral in taste or of a flavor that blends well with the flavor of the tobacco in the rest of the cigar.

**STATEMENT OF LESLIE W. NEWBERRY, REPRESENTING THE COMMITTEE OF INDEPENDENT TOBACCO FARMERS, SOUTH WINDSOR, CONN.**

(The witness was duly sworn by the chairman of the subcommittee.)

Senator SHORTRIDGE. Whom do you here now represent?

Mr. NEWBERRY. I represent a committee of stalk-tobacco farmers that was organized to protest and object to any increase in the duty on imported wrapper tobacco.

Senator WATSON. Are you an individual farmer yourself, Mr. Newberry?

Mr. NEWBERRY. I am.

Senator WATSON. You raise tobacco?

Mr. NEWBERRY. I raise what they call the sun-grown broad-leaf tobacco, of which I have 30 acres.

Senator SHORTRIDGE. That is, your tobacco is not under cover?

Mr. NEWBERRY. It is not under cover. I have grown that broad-leaf tobacco or have had experience in the observation of it in my neighborhood since 1900 when a third of an acre was started.

Senator SHORTRIDGE. Did you appear before the House Committee?

Mr. NEWBERRY. I did.

Senator SHORTRIDGE. And you desire to supplement your statement there, do you?

Mr. NEWBERRY. Yes; and, if it please the chairman I do not want to transgress the procedure of the committee, but I think I can expedite matters if I might go through with this just the way I have prepared it.

Senator SHORTRIDGE. I think that would be the better course.

Mr. NEWBERRY. It includes about all I think I know.

Senator SHORTRIDGE. All right, sir.

Mr. NEWBERRY. I would like to make this prefatory statement, that the Connecticut Valley grows, varying with the years, 30,000 to 40,000 acres of outside, sun-grown tobacco; and I think the highest acreage of shade for one year was slightly over 8,000.

Senator WATSON. Just what do you mean by shade-grown tobacco?

Mr. NEWBERRY. Shade-grown tobacco is that tobacco which they produce under cheese-cloth over the whole field; and it is a peculiar type that is calculated to produce a very uniform size and quality of wrapper leaf. They grow it primarily for the wrapper; and they have been so successful since beginning that they represent more than half the shade-grown tobacco produced in this country, that is the shade-grown wrapper.

Senator SHORTRIDGE. Your sun-grown tobacco necessarily comes into competition with the shade-grown wrapper tobacco.

Mr. NEWBERRY. I will cover that specifically, Senator.

Senator SHORTRIDGE. Very well, proceed.

Mr. NEWBERRY. Our objections, of course, are set out at considerable length in briefs filed with the Ways and Means Committee. We felt it our duty to appear before this committee to give any additional information or answer any questions in our power.

In brief our contention is this: If our stalk-tobacco farmers were able to produce a dependable supply of dependable quality cigar wrappers of this sun-grown type acceptable to the cigar manufacturing industry of the country, we would claim for such a wrapper such tariff as we thought would help us on the selling price.

Let me say in this connection that the Connecticut Valley is the only section of the country that can produce anything like a potential wrapper, sun-grown.

Senator SHORTRIDGE. Oh! They raise it in Florida and in Georgia.

Mr. NEWBERRY. You mean a wrapper, sun-grown?

Senator SHORTRIDGE. Do they not?

Mr. NEWBERRY. I do not so understand it—not in any quantity.

Senator SHORTRIDGE. Proceed. Excuse me for interrupting.

Mr. NEWBERRY. I think that the Connecticut Valley produces about the only acceptable sun-grown wrapper that is produced in the country.

Senator WATSON. You mean by the valley the part that runs up into Massachusetts, too?

Mr. NEWBERRY. Yes, sir—certainly, the valley in Connecticut and a very substantial portion in Massachusetts, and some acreage above; and in the Housatonic Valley, and there is a small acreage in another section of the State.

Whatever the demand was in the past for Connecticut Valley stalk wrappers to be used as wrappers, to-day there is little demand for them, and what we produce command only binder prices.

Now, I want to enunciate here what I believe to be clearly an economic law: That if we produce a certain quantity of potential wrappers, and we can not find the market for more than 5 per cent of them as wrappers, necessarily a large quantity of more or less equal quality—perhaps not the primest of it—while it is a wrapper, in fact, would be used as a binder; and that, necessarily, makes the price of those that are used as wrappers binder prices.

Senator HARRISON. And the binder price is not as good as the wrapper price.

Mr. NEWBERRY. Not at all; no, sir, Senator. So we do not think we get anything but binder prices on this wrapper tobacco.

Senator HARRISON. And the filler price is not as good as the binder price.

Mr. NEWBERRY. No; not at all. In fact, we have a considerable market for the broken part of the tobacco, called the stems. It is used, I think, as chewing tobacco, and probably pipe tobacco. I am not quite familiar with it, as, of course, I have nothing to do with it.

Senator WATSON. What is the top, the rest, used for?

Mr. NEWBERRY. I am unable to state. I think others will appear before you who will be able to state just how it is used.

Senator SHORTRIDGE. You use it for wrapper. Do you use any of it for filler or binder?

Mr. NEWBERRY. After we have taken out about 20 per cent of our tobacco products for sort of waste tobacco, breaks, and fillers, we call it, 90 per cent of what we have left goes for binder.

Senator SHORTRIDGE. Then, the use to which your tobacco is put is that some of it goes for wrapper, some for binder, and some for filler. Is not that true?

Mr. NEWBERRY. That is true.

Senator SHORTRIDGE. That is simple.

Mr. NEWBERRY. And I think more than 95 per cent of it that is not of the broken, stemming type goes for binder.

Senator SHORTRIDGE. Very well.

Senator CONNALLY. You contend, however, that it could go for wrapper?

Mr. NEWBERRY. I believe that on absolute merit there is no better wrapper produced than this sun-grown wrapper.

Senator CONNALLY. It is preferable to shade grown?

Mr. NEWBERRY. In my judgment.

Senator CONNALLY. Now, forget that you are a sun-grown man. Which does the trade prefer?

Mr. NEWBERRY. The trade does not want the sun-grown wrapper; and I can tell you why.

Senator HARRISON. Why?

Mr. NEWBERRY. In the last considerable period of years hundreds and hundreds of thousands of small tobacco manufacturers have necessarily been forced out of the business through the expansion of the big manufacturers and their ability to produce at low unit costs. That has resulted in the national brand cigar. Before that—

Senator HARRISON. What cigar?

Mr. NEWBERRY. The national brand cigar, the cigar that is advertised throughout the country from San Francisco to New York.

Senator KING. You mean the cigar that is advertised generally?

Mr. NEWBERRY. And produced in quantities to supply that market.

Senator SHORTRIDGE. And they would be known as national brands.

Mr. NEWBERRY. Yes; national brands, but that is not the name of a particular cigar.

Senator CONNALLY. You mean a brand of cigars nationally advertised?

Mr. NEWBERRY. The national brand cigar.

Senator SHORTRIDGE. Does it have a specific name?

Mr. NEWBERRY. Each manufacturer has his specific name for it.

Senator SHORTRIDGE. I understand you.

Mr. NEWBERRY. Before this took place the market for the small manufacturer was necessarily limited. The great objection that has always been made to our wrapper is that it was not dependable in quantity and not dependable in uniformity. That objection did not lie when we had a little manufacturer who produced a cigar for a limited market, but with the passing of these smaller markets and the smaller manufacturers the demand for that wrapper has almost disappeared, in my judgment.

Now, I am under oath, and I can not say anything but what I believe on such information as I have. Times have changed. In years where there were thousands of small manufacturers with a local market for their cigars, to-day there are only a few hundred with

nearly the whole business in the hands of a few large manufacturers who supply the whole country with national brand cigars. Large-scale production demands a dependable supply of uniform quality cigar wrappers.

With this change in the cigar industry and the advent of large-scale production of the shade wrapper, demand for the stalk wrapper has become so light that the farmer is paid only binder prices.

Unfortunately, no one can say with any authority what quantity of so-called stalk wrappers is produced in the Connecticut Valley.

Senator SHORTRIDGE. What do you mean by stalk wrapper?

Mr. NEWBERRY. There are two types. One is grown under shade and the other is not. For more than 150 years in the Connecticut Valley they have commercially produced the sun-grown wrapper. I do not think the term "stalk" is very significant but that is what they call "stalk tobacco"—the sun-grown tobacco.

Senator SHORTRIDGE. Proceed.

Mr. NEWBERRY. As I say, we can not determine what quantity of so-called stalk wrapper is produced in the Connecticut Valley. This is so because, first there is no wrapper-grade standard; second, the quantity produced or used is not a matter of record; and third, estimates lack significance because there is no grade standard.

If informed either by farmers or dealers of the pounds produced, the information would be unreliable, because part of the alleged wrappers would be wrappers and part would be only binders.

But it is a matter of simple calculation, if our potential wrappers were considered desirable by the industry, the quantity we do or can produce, would not make a dependable supply for the manufacture of national brand cigars.

To illustrate: In 1921 3,500 acres of stalk tobacco were grown in the Connecticut Valley. No such acreage has been produced since. Undoubtedly much of this acreage was unfit to produce high-quality tobacco.

A simple calculation will demonstrate that that acreage—and it is a greater acreage than is fit land for tobacco—would not be likely to produce wrappers, to wrap more than a little more than 7 per cent of the cigars produced in this country in 1928. And these wrappers would vary in quality in large measure.

Senator SHORTRIDGE. The point is that we can not raise sufficient wrapper tobacco in America to supply the demand for it. Is that the point?

Mr. NEWBERRY. The point is that this particular type of wrapper, this sun-grown wrapper, that the only section of the country where there is any reason to expect that it can be produced is the Connecticut Valley, and that that acreage is so limited that the quantity produced there is so limited and circumscribed that it would not represent more than 7 per cent of all the cigars produced in this country; and this supply would vary in quality in large measure.

The production of 5-cent, or class-H cigars, in this country in 1928 was three billion, three hundred million and some thousands.

Senator HARRISON. What was it 5 years before, and 10 years before? Have you got those figures?

Mr. NEWBERRY. I have not, and I think it would delay too much for me to find them.

Senator HARRISON. Has it decreased?

Mr. NEWBERRY. It had declined, but I understand particularly since the relief was obtained from the reduction of the internal-revenue tax that the low-priced cigar has come up. That is all that I can tell you.

Senator HARRISON. You mean in price?

Mr. NEWBERRY. In quantity of production.

The stalk wrappers that the Connecticut Valley could possibly produce would wrap only one-seventh of the 5-cent cigars. This is quite significant to me in this connection. It has been claimed that the Connecticut Valley can produce sufficient cigar-leaf wrapper to wrap all of the class II or 5-cent cigars manufactured. However, I have shown this to be a highly imaginative statement.

Senator SHORTRIDGE. But, if it were so, it would be a good thing; would it not?

Mr. NEWBERRY. It certainly would.

Senator SHORTRIDGE. You would desire that; would you not?

Mr. NEWBERRY. I would desire it; certainly. That is a natural product of the climate and soil of that valley; and if it could supply the market we should be allowed to take advantage of it.

Senator HARRISON. Do you think that the prohibition of the importation of Sumatra tobacco would increase your price or diminish your price?

Mr. NEWBERRY. On our wrappers?

Senator HARRISON. Yes.

Mr. NEWBERRY. Mr. Love, of Georgia, said that not 1 per cent of their available acreage for the production of this type of sun-grown wrapper was in use, and that they could produce all the wrappers this country wanted.

Senator SHORTRIDGE. If all the Sumatra and Java wrapper tobacco were shut out?

Mr. NEWBERRY. Yes.

Senator SHORTRIDGE. Completely barred from coming into America and you were raising that type of tobacco in the Connecticut Valley, would it not be to your advantage?

Mr. NEWBERRY. I think distinctly this: Congressman Freer told us in our legislative hall in Hartford that if the shade-grown men did not look out they would be killing the goose that laid the golden egg through overproduction.

Senator SHORTRIDGE. But that is scarcely an answer to my question.

Mr. NEWBERRY. I beg pardon.

Senator SHORTRIDGE. Assuming the shutting out of all imported wrapping tobacco, and you were raising that type of tobacco in your State and they were raising the same type in Georgia and Florida, either under shade or in the sun, do you not think that would be to the advantage of raisers of wrapper tobacco in America?

Mr. NEWBERRY. I do not think it would be to the advantage of the stalk grower.

Senator SHORTRIDGE. We are talking about the grower of tobacco who sells wrapper tobacco.

Mr. NEWBERRY. I think it would be a temporary advantage to them.

Senator SHORTRIDGE. Yes.

Mr. NEWBERRY. But I think that just as soon as that situation arrived that these manufacturers who always keep stocked up, as I understand and am informed by them, and have been for years, that they keep stocked up with several years' supply of their wrappers; that instead of buying this Georgia and Connecticut wrapper at a fair price they would produce it themselves.

Senator SHORTRIDGE. It would be a good thing to develop the industry of Georgia and Florida, would it not now, thinking of our country and our people?

Mr. NEWBERRY. Certainly. But we have an overproduction of binders to-day in Connecticut in the sun-grown tobacco.

Senator SHORTRIDGE. Overproduction?

Mr. NEWBERRY. Yes; on binders, Senator.

Senator SHORTRIDGE. Could you tell us of the tobacco that is used in America as wrappers what percentage is grown in America and what percentage is imported?

Mr. NEWBERRY. I think it is about 6,000,000 pounds.

Senator SHORTRIDGE. My question was, of course, as to percentage.

Mr. NEWBERRY. I think I will have to leave that to somebody else to tell you, Senator.

Senator SHORTRIDGE. Proceed.

Mr. NEWBERRY. The demand for wrapper tariff increase comes from the shade corporations of Connecticut, Georgia, and Florida.

The tobacco farmers that I speak for have no illusions that these shade-corporation men intend to create any wrapper market for stalk wrappers.

Now, if we see no chance for our own stalk wrappers to profit from tariff increase, why do we object to this demand of the shade-wrapper producers?

For two reasons: First, there is no evidence that the shade corporations need higher tariff. The shade industry has had a fairly steady expansion, especially since 1925. Last fall plans were well under way by the shade corporations in the Connecticut Valley for substantial increase of acreage this season, 1929. My information is that this increase will be from 12 per cent to 20 per cent—1,000 to 1,500 acres.

We think the fact of this expansion is inconsistent with the claim that the industry is "languishing," or that it is suffering for lack of adequate protection.

Shade-wrapper unit production costs could not be reduced by larger acreage.

Second: Higher tariff, we believe, will cause several million dollars' increase in cigar manufacturing costs. We believe the industry will endeavor to meet this increased wrapper costs through lower prices for its other raw materials. "Other materials" include cigar binder of the Connecticut Valley. This is the best cigar binder in the world. We are not setting a price for this binder that we are entitled to, and the farmers of the Connecticut Valley are not at this time enjoying prosperity.

The tobacco farmers I speak for believe that farm relief, as applied to them through a higher wrapper tariff will cause them loss, not gain.

Personally, I would like to see tariff reduction in wrappers.

Just as I have stated before, I believe our binder is the best binder in the world, but we are not getting the price for the binder that we are entitled to, and the farmers of Connecticut Valley are not at this time enjoying prosperity. I say that because the subcommittee of the House in the beginning of their report stated that it appeared that the producers of stalk tobacco were enjoying fair prosperity. That may be true in other sections of the country, but it does not apply to the Connecticut Valley.

Senator SHORTRIDGE. You undertook to state how much the acreage had declined to increase.

Mr. NEWBERRY. Yes.

Senator SHORTRIDGE. I have been advised that the acreage of the shade-grown tobacco in Georgia and Florida declined from 4,000 acres in 1922 to 1,900 acres in 1925, but increased to 3,800 acres in 1928.

Mr. NEWBERRY. I have the figures for the latter years. Undoubtedly your figures are correct. I do not question them.

Senator HARRISON. Does your organization have any pool, or do you belong to any pool up there?

Mr. NEWBERRY. We started the Connecticut Valley Tobacco Association pool in 1922 and carried it on for five crops.

Senator HARRISON. Did it work out successfully?

Mr. NEWBERRY. I was director for four years, and then I ceased—well, I never did direct, but I ceased to be a member of the board of directors from my own choice.

Senator HARRISON. Was it because you did not have faith in the management of it?

Mr. NEWBERRY. Exactly.

Senator HARRISON. You lost your faith.

Mr. NEWBERRY. That covers a large field, Senator.

Senator CONNALLY. Would the farmers of your valley benefit by protection on shade-grown tobacco?

Mr. NEWBERRY. No, Senator; I can see no possibility of it except in this way, as subcontractors financed by the corporations. They do that now.

Senator SHORTRIDGE. Does any of your tobacco go into the manufacture of stogies?

Mr. NEWBERRY. If so, I do not think it is the broad leaf; it is the Havana seed; and I understand the Havana seed wrappers were used quite largely for that.

Senator CONNALLY. The essence of your objection is that if you raise the price of the wrapper it is going to decrease the price of your binder and that your product is chiefly used as binder.

Mr. NEWBERRY. That is it, Senator; and, in addition, this—I should not take your time to say it—but we do not think they need it. We do think that the cigar industry is none too prosperous.

Senator SHORTRIDGE. Is that all?

Mr. NEWBERRY. Yes.

Senator SHORTRIDGE. Gentlemen, it will be necessary to boil matters right down and compress your statements and condense them. We are limited for time and will ask you to be as brief as you can possibly be.

**STATEMENT OF HARRY I. BOBROW, REPRESENTING BOBROW BROS. (INC.), PHILADELPHIA, PA.**

Senator SHORTRIDGE. For whom do you appear?

Mr. BOBROW. I appear for the cigar manufacturers.

Senator SHORTRIDGE. You mean for those engaged in the tobacco business in Pennsylvania?

Mr. BOBROW. Yes, Pennsylvania.

Senator SHORTRIDGE. Did you appear before the House committee?

Mr. BOBROW. I did, sir.

Senator SHORTRIDGE. Do you wish to supplement or add to your statement before the House committee?

Mr. BOBROW. I will supplement my statement before the House committee.

Senator SHORTRIDGE. You may do so.

Mr. BOBROW. When I was here before that committee I explained all about the Florida, Georgia, and all other tobaccos.

Senator SHORTRIDGE. You are addressing yourself to the subject matter of wrapper tobacco now?

Mr. BOBROW. Wrapper tobacco; yes, sir. When I heard of the increase of 40 cents a pound I asked for a hearing; and I present to you here a box of cigars of the quality we have been making for the last 22 years—nickel cigars. During the last 22 years we have paid about \$10,000,000 to the Government in duties and tariff; and our profits in that same length of time did not exceed a million dollars. We are making about \$1 a thousand on this cigar; and that ratio of profit will be applicable to about 90 per cent of the manufacturers of 5-cent cigars.

The new rate proposed by the House committee means an increase of 80 cents a thousand to us on the cost, because many times it will take an ounce more to a thousand and the total increased cost to us will be just about the \$1 profit that we now make out of the business and that will mean that we have got to stay in the business at a loss, because this is the kind of a business that once you get into it you can not get out [laughter].

Senator SHORTRIDGE. Well, sometimes you are thrown out.

Mr. BOBROW. We are now employing about 1,800 people.

Senator SHORTRIDGE. The present tariff rate is \$2.10.

Mr. BOBROW. Yes; \$2.10.

Senator SHORTRIDGE. The House bill as it comes to us proposes making it \$2.50.

Mr. BOBROW. Yes.

Senator SHORTRIDGE. An increase of 40 cents a pound?

Mr. BOBROW. Yes. That means it is a dollar, because we use over two pounds to a thousand.

Senator SHORTRIDGE. And it amounts to \$1—

Mr. BOBROW. \$1 a thousand.

Senator SHORTRIDGE. Theoretically.

Mr. BOBROW. Yes. It means an increase of a dollar or over a thousand cigars.

Senator SHORTRIDGE. On the material you import?

Mr. BOBROW. On the imported Sumatra.



Senator SHORTRIDGE. Let us understand that clearly; it means that, of course, if you import the wrapper.

Mr. BOBROW. It means \$1 a thousand.

Senator SHORTRIDGE. Precisely.

Mr. BOBROW. Additional expense.

Senator SHORTRIDGE. Yes, sir.

Mr. BOBROW. And that means that we will either have to work without profit or take a chance on losing money.

Senator SHORTRIDGE. Because you will continue to sell at the same price?

Mr. BOBROW. We will continue to sell. We have the highest price in Pennsylvania, Ohio, and Connecticut. We spend no money on advertising but we sell around a hundred million of those cigars a year in only four or five States.

Senator SHORTRIDGE. Do you make any other cigars except that?

Mr. BOBROW. Very little. We tried to manufacture other grades, but were not as successful with them as we were with this.

Senator SHORTRIDGE. What is the name of this brand?

Mr. BOBROW. Bold.

Senator WATSON. Where do you buy the tobacco that enters into the composition of this cigar?

Mr. BOBROW. We buy a great deal of our tobacco in Lancaster County.

Senator WATSON. Do you get all of it there?

Mr. BOBROW. No, sir.

Senator WATSON. Where else do you buy it?

Mr. BOBROW. We buy in Lancaster County; then we buy in Ohio and also Connecticut tobacco. This cigar contains all four classes—Connecticut, Ohio, Pennsylvania, and imported Sumatra wrappers.

Senator WATSON. It has an imported Sumatra wrapper on it?

Mr. BOBROW. Yes, sir.

Senator WATSON. Is an imported Sumatra wrapper the only wrapper you could use?

Mr. BOBROW. I could not use any other wrapper on this particular cigar.

Senator WATSON. You could not?

Mr. BOBROW. No, sir.

Senator WATSON. You feel that an imported Sumatra wrapper is important to a 5-cent cigar?

Mr. BOBROW. It is, Mr. Senator. If the manufacturer of nickel cigars could not get Sumatra wrappers the result would be a considerable cut down in cigar smoking in this country. In fact, if we could not get the imported Sumatra wrapper we would quit making cigars before we lost all our money.

Senator WATSON. This increase from \$2.10 to \$2.50 you say amounts to a dollar a thousand to you?

Mr. BOBROW. It amounts to a dollar a thousand to us.

Senator WATSON. Would it not amount to but 80 cents?

Mr. BOBROW. No, sir; and that is what I am complaining about. Two pounds of tobacco would make 80 cents.

Senator SHORTRIDGE. Where would you get the dollar?

Mr. BOBROW. When tobacco comes in the bale is frequently broken and frequently enough of the tobacco is injured that it takes an

ounce over 2 pounds to make a thousand. For instance in handling the packages the hooks they handle it with go through and injure the leaves: and then when the jobber or customer takes off the discount from the price of the cigars it makes it a dollar.

Senator WATSON. How long have you been operating this business?

Mr. BOBROW. Twenty-two years.

Senator WATSON. Has your concern grown considerably in the meantime?

Mr. BOBROW. We started in with 1 cigar maker and we now have 1,800 hands working for us.

Senator WATSON. What do you pay them?

Mr. BOBROW. Just what do you mean?

Senator WATSON. What wages do you pay?

Mr. BOBROW. We pay on a piece-work basis and some of the hands make \$25 and \$30 a week. Most of our cigars are made by hand. Very few are made by machine. Not more than 15 per cent of our output is made by machine.

Senator HARRISON. Is your concern incorporated?

Mr. BOBROW. Yes, sir; it is a close corporation.

Senator HARRISON. What is the name of it?

Mr. BOBROW. Bobrow Bros. (Inc.).

Senator HARRISON. It is listed on the exchange?

Mr. BOBROW. No, sir; it is not listed on the exchange; we have not got money enough.

Senator SHORTRIDGE. As to quality we can raise just as good wrapper tobacco in Georgia, Florida, and Connecticut as they can in Sumatra can we not?

Mr. BOBROW. No, sir; we can not.

Senator SHORTRIDGE. Why not?

Mr. BOBROW. Because the soil is not fitted for it; the tobacco has not got the texture. Why should we be paying our good money to the Dutchmen for tobacco if we could use American tobacco? We would if we could, but the American tobacco simply does not have the qualities of the Sumatra tobacco.

Senator SHORTRIDGE. That reminds me of what happened to Turkish leaf tobacco. During the war there was a complete embargo on importing Turkish leaf tobacco. The cigarette makers of America continued to make cigarettes; and the tobacco that was furnished was grown in California. They did not tell the American people that it was inferior in quality; but so soon as the war was over and they could again import Turkish leaf tobacco then, and for the first time they took the position that there was an aroma, a superiority, or something, in the Turkish leaf imported tobacco that was not found in the American-raised tobacco.

Mr. BOBROW. That is probably true; but since then cigarettes have advanced in sales probably 50 per cent.

Senator SHORTRIDGE. That is another proposition.

Mr. BOBROW. At the same time it is a short smoke and before a man knows really what he is smoking he is through with it. [Laughter.]

Senator SHORTRIDGE. I find that to be so with many of the cigars. But the point I am driving at—and I want the committee to excuse me for a moment because I am very deeply interested in this sub-

ject—is that you have just made the statement, and I am sure you were sincere in making it, that we can not, even in the Connecticut Valley or in Florida or Georgia, with our soil and climatic conditions, raise as good wrapper tobacco as is raised in Sumatra or Java. That is your version?

Mr. BORROW. Positively. I want to tell you gentlemen, supplementing this—

Senator SHORTRIDGE. If you can in a few words we will be glad to have you.

Mr. BORROW. A cigar has to be palatable.

Senator SHORTRIDGE. Of course it has to be.

Mr. BORROW. And the wrapper gives flavor.

Senator SHORTRIDGE. Does it materially affect the flavor?

Mr. BORROW. Yes; the wrapper adds to the flavor. The wrapper absolutely makes this cigar.

On the other hand, if you cover this cigar with a stalk tobacco from Connecticut you have got to change the balance inside to make it palatable.

Senator SHORTRIDGE. Then there is a difference between the Sumatra-raised and the American-raised tobacco for wrappers?

Mr. BORROW. Absolutely a difference.

Senator SHORTRIDGE. You think an essential, continuing difference?

Mr. BORROW. Positively a difference.

Senator SHORTRIDGE. Due to climatic and soil conditions; is that it?

Mr. BORROW. Yes, sir.

Senator SHORTRIDGE. All right, sir; that is all.

Senator WATSON. Did you ever use any other wrapper than a Sumatra wrapper and try to make your cigar?

Mr. BORROW. I did.

Senator WATSON. When?

Mr. BORROW. I have some Florida wrappers on hand now.

Senator WATSON. What was the result?

Mr. BORROW. The result is that if you go to a dealer and sell him an order made up in Florida wrappers because he wants to buy something around \$5 or \$6 a thousand, that you sell him one order and then when his trade discovers Florida wrappers he has to put them way back on his shelves, and they move very slow.

Senator WATSON. So you have tried a different wrapper?

Mr. BORROW. I have; and we are selling a few now, but the percentage is so small that it is about 1 per cent. We are only selling them to people who want to buy 5,000 or 10,000 cigars a little cheaper.

Senator WATSON. The smoker of the 5-cent cigar knows the difference, does he?

Mr. BORROW. Absolutely he knows the difference.

Senator SHORTRIDGE. I will venture to say that not one smoker out of a million can tell whether the wrapper is Sumatra raised or Florida raised.

Mr. BORROW. I do not agree with you, Mr. Chairman.

Senator SHORTRIDGE. Well, you have the better knowledge on the proposition.

Mr. BORROW. Because they have established it. In the first place, there is hardly any Florida-wrapper cigars made.

Senator SHORTRIDGE. I based my passing remark upon the theory that it is the result of advertising.

Mr. BOBROW. No, sir.

Senator SHORTRIDGE. You can advertise and persuade the American people—

Mr. BOBROW. I am not advertising.

Senator SHORTRIDGE. Wait a moment—you can persuade the American people to believe that only a Sumatra wrapper is a palatable or desirable wrapper.

Mr. BOBROW. No, sir.

Senator SHORTRIDGE. All right. You may proceed.

Senator WATSON. He made the statement awhile ago, Senator, that he had used another wrapper and had sold the product to dealers, but that they would not move.

Mr. BOBROW. We do not advertise our cigar, but our purchasers know what they want.

Senator WATSON. Did you ever use a different wrapper on the particular brand called "Bold"?

Mr. BOBROW. We never have, because that would make a different cigar.

Senator HARRISON. Are you one of the largest 5-cent cigar manufacturers in the country?

Mr. BOBROW. We are not one of the smallest; but there are others that are larger.

Senator HARRISON. One witness spoke of five or six large manufacturers controlling this national brand. Are you one of those five or six?

Mr. BOBROW. Probably so; I do not know. But we do not control the 5-cent merchandise.

Senator HARRISON. From whom do you buy your Sumatra tobacco?

Mr. BOBROW. From an importer in New York—H. Duys & Co.

Senator CONNALLY. Is not the quality of the cigar determined by the filler instead of the wrapper?

Mr. BOBROW. No, sir.

Senator CONNALLY. Is not the wrapper merely for looks purely?

Mr. BOBROW. It is not for looks entirely; it is all for taste, because some of the Sumatra that was imported I would not give 5 cents a pound for. So it means that when we speak of imported Sumatra wrapper we do not mean everything that is imported from Sumatra, but we choose a particular quality for our brand.

Senator SHORTRIDGE. I think we understand your position.

Mr. BOBROW. Thank you.

Senator WATSON. Did you continue to make these cigars while the tax was so high?

Mr. BOBROW. When the tax got up higher this cigar advanced to 6 cents.

Senator WATSON. You increased the price?

Mr. BOBROW. Then it went to 7 cents and stopped, for people would come in the store and say, "What's the use of smoking a 7 or 8 cent cigar? Give me a 10-cent cigar." Shade-grown tobacco is not used in the 5-cent cigars. There is not a manufacturer in this country who is using shade-grown tobacco, and if Sumatra went up he would

still use it, even if he had to pay more for it, because there is a need and demand that has to be filled.

Senator HARRISON. Do you know any other 5-cent cigar as good as yours?

Mr. BOBROW. I think they are all good.

Senator SHORTRIDGE. What is the average price now per pound for wrapper tobacco?

Mr. BOBROW. It is only \$2.10. You mean Sumatra?

Senator SHORTRIDGE. I am not talking about tariff; what do you pay to-day?

Mr. BOBROW. For Sumatra?

Senator SHORTRIDGE. Yes.

Mr. BOBROW. For the quality we use in the 5-cent cigars we pay from about \$1.90 to \$2.50.

Senator SHORTRIDGE. Per pound?

Mr. BOBROW. Per pound.

Senator KING. Plus the tariff?

Mr. BOBROW. Plus the tariff.

Senator SHORTRIDGE. I asked you what you were paying?

Mr. BOBROW. From 90 cents to \$1.50.

Senator SHORTRIDGE. Plus the tariff?

Mr. BOBROW. Plus the tariff.

Senator SHORTRIDGE. That is the price now being paid for imported Sumatra wrapper tobacco?

Mr. BOBROW. Yes, sir.

Senator SHORTRIDGE. Thank you, Mr. BOBROW.

**STATEMENT OF HARVEY L. HIRST, REPRESENTING BAYUK CIGARS (INC.), PHILADELPHIA, PA.**

(The witness was duly sworn by the chairman of the subcommittee.)

Senator SHORTRIDGE. For what company, if any, do you appear?

Mr. HIRST. I represent Bayuk Cigars (Inc.).

Senator SHORTRIDGE. And what are they?

Mr. HIRST. They operate factories in Pennsylvania and New Jersey.

Senator SHORTRIDGE. And you are opposed to the increase on wrapper tobacco?

Mr. HIRST. Yes, sir.

Senator SHORTRIDGE. Did you appear before the House committee?

Mr. HIRST. I appeared before the House committee, Mr. Chairman, and, therefore, I am able to make my remarks here very brief.

Senator SHORTRIDGE. It will be agreeable to the committee.

Mr. HIRST. I just want to cover two elements in this situation especially from the manufacturers standpoint which I think has been amply well covered.

It is my understanding it is the purpose of Congress to aid the farmer in our tariff bill to be drafted and with this thought in mind it is difficult to understand the reasoning by which the Ways and Means Committee of the House has seen fit to ignore the plea of our 40,000 farmers engaged in the growing of filler and binder

tobacco in America who ask for a decrease in duty on wrapper tobacco and grant an increase to a small group of individuals and corporation who so plead particularly in the face of the report of the subcommittee which clearly set forth that the proponents for an increase in duty has failed to sustain their case.

So much for the farmers' position. Now I want to present to you briefly the position of the consumers of our 2,000,000,000 cigars annually.

There were various interpretations of former Vice President Marshall's much quoted statement "What the country needs is a good 5-cent cigar." Some people took him literally; others believed he was only using the 5-cent cigar as an illustration and had in mind the need for a reduction in the cost of living. What I like to think he meant was that the old time 5-cent cigar contributed in a considerable measure to the happiness of the bread winners of the Nation. And it is well within the bounds of possibility that Mr. Marshall had this very thought in mind when he made the statement before referred to.

In 1925 through the generous action of Congress the internal revenue tax on 5-cent cigars was reduced from \$4 to \$2, and due to this, together with the development of cigar-making machinery, the old time 5-cent cigar became a possibility.

Some cigar manufacturers and the company I have the honor to represent was one of those who turned that possibility into a reality. The old-time 5-cent cigar has come back equal in volume and quality to that of pre-war times. Now a certain small minority of cigar interests are asking this Congress to legislate this cigar out of existence for the perfectly obvious reason that they want to force upon the public their scrap-filler Florida wrapper cigar, which formerly sold at 2 for 5 cents and less at 5 cents.

The fact that the success of their efforts would destroy a very large part of the 5-cent business does not concern them, since they can only take care of a very small part of the demand that wish for 5-cent cigars to-day.

We are asking for a decrease in the wrapper schedule. If this is granted, it will benefit that vast army of dirt farmers in Connecticut, Massachusetts, Pennsylvania, Ohio, and Wisconsin who raise filler and binder tobacco. It will encourage the manufacturer in his commendable effort to satisfy the millions of smokers who are to-day favoring the 5-cent cigar.

Senator SHORTRIDGE. You are urging a reduction rather than an increase?

Mr. HIRST. Yes, sir.

Senator HARRISON. Did you appear before the Ways and Means Committee for a reduction in the present rate or in opposition to an opposed increase?

Mr. HIRST. I appeared for a reduction in the present rate because the margin of profit on the 5-cent cigar is getting so dangerously close to cost that unless we take advantage of every possible saving, we may soon find ourselves in the position of being unable to come out at a profit.

Senator CONNALLY. What about the Havana cigar; do they have a Sumatra wrapper or Cuban wrapper?

Mr. HIRST. Just what do you mean by an Havana cigar?

Senator CONNALLY. I mean a real Havana cigar costing about 25 cents.

Mr. HIRST. A real Havana cigar, a real Cuban cigar, is composed entirely of Havana tobacco because I believe they restrict the importation of tobacco into the island of Cuba.

Senator SHORTRIDGE. They go upon the theory of an effective protective tariff.

Mr. HIRST. Yes, sir.

Senator SHORTRIDGE. It really creates an embargo.

Mr. HIRST. Their position is that outside of sugar they only have tobacco to rely on; then, after all, Cuba is known all over the world for its tobacco.

Senator HARRISON. Do they use a good grade of tobacco in Cuba?

Mr. HIRST. They used to, sir, a very great many years ago. You can probably remember the time when Cuban cigars were good and you could smoke them, but I am frank to say this country will not smoke Cuban cigars.

The point is in the quality of the tobacco. Through fertilization, through lack of goodness of the soil, through the soil being worn out, Cuba is producing a wrapper to-day which does not burn and does not give satisfactory results and the people will not smoke them. That is exactly our contention; you must give people cigars to smoke they like.

Senator CONNALLY. In the case of the Havana cigars of the better grade that kind of wrappers do they use?

Mr. HIRST. I think in the main they use shade-grown wrappers.

Senator CONNALLY. Domestic wrappers?

Mr. HIRST. They also use Havana wrappers, some of them, but many of the manufacturers in recent years have changed to the shade grown.

Senator HARRISON. Do we export any wrapper tobacco to Cuba?

Mr. HIRST. Not a bit.

Senator SHORTRIDGE. Do you consider the shade-grown wrapper better than the sun-grown, from your knowledge and experience?

Mr. HIRST. I can not answer that, Senator, except to say this, that so far as our position is concerned the shade-grown wrapper can not possibly be grown at a price that will enable us to use them in our products.

Senator SHORTRIDGE. That is not the point; I am inquiring just as to the quality. Perhaps it is more uniform.

Mr. HIRST. One of the proponents for an increase that appeared before the Ways and Means Committee before the House called attention to a wrapper tobacco, a dark tobacco, that might possibly be used on 5-cent cigars that could be produced at approximately a cost of \$7 per thousand. Now, our limit of cost on Sumatra wrapper has got to be within \$6 a thousand. We can not pay any more. However, you gentlemen know that there is no demand in this country to-day for dark cigars. Twenty-five years ago the Colorado cigars, which were dark, were popular. Colorado is much preferable to lighter shades; but to-day there is no demand for dark Colorado wrapper.

Senator WATSON. What is the effect of the present duty?

Mr. HIRST. Even with the present duty we find it a pretty difficult task to manufacture the 5-cent cigars.

Senator WATSON. Has your production decreased or increased in recent years?

Mr. HIRST. We have increased our 5-cent business up to the time that this question was brought before the consideration of the House and then we limited our production.

Senator SHORTRIDGE. Do you agree with Mr. Bobrow that the Sumatra wrapper is superior to any wrapper tobacco that can be grown in America?

Mr. HIRST. Beyond question, Senator. I am very much interested in wrapper tobacco. I know there is a quality to Sumatra tobacco which is distinct and unusual. I presume it is because of the conditions under which it is grown. They have lava soil and, having taken a crop off of one piece of soil, they let it go back to jungle for eight years before they grow another crop. An illustration of how highly Sumatra tobacco is regarded as wrapper is to be had from the European manufacturers. They had the idea that they could put any kind of scraps in a binder so long as they used a Sumatra wrapper and they do.

Senator SHORTRIDGE. I think it is superior.

Mr. HIRST. Definitely superior.

Senator SHORTRIDGE. I am not sure of the quality. It may be of a different quality. I would like to find out these facts and see if it can be grown in America or not be grown in America.

Mr. HIRST. I have had experience that as far as the Sumatra wrapper is concerned.

Senator SHORTRIDGE. We have Mr. Rinck present?

STATEMENT OF [REDACTED] REPRESENTING THE TOBACCO GROWERS ASSOCIATION OF LANCASTER COUNTY

(The witness was sworn by the chairman of the subcommittee.)

Senator SHORTRIDGE. How do you appear?

Mr. Good. I am representing the Growers Association of Lancaster County.

Senator SHORTRIDGE. And you want to address yourself to this immediate subject of wrapper tobacco?

Mr. Good. Yes, sir.

Senator SHORTRIDGE. Are you personally interested in the industry?

Mr. Good. I am a farmer, and there is where I should be to-day, in there planting tobacco.

Senator SHORTRIDGE. The sun is shining over there.

Mr. Good. It is, but the question is as to who is going to do it if the boss is not there.

Senator WATSON. You are engaged in raising tobacco?

Mr. Good. Yes.

Senator WATSON. How much do you raise? How many acres?

Mr. Good. I raise annually approximately 15 acres.



Senator WATSON. How long have you been raising tobacco?

Mr. GOOD. About 20 years.

Senator HARRISON. That is a pretty good-sized tobacco farm, 15 acres, isn't it?

Mr. GOOD. Our farms in Lancaster County are not so large. They range from 45 to 90 acres, we will say. We have three little farms connected, which would make an ordinary farm of one hundred and fifty some acres, but we only farm tobacco on two farms.

The purpose of my appearance here to-day is to give additional evidence relative to the purpose of asking a decrease in the tariff rate on Sumatra wrapper tobacco, the industry which affects the Lancaster County farmer in general. I stated prior, when I was before the Ways and Means Committee, that the maximum amount that we raised in Lancaster County was 35,000 acres, but due to the fact the farmers became disgusted it came down as low as 18,000 acres. The last several years the farmers got a fair price for tobacco, due to the fact that when the farmers in Lancaster County became disgusted and curtailed their acreage and produced less, although they tried to produce a better quality tobacco, the manufacturers and packers saw that they had to do something, and then there was created what you would call an unnatural demand, due to the fact that they knew if they did not pay us a better price for tobacco they would not have the product for the amount that was needed for supply or manufacturing purposes.

In addition to that, in 1926, when Congress reduced the tariff on 1,000 cigars from \$4 to \$2, that materially aided the manufacturer in his operation as to expense, and gave to the farmers a material addition of earnings, and by so doing it gave us a chance to give to our families such necessities as farmers are naturally entitled to, the same as city people.

I understand this special Congress has been convened for the purpose of aiding farmers.

Senator SHORTRIDGE. Yes, sir.

Mr. GOOD. The cry is that they want to have farm relief. There are two classes, according to my understanding, of farm relief. One is to relieve the farmer of his burdens and the other is to relieve him of all he has got.

Senator CONNALLY. That latter object was what Congress was called for, wasn't it?

Mr. GOOD. The latter object will take place if you increase the tariff on Sumatra wrappers and deprive us from earnings, due to the fact that the long filler that is produced in Pennsylvania, amounting to about 50,000,000 pounds annually—and seven-eighths is produced in Lancaster County; don't forget that—and with the 40,000 farmers who are engaged in the production of tobacco within the confines of the United States, and you would have all of those with us in asking this committee to recommend to Congress and to the Senate a reduction in tariff.

Senator SHORTRIDGE. A reduction in tariff on—

Mr. GOOD. Sumatra wrapper tobacco.

Senator HARRISON. Of course, your tobacco is a binder tobacco?

Mr. GOOD. Yes.

Senator HARRISON. If the tariff duty was raised on binder tobacco you would not object to it?

Mr. GOOD. That is the thing that affects us.

Senator HARRISON. I say if it was increased on binder tobacco.

Mr. GOOD. On binder?

Senator HARRISON. Yes.

Mr. GOOD. The wrapper affects us. I have no specific knowledge of that.

Senator SHORTRIDGE. All right. Then direct yourself not in criticism but to giving us, if you can, in a few words, some facts or some arguments in support of your contention that will aid us in arriving at a conclusion.

Mr. GOOD. Our contention is that if this tariff is increased, or even if it remains at \$2.10 for the unstemmed and \$2.75 as to the stemmed tobacco it will materially affect our earnings. You Senators know that there was a time when Lancaster County knew nothing but bankrupt sales. We have plenty of them to-day. In the past we have had them, and due to the very fact that the farmers were not able to get returns for their output commensurate with the expenses incurred. In other words, the expenses exceeded the income.

Senator SHORTRIDGE. We do not want to take up time in argument, and it would not be proper for me to do so, but, if I catch your thought, your contention is that if the tariff on Sumatra wrapper tobacco were lowered there would be more Sumatra tobacco brought in, or less?

Mr. GOOD. More brought in and a greater benefit to the long filler producers.

Senator SHORTRIDGE. In other words, your contention or your thought and your reasoning is that if the \$2.10 rate now on the Sumatra wrapper were reduced it would result in an increase of importations?

Mr. GOOD. Yes, sir.

Senator SHORTRIDGE. And that that increase of foreign or Sumatra tobacco would in some way be beneficial to the raiser of wrapper tobacco in America?

Mr. GOOD. And the Federal Government in getting additional revenues.

Senator SHORTRIDGE. Well, leave that out. But that is your contention?

Mr. GOOD. Yes.

Senator HARRISON. And that would produce a greater demand in this country, and probably a cheaper cigar?

Mr. GOOD. A better cigar; not a cheaper but a better cigar for the same money.

Senator SHORTRIDGE. But you think it would be beneficial to you or to the farmers or citizens engaged in the same industry of raising wrapper tobacco?

Mr. GOOD. Yes, sir; not only in Lancaster County but in every State.

Senator SHORTRIDGE. We must think of all of them, of course.

Senator CONNALLY. Pardon me, Senator, but he means the producers of filler tobacco. You said wrapper tobacco.

Senator SHORTRIDGE. Yes; I did.

Senator CONNALLY. He means it would help the producers of filler tobacco.

Mr. GOOD. Yes; that is my answer.

Senator SHORTRIDGE. I am just trying to get at his argument.

Mr. GOOD. That is my answer.

Senator SHORTRIDGE. In your judgment, Mr. Good, would the increased importations of wrapper tobacco help the raiser of wrapper tobacco?

Mr. GOOD. I can not answer that question. I am not familiar with that kind of business.

Senator SHORTRIDGE. It might be a question of argument?

Mr. GOOD. Yes, sir.

Senator SHORTRIDGE. But you have some 15 acres, have you not?

Mr. GOOD. Annually; yes, sir.

Senator SHORTRIDGE. About 15 acres?

Mr. GOOD. Yes, sir.

Senator SHORTRIDGE. To whom do you sell the crop?

Mr. GOOD. We sell to different parties. We sell to the packer and sometimes to the manufacturer.

Senator SHORTRIDGE. But the particular tobacco which you raise and sell—is that used as a wrapper?

Mr. GOOD. No; it is used as a long filler in 5-cent cigars covered by Sumatra wrappers.

Senator SHORTRIDGE. I understand you.

Mr. GOOD. Now, in addition to our argument relative to asking the committee to reduce or to have the tariff remain at the present rate, as stated before, we have secured the cooperation of our other industries, such as the banks and the packers, and so forth, not only to demonstrate but to prove to this committee that we are not only coming here to ask for something that is not in question but something that we should demand for the reason that we need it.

Here is a petition of sixteen hundred and some petitioners who are farmers.

Senator HARRISON. I move that that just be filed with the clerk.

Senator SHORTRIDGE. You may file that.

(The document was then filed with the clerk of the subcommittee.)

Mr. GOOD. In addition to that, as stated, Mr. Rinck could not be present; so I will file his brief.

Senator SHORTRIDGE. You may do so.

(The brief submitted by Mr. Good is as follows:)

#### BRIEF OF THE LANCASTER LEAF TOBACCO BOARD OF TRADE

*Honorable Chairman Finance Committee, United States Senate, Washington, D. C.*

SIR: Following are some of the reasons for our protest against the increased rate of import duty on Sumatra and Java, as passed by the House:

With few exceptions, all high-grade 5-cent cigars are wrapped with Sumatra. By that I mean cigars filled with grade No. 1 fillers, classified by United States Department of Agriculture under class 4, type 41, C group, locally known as wrappers or B's. These cigars are known as long-filler cigars.

The public is given to understand that our administration is anxious to give every relief possible to the dirt farmer. Practically all the wrapper grades grown in Pennsylvania, as well as Ohio, and certain wrapper grades of Wisconsin are used in this type cigar. Without exception these tobaccos are produced by dirt farmers and not by syndicate and corporation farmers.

Reputable manufacturers of 5-cent cigars for years have experimented with different types of domestic wrapper tobacco, but they do not make a suitable combination. In other words, the public would not accept this type of cigar. These manufacturers do not buy and use Sumatra as a matter of sentiment; there is a reason.

To produce this type of cigar at 5 cents has been a tremendous strain on the resources of the manufacturer. An examination of the books of manufacturers producing a high-grade Sumatra-wrapped 5-cent cigar will prove that they are working on very close margin.

Kill this type of cigar by an increase of import duty on Sumatra tobacco, and you are simply driving another nail into the coffin of the cigar industries.

How will this affect the farmer producing tobacco for this type of cigar? The manufacturer will either have to discontinue the manufacture of this type of cigar and the farmer will lose his market or the manufacturers will have to buy their tobacco at reduced prices from our farmers to take care of the increased rate.

Some few years ago we came before your committee and asked for a reduction in the cigar tax, so we would be in a position to produce this type of 5-cent cigars.

Now, just as the manufacturers are beginning to get going and the public is accepting this cigar, you are making a move to destroy it.

There is no competition between Sumatra and domestic-grown wrappers for 5-cent cigars. If you allow the rate to stand for wrappers as passed by the House, or even make it higher, you will not help the interests asking for an increase one iota.

We admit they have problems, but they will have to be worked out along economic lines. By any increase in the present rate (\$2.10) you will be penalizing the manufacturers, producing a reputable 5-cent cigar, which means this will have to be taken off our farmers later on.

Attached to this please find petitions signed by 43 reputable leaf dealers of our city, as well as our local banks.

Thanking you for this opportunity, and may we ask that you give the above facts your very careful consideration,

Respectfully submitted.

LANCASTER LEAF TOBACCO BOARD OF TRADE,  
By MILAN H. RANCK.

Mr. GOOD. And I will file a petition by the bankers of the county.

Senator SHORTRIDGE. You may do so.

(The document was then filed with the clerk of the subcommittee.)

Mr. GOOD. I also have one by the packers of the county.

Senator SHORTRIDGE. You may file it.

(The document was then filed with the clerk of the subcommittee.)

Senator SHORTRIDGE. We thank you for your statement, Mr. Good.

Senator CONNALLY. Mr. Chairman, we have only about 30 minutes, as I understand it, and we have not heard from those people who are favorably disposed to this. Is there anybody here who is advocating this increase?

#### STATEMENT OF MARK W. MONROE, QUINCY, FLA., REPRESENTING THE FLORIDA & GEORGIA TOBACCO ASSOCIATION

(The witness was duly sworn by the chairman of the subcommittee.)

Senator SHORTRIDGE. Do you appear here to-day on behalf of any particular organization?

Mr. MONROE. The Florida & Georgia Tobacco Association.

Senator SHORTRIDGE. Is that an association made up of tobacco growers?

Mr. MONROE. Yes, sir.

Senator SHORTRIDGE. In Georgia and Florida?

Mr. MONROE. Yes, sir; and all farmers.

Senator SHORTRIDGE. Are you yourself engaged immediately in that industry?

Mr. MONROE. I am engaged more largely than any other man in the country.

Senator SHORTRIDGE. All right, Mr. Monroe. We will be glad to hear from you.

Mr. MONROE. Gentlemen, we have filed in our brief an application for a duty of \$3.50 a pound on tobacco.

Senator HARRISON. They have increased it to \$2.50. You want it \$3.10?

Mr. MONROE. \$3.50. That is the irreducible minimum. Gentlemen, we have to do that because we don't want to shock anybody by putting it much in excess of that.

But, speaking for myself and the Florida & Georgia Growers Association, as well as the Connecticut Valley Tobacco Growers Association, we would like a tariff levied on the imported tobacco at such a high rate as to be a protective tariff. In other words, \$5 a pound will give us that protection.

As to the Florida and Georgia tobacco growers and the Connecticut tobacco growers, their interests do not clash at all. They raise a tobacco that they have been putting on a higher class of cigar than ours. Our tobacco goes in class A and theirs into B, C, and D.

Senator HARRISON. Yours and theirs are raised in the shade process?

Mr. MONROE. Yes; shade process. I will come to the kind of tobacco we raise and show you our troubles.

Gentlemen, all of these people here who have gotten up and stated their troubles are but tyros and beginners in the cigar-tobacco growing industry.

Our industry started in 1834. By 1840 we were producing large quantities. The decade 1840 to 1850 was a trying period for the entire South. My father sold cotton at shipside at the port Apalachicola, which was the third cotton port in the United States, at 3½ cents a pound.

Gadsden County and Decatur County and what is now Grady County were raising cigar wrappers. By 1860 we were producing wrappers by millions of pounds. We supplied practically the entire domestic trade, and we even supplied the whole of the German trade. The tobacco at that time was packed in cases of 400 pounds.

The four years of Civil War came on and the Dutch came over into our community and by some means got our seed, and they planted it in Sumatra.

In the meantime, every country was reaching out to produce the product produced in the South, and, naturally, the domestic tobacco was encouraged in Connecticut and in Pennsylvania. And we found our market supplanted, and at the end of the three years after the war we had to abandon that type of tobacco. We turned to the staple cotton crop. We always raised cotton, both upland and Sea Island. But they did raise what we called a little Cuban, raised from the Buelta Abago seed.

You have heard all of these gentlemen say that we can not raise tobacco. The peculiarity of the Florida and Georgia soil and climate

is such that we can take any seed from any district, get new seed every year, and produce a replica of their original seed. But in the course of time these seed and tobacco run to one type. In other words, with us they get taller, longer, wider, and silky. They continued to raise in a sort of a way a large amount of tobacco from the Cuban seed, but there was no market for it.

In 1888 the firm of Carl Vogts Sons, of New York, came in and bought all of this Cuban tobacco. They put it up in carottes. They imported palm leaf, they imported bark rope, and they put it up, and they covered it with linen drills. And they went out into the trade and sold it as imported Cuban tobacco, and they got the price of the imported, too.

There is no one who can tell the difference between them save and except by one thing: The sand that comes with ours is white and that with the Cuban tobacco is dark.

Naturally, all of these cigar manufacturers had to report back to the Internal Revenue Bureau the number of bales of tobacco that they had bought, the styles of it, and the kinds of it, and from whom they bought it. So when that report came in, lo and behold they had bought so many hundreds of bales from Carl Vogts Sons of imported tobacco; naturally the Internal Revenue Department began right away to investigate the matter.

This tobacco was entirely satisfactory to all of these users.

Senator SHORTRIDGE. Raised right down there?

Mr. MONROE. Yes, sir.

Senator SHORTRIDGE. It had been raised right down there?

Mr. MONROE. Yes, sir; it had been raised right there. I will tell you something else about it.

Senator SHORTRIDGE. I want to know that.

Mr. MONROE. The Internal Revenue Department went on, and Carl Vogts Sons, in order to exculpate themselves, had to acknowledge that the tobacco was Florida-grown tobacco.

When their customers got hold of that information they raised a howl and they had to rebate to them large amounts.

About 1893 I was down in Ocala, Fla., and they were attempting there to establish a cigar industry in a suburb called Marti City. And one of the large manufacturers there was named Jose Morales, and I got acquainted with him. We went down to the lowest depths of despair, almost. And I asked Mr. Morales if he had ever used any of our tobacco. He said, "No; I don't use that. I can't use it. I use imported tobacco." I said, "Mr. Morales, I will send you 50 pounds down there if you will try it."

In the course of several months I went back and met Mr. Morales, and I said, "Mr. Morales, how did you like that tobacco?" He said, "Mr. Monroe, if I give you a cigar and put one slight sprig of Cuba tobacco in there and you would give it to anybody, he would accept it without a question. If I, Jose Morales, would give it to him, he would know it was imported tobacco."

Time moved on and Mr. Morales died, and Mr. William M. Cory, general manager of the Owl Commercial Co., kept the account with us and we paid the check for the tobacco. They keep in line and in touch with all the tobacco that comes along. They knew Mr. Morales had only Florida tobacco, and they wanted it.

Those gentlemen went down there, and Mrs. Morales was with them, and his executors went around to show him all of the Cuban tobacco. There was 90 per cent of it Florida tobacco. He had gotten it in under the underground railroad. He could have bought that tobacco from us up there at around 50 to 60 cents, but he bought it from A. Cohen & Co., dealers in tobacco down there, and they fixed it up and shipped it to New York and then we shipped it down to Morales, because the Cuban cigar makers at that time claimed that they would not wrap anything except Cuban tobacco.

Senator SHORTRIDGE. Except Cuban tobacco?

Mr. MONROE. Yes, sir.

In 1889 the old firm of Straiton & Storm, then the largest cigar manufacturers in the United States, had used some of our tobacco prior to the war, but the exactions of the Sumatra group had become so heavy that they concluded to relieve themselves, and they came down and went all over the State of Florida, and finally landed in our place and bought quite an acreage, and they continued there until the firm finally dissolved.

Senator SHORTRIDGE. Pardon me. I know what you are aiming at. You are going to come right to the point and tell us why you think there should be even an increase in the duty on this particular tobacco?

Mr. MONROE. That is it; and that we shall be protected at protection. That is what we want.

Senator HARRISON. Please go to that, because we are going to have to leave in just a minute.

Mr. MONROE. All right. Let me do it.

Senator HARRISON. I am just telling you that, because at 12 o'clock there is a very important matter coming up, and some of us have to be there.

Mr. MONROE. I know; but I will go on this afternoon.

Senator CONNALLY. We do not meet this afternoon.

Mr. MONROE. I will say in 1897 they began the production of this tobacco. In 1907 it had reached enormous proportions. Then the crash came. As to that American Sumatra Tobacco Co. these gentlemen speak of, the great corporations and everything, there was a large number of farmers who were broke, and they consolidated their interests into the American Sumatra Tobacco Co., and they put their holdings in almost at a nominal value.

The pressure got so great that in 1909 or 1910 I came up here with a delegation. At that time Mr. Payne was chairman of the Ways and Means Committee, and Mr. Champ Clark was there. And it was raised from 85 cents to \$1.85.

That American Sumatra Tobacco Co., as you will understand, was organized on the bones of all of these different companies. They had been operating on the bones of those companies, and finally it went broke, and out of it a new organization had been built up.

That page that Mr. Jewell read to you gentlemen is nothing more than a supposition. And at the bottom of that paper you will see that we believed these statements were true but we do not guarantee them.

The charge that they make that all of this tobacco is raised by corporations—the only corporation in Florida and Georgia is the Ameri-

can Sumatra Tobacco Co. All of the rest of them are personal-service corporations and family corporations that are incorporated for convenience.

Senator SHORTRIDGE. That is to say, they are owners?

Mr. MONROE. Just like me and my two sons.

Senator SHORTRIDGE. They are engaged in it?

Mr. MONROE. In case of death the business goes on.

Senator SHORTRIDGE. That is important. Have you and your sons and your family incorporated?

Mr. MONROE. No; we have not incorporated. But, for instance, the Wedeles Tobacco Co. is incorporated.

Senator SHORTRIDGE. Made up of whom?

Mr. MONROE. Of their family.

Senator SHORTRIDGE. Do they think they can carry on their business better by carrying it on in the incorporated family?

Mr. MONROE. Yes. If it was a partnership and one died there would be a dissolution.

The Little River Corporation is made up of a family named Malone. There is no stock offered in the market.

They tell you that this corporation raises all of the tobacco. I have a son right here. He raised more tobacco than any corporation except the American Sumatra Tobacco Co. last year.

To go further, these gentlemen have come here. But only a few of them have come, because we didn't have any money to pay our way. They came here, and a carload came last night, and they laid down the premise that we can not raise tobacco; that we haven't got the land.

In Gadsden County, gentlemen, there are 33,744 acres. In the southern part of Decatur and Grady Counties there is much more.

Senator CONNALLY. In tobacco now?

Mr. MONROE. No; no. They said we haven't got the land in the northern part of Leon County. There are at least 100,000 acres and in Madison County there are at least 200,000 acres. In the southern part of Alabama, which is included in that district, known as the Summerdale district, there is at least 50,000.

Senator HARRISON. What is there to this contention that lands in Florida have gotten so high that you can not afford to raise tobacco?

Mr. MONROE. There is not a bit of truth in that. And I could go on, gentlemen, and say that the best plantation in Madison County is in the hands of a receiver, the First National Bank of Quincy. I could go down there—but I wouldn't do it, because I am already land-poor—and if I opened my mouth about \$12,000 for 1,800 acres, with dwelling house, tenant houses, barns, and sheds, I would be like the auctioneer who was selling a Ford automobile and who extolled its merits, and finally he said, "Gentlemen, what am I offered for it?" And away off in the crowd a little squeaky voice said, "Fifteen cents." The auctioneer said, "Sold." And the same boy stood up and said, "Stuck." And that is the way I would be done.

Now, to come back, gentlemen, it is mere propaganda that we are not able to raise it and that we haven't got the land and that we are destroyed with black sand.

Senator SHORTRIDGE. Pardon my interruption, but the Senator reminds us that we must close this hearing.



Mr. MONROE. When can we go on?

Senator SHORTRIDGE. You raise this type of tobacco?

Mr. MONROE. Yes, sir.

Senator SHORTRIDGE. You represent others of that section?

Mr. MONROE. The whole county.

Senator SHORTRIDGE. You contend that this is as good as the imported article?

Mr. MONROE. Surely.

Senator SHORTRIDGE. But because of the price of labor, taxes, and so on and so forth, you think that the present rate of duty on imported wrappers should be increased rather than reduced?

Mr. MONROE. Yes, sir; and \$3.50 a pound is the irreducible minimum.

Senator SHORTRIDGE. The House committee has raised it, as you know, from \$2.10 to \$2.50.

Mr. MONROE. That 40 cents will not be of much advantage, if any, to us.

Senator SHORTRIDGE. It might be of some advantage.

Mr. MONROE. Mighty little. But I just want to say this to you gentlemen: Here is this from the experimental station, and I would like to have that filed with our brief.

Senator SHORTRIDGE. What is it that you show us? You show us here some photographs. What are they?

Mr. MONROE. Those are photographs of the experimental station at Quincy, Fla. They are marked on the back of them. You will notice there are test rows of tobacco that is nonimmune and that is immune, and where the nonimmune tobacco is such 100 per cent is dead and of the immune type 100 per cent alive.

Senator SHORTRIDGE. I think it is perfectly clear on the record.

Mr. MONROE. I will file those.

Senator SHORTRIDGE. You may do so.

(The photographic documents, four in number, were filed with the clerk of the committee.)

Senator SHORTRIDGE. But did I understand you to say that during the late Civil War the Hollander or the Dutch came right over here to our country and got the seed of our tobacco?

Mr. MONROE. That is what I have been informed.

Senator SHORTRIDGE. From you people down in your section and thereafter developed the industry in their possessions?

Mr. MONROE. And took charge of the whole European market and are now taking charge of the domestic market.

Senator SHORTRIDGE. Pardon me, but, speaking literally, is it the same type of tobacco? I mean the seeds that you sow and grow, are they the same as sold and grown there?

Mr. MONROE. No. You see, it is different types. We do not raise that because the yield is very small. We have to get something that will produce something.

Senator SHORTRIDGE. A little different type or kind?

Mr. MONROE. Yes, sir. Some of that tobacco is what we call No. 1. That is a cross between what we call the Big Cuba and the Round-head. There are other types there that are crossed between the Sumatra and the Big Cuba. The Big Cuban is the best here.

Senator CONNALLY. What does it cost you to raise a pound of this tobacco?

Mr. MONROE. It runs right around 60 cents a pound.

Senator CONNALLY. That much to raise it?

Mr. MONROE. Yes.

Senator CONNALLY. What do you get for it?

Mr. MONROE. We are fortunate when we get 60 cents, 65 cents, and 70 cents from the factory, and whenever the factory goes above 60 cents he is across the danger line.

I want to tell you another thing. This is from the best of information. We have filed with our brief a copy of an indictment against the importers of tobacco where they did business in restraint of both foreign and domestic trade.

Senator SHORTRIDGE. That may be a crime, but it doesn't go to the merits of the matter before us.

Mr. MONROE. I want to show you this. That same element, you understand, gentlemen, have charge of all of the tobacco that has been sold on the island from Amsterdam, save and except about 3,500 bales of short tobacco. About 3,500 bales of this importation will be for the independent manufacturer.

With us there is one gentleman here who uses 2,000 bales of our tobacco, and there is another, whose name I will not call, who uses 1,800 to 2,000 bales of our tobacco.

Senator SHORTRIDGE. Let me ask you if it is put upon the market then upon the understanding that it is the foreign leaf rather than the American leaf?

Mr. MONROE. That is what I am going to tell you here. Mr. Hirst, in his testimony before the Ways and Means Committee, said the Florida-Georgia tobacco was bootleg; and our tobacco has never been sold and never been used and put out as a Florida-wrapped cigar. They almost convinced me that it was a harlot in the trade.

Senator SHORTRIDGE. To our minds that is very important. You raised this tobacco, and it is purchased by somebody?

Mr. MONROE. Yes.

Senator SHORTRIDGE. It is put onto the market then and converted and used in the making of cigars, and the idea spread that it is Sumatra or imported?

Mr. MONROE. The bottom leaves are topped with the Connecticut, and our next are Sumatra, and then imported Cuban. And they have done everything to do us injury and hurt.

They referred to Tampa and Key West; 90 per cent of the cigars that are made in Tampa and Key West are wrapped with Florida and Connecticut Valley tobacco. The majority of it is wrapped with Connecticut. But we have one customer in Tampa who uses more tobacco, shade wrapper, than all of the Cuban tobacco that is imported into this country as shade wrapper and pays shade-wrapper duty.

Senator HARRISON. Do you make a 5-cent cigar?

Mr. MONROE. He makes a 5-cent cigar. It is the Hav-a-Tampa people.

Senator SHORTRIDGE. What I want to know is whether or not American—Florida, Georgia, or Connecticut—raised tobacco is purchased and used in the making of cigars which are sold on the American market with the idea conveyed that the wrappers are imported.

Mr. MONROE. Something other than ours.

Senator SHORTRIDGE. Something other than American?

Mr. MONROE. Something other than Florida or Georgia. You see, they come into Connecticut and they get ours cheaper and they use that and force it on Connecticut. I have never seen but one single, solitary box of cigars that was ever made and branded a Florida wrapper. You know people take a long time to learn, and we, like the Trojans of old, let the wooden horse come in. Joseph Cullmans Sons, the Eisenlohr Co., came to make a Florida wrapped cigar. They took it and had it rolled into an antiquated shape, an unsellable size; they took the scrap wrappers, and every wrapper was the color of calico and the colors of the rainbow. They put 100 cigars in the box and threw them in as you would throw nuts, and not a single ribbon on it, not a single pressing, nothing to fix it up in a stylish manner, and God Almighty only knows what kind of filler they put into it. That was the only cigar I have ever seen that was published and advertised—well, it was not advertised.

Senator SHORTRIDGE. As a Florida-wrapped cigar?

Mr. MONROE. Yes.

Senator SHORTRIDGE. It was hurtful to your industry?

Mr. MONROE. And for the very purpose, Senator, of damaging us.

Senator SHORTRIDGE. I would hate to believe it.

Mr. MONROE. You don't know about it. They have resorted to every conceivable kind of thing. I am the president of the bank, and in 1910, when we were in industrial straits, they thought we had to borrow money. But I am Scotch; and we run our business always—

Senator SHORTRIDGE. That word almost is anathema.

Mr. MONROE. Mightily near it. I have all of the Scotch peculiarities, and we have been running our bank for 40 years and we have never discounted a piece of paper nor issued a bill payable. This man went to the credit man of the Seaboard National Bank and told him that Florida would never use a cigar this way; that it would never be used and never had been.

I said: "You astonish me by saying as much as that. Who was it?"

"The largest dealer in cigar tobacco in the United States."

I never asked the name, because I knew who it was. "But," I said, "you surprise me by listening to such a tale. We have a common customer who got too big for me to handle and I give him a letter of introduction to you, and you handle \$100,000 of his paper. And I give him a letter of introduction to the Park Bank, and they handle \$100,000."

He said: "Oh, yes; that is Mr. Shaw."

And I said: "He handled a million and a quarter of tobacco in a year and not one bale of it was ever put on a Florida cigar and stenciled."

**STATEMENT OF CHARLES DUSHKIND, NEW YORK CITY, REPRESENTING THE TOBACCO MERCHANTS ASSOCIATION OF THE UNITED STATES**

The witness was duly sworn by the chairman of the subcommittee.

Senator SHORTRIDGE. You desire to file a brief?

Mr. DUSHKIND. I do.

**Senator SHORTRIDGE.** It will be received.  
(The brief referred to is as follows:)

**BRIEF OF THE TOBACCO MERCHANTS ASSOCIATION OF THE UNITED STATES IN RE  
PETITION FOR REDUCTION OF DUTY OF CIGAR WRAPPERS (SCHEDULE 6, PAR.  
601)**

**INTRODUCTORY**

Respectfully referring to our briefs, submitted to the Ways and Means Committee, in connection with our prayer for a reduction of the existing tariff on cigar wrappers (hearings, pp. 3457-3471), which are replete with details and statistics, some of which are cited in the report of the Ways and Means Committee, we shall now take the liberty of submitting but a brief review of the situation and the issues involved.

At the outset, we feel safe in stating that, although the record contains 140 pages of testimony, briefs and arguments on both sides of the question, we may well rest our case, not alone for the elimination of the 40 cents per pound increase passed in the House, but also for the 60 cents per pound reduction prayed for on behalf of the cigar industry and the 40,000 farmers of binder and filler tobaccos, upon the findings contained in the 4-page report of the Ways and Means subcommittee (pp. 67-71) submitted to the House.

**HOW THE 1926 CIGAR TAX REDUCTION HAS BENEFITED THE TOBACCO FARMERS**

At this point it may not be amiss to quote what the Ways and Means Committee said in its report to the House in connection with the 1926 tax reduction on cigars, to wit:

"Another example of a tax which imposed a serious burden upon an industry is the tax on cigars. The manufacturers of cigars showed conclusively that under the high war-tax rates the number of cigars sold was steadily diminishing, and also the number of cigar manufacturers. Apparently the tax was so high as to depress the business and reduce the revenue to the Government."

The internal-revenue taxes on cigars were accordingly reduced, and, as a result, the nickel-cigar business, which constitutes the mainstay and backbone of the entire cigar business, has grown since then to such an extent that the 1928 output exceeded the 1925 output by over 600,000,000 cigars.

But have the 40,000 binder and filler farmers benefited from this tax reduction? Here is what the Ways and Means subcommittee says on that question:

"The farmer asks for a reduction in the duty on wrapper on the theory that the manufacturer will be able to purchase his wrapper cheaper and will be able to pass some of this saving along to the farmer, thus increasing his price for binder and filler raised in the United States. This may be so or not, but it is a fact that the farmer at the present time is enjoying prosperity in connection with the raising of tobacco, and we believe in a number of States, Pennsylvania for example, that they are getting more per pound than in several decades. This situation has been brought about, to a certain extent, by reason of the fact that Congress in 1926 reduced the internal-revenue tax on Class A cigars from \$4 per thousand to \$2 per thousand. This reduction was reflected in increased prices to farmers and, we believe, in a superior 5-cent cigar."

**WHY TOBACCO FARMERS ARE SEEKING TARIFF REDUCTION ON WRAPPERS**

Thus convinced that the vast improvement in the tobacco farming situation is the result of the 1926 tax reduction, delegations representing about 40,000 dirt farmers raising about 150,000,000 pounds of binders and fillers in Pennsylvania, Ohio, Wisconsin, and Connecticut appeared before the Ways and Means Committee and earnestly pleaded for a reduction of the tariff on Sumatra wrappers, the only thing that has made the standard nickel cigar so popular, in order that they might safely retain the benefits they are already enjoying by reason of the tax reduction and derive some additional benefits which undoubtedly would result from a reduction of the wrapper duty.

**WHY CIGAR MANUFACTURERS ARE SEEKING TARIFF REDUCTION ON WRAPPERS**

The manufacturers, too, have prayed for a reduction of the wrapper duty. Their contention being that, despite the \$2 tax reduction on nickel cigars,

the \$2.10 duty on Sumatra wrapper, amounting, as it does, to an additional tax of about \$4.20 on a thousand cigars (for 2 pounds wrappers) which, together with the \$2 internal-revenue tax, make a total tax of about \$6.20 per 1,000, or approximately one-fifth of what the manufacturer is getting for the whole thousand cigars, is entirely too heavy a tax burden on the nickel-cigar business. That the margin is entirely too small to make the business safe either for the manufacturer or for the farmer. And that for the very preservation of the nickel business and the further development thereof, a reduction of 60 cents a pound from the existing duty on Sumatra wrappers, is highly essential.

In this connection it may be emphasized that it was contended before the Ways and Means Committee, and the committee so found in its report, that "This reduction (the internal-revenue tax reduction) was reflected in increased prices to farmers and, we believe, in a superior 5-cent cigar."

Thus it has been established that the internal-revenue tax reduction has not only benefited the farmer but the consumer as well; and, naturally, too, the "superior 5-cent cigar" has brought about the increase of over 600,000,000 nickel cigars with the resultant benefit to manufacturers.

#### THE TARIFF RISE PASSED BY THE HOUSE WOULD WORK SERIOUS INJUSTICE

Another point that can not be too strongly emphasized is the self-evident fact that the internal-revenue tax reduction passed only three years ago has induced manufacturers to invest vast sums of money in the development of the present-day high-class Sumatra wrapped nickel cigar, which was obviously impossible before the tax reduction and which would undoubtedly come to naught if the 40-cent duty rise passed by the House should prevail. For this would mean an additional cost of from 80 cents to \$1 on a thousand cigars, equivalent to one-half of the 1926 tax reduction, which would make the continuance of the present-day high-quality nickel cigars impossible.

In fact, the Ways and Means Committee observed in its report that—

"The computation as to how much money can be expended for wrappers in manufacturing 1,000 5-cent cigars is given as not to exceed \$6 or \$6.50, and this is the approximate cost, including the duty paid on Sumatra wrapper used."

But with the proposed increased duty the cost of wrappers would rise from 80 cents to \$1 per 1,000 cigars.

#### THE WAYS AND MEANS COMMITTEE'S ORIGINAL FINDINGS AND ITS SUBSEQUENT ACTION ON WRAPPER DUTY

With the situation as thus briefly described, it would seem clear that, while the demand for a reduction of the wrapper tariff may have been open to argument, there certainly was no justification for the rise recommended by a last-minute amendment introduced by the Ways and Means Committee, reversing its previous findings and overruling the chairman of its own subcommittee who, in opposing this amendment on the floor of the House, said:

"I can not agree that this amendment is fair to anybody except to some one I have not been able to discover who, apparently, has pleaded for the raise for political reasons. \* \* \*

"That if the Congress has met in the interest of farm legislation and in the interest of the agriculturists, then the rate of \$2.10 is the rate that will give more relief to the dirt farmer than the rate proposed by the Ways and Means Committee in this amendment." (Cong. Record, May 27, 1929, p. 2058.)

#### THE INTERESTS REPRESENTED BY THE HIGHER DUTY ADVOCATES AND THOSE SEEKING TARIFF REDUCTION COMPARED

Perhaps, because of the very natural public sympathy that exists for the tillers of the soil, the shade-wrapper growers demanding a higher duty on wrappers call themselves farmers. But, the fact is that the 11,800 acres under cultivation for shade-grown tobacco are controlled by a few large corporations—not by dirt farmers. In this connection we quote again from the report of the Ways and Means Committee, to wit:

"The witnesses asking for increase in duty under paragraph 601 in the main represented the shade-grown wrapper industry located in the Connecticut Valley and the States of Georgia and Florida. Some represented that portion of the industry growing what is known as sun types and further designated as broad-leaf and Habana seed, for the growing of which 23,000 acres were under

cultivation in 1927. Only a small percentage of this sun-grown tobacco is now used for wrapper.

"In analyzing the situation from the standpoint of the growers of shade-grown tobacco, we find that in 1928 there was a total of 11,800 acres under cultivation in the United States. Of this total 8,000 acres were in the Connecticut Valley and 3,800 in Florida and Georgia, producing that year 11,180,000 pounds. Not all of this production was suitable for wrappers, but it is estimated that from 60 to 90 per cent was so used, the balance being used for binder and filler on domestic cigars and for export to Europe as cheap binder and to Porto Rico for use as wrapper on low-grade native cigars. Some of the very lowest grades were sold to the manufacturers of chewing tobacco.

"According to information received from the Tariff Commission, the major portion of the shade-grown acreage is controlled by 18 corporations, 13 in Connecticut, and 5 in Georgia and Florida. The commission further reports that representatives of the shade growers agree with the Tobacco Merchants' Association that \$1,500 per acre is a reasonable capitalization for this industry. Therefore, on the basis of the 1928 acreage, the capitalization of these companies and the individual growers of this grade would be \$17,700,000."

On the other hand, the Ways and Means Committee in the same report refers to the facts:

"That about \$145,000,000 in capital is invested in the production of class A (nickel class) cigars, and 45,000 persons employed.

"That in the production of binder and filler tobacco for class A cigars, 40,000 farmers cultivated approximately 110,000 acres and produced about 150,000,000 pounds of tobacco." (Report, p. 70.)

To this may be added the interests of the 10,000 wholesale distributors, the 750,000 retailers, and, of course, too, the great army of consumers who are now getting, in the language of the committee, "a superior 5-cent cigar."

Thus weighing the interests of the vast cigar industry, with its thousands of manufacturers and tens of thousands of jobbers and retailers, together with the great army of workmen engaged in producing the cigars, and the 40,000 or 50,000 farmers growing the binders and fillers used therein on the one scale, and the interests of the handful of concerns or corporations engaged in growing shade wrappers on the other scale, it would seem that the verdict should have been rendered in favor of the cigar industry.

#### THE PROPONENTS FOR AN INCREASE IN DUTY HAVE FAILED TO SUSTAIN THEIR CASE

Yet the shade growers finally won. At the last moment the Ways and Means Committee brought in a new amendment for the 40 cents rise, despite their original findings:

"That the proponents for an increase in duty have failed to sustain their case" (p. 69).

"That the Connecticut Valley growers have no serious competition by reason of the importation of the grade of Sumatra used on the 5-cent cigar," for the reason "that the shade-grown wrapper tobacco of the Connecticut Valley is of a high quality and is used largely on the higher priced cigars" (p. 68), and that with respect to Florida and Georgia wrappers, they are suffering from a "black shank" disease and "what they require is some attention from the plant disease experts of the Department of Agriculture. The venture seems to have lost its standing as an economic business proposition" (p. 69).

But can there be any more convincing proof that Sumatra is indispensable than the very fact that about four and one-half million pounds are used annually to cover nickel cigars, at a cost of about \$6.20 per thousand, while the same cigars could unmistakably be covered with Florida, at a cost of only \$3.50 per thousand?

With the profit on nickel cigars concededly too small to be safe, surely no manufacturer would have been generous enough to spend over \$6 for covering a thousand cigars if he could produce a cigar that would be just as desirable and sell just as well at a saving of over \$2.50 per thousand.

Imported tobacco never used in competition with domestic but rather as a desirable blend that helped to vastly enlarge the demand for the home product.

The record of the tariff hearings will show that duly accredited representatives of the real tobacco farmers, the dirt farmers, raising cigar tobacco in Connecticut, Ohio, Pennsylvania, and Wisconsin, where almost all the cigar tobaccos are raised, have appeared before the Ways and Means Committee, or have filed briefs or petitions for a reduction of the tariff on imported cigar

wrappers as a means of helping the American tobacco farmer; as a "farm relief" measure for the 40,000 or more farmers raising cigar tobacco (other than wrappers), the wishes of the small group of corporations raising wrappers to the contrary notwithstanding.

#### SENATOR SIMMONS'S VIEWS ON TOBACCO TARIFFS

To those who are unacquainted with the tobacco industry it may seem strange indeed that American tobacco farmers should see any benefit to themselves in a reduction of the tariff on imported tobacco. But this seeming, though not real, inconsistency was admirably cleared up by Senator Simmons, of North Carolina, representing the largest cigarette-tobacco growing State in the Union, in opposing an excessive tariff on imported Turkish tobacco in the United States Senate, when he said:

"When the Turkish tobacco first began to be imported into this country, the farmers in the tobacco-growing section of the South—and especially was that true of North Carolina—were bitterly opposed to their coming in; they wanted a prohibitive duty imposed upon them, because, they said, those cigarettes would run their tobacco out, on account of the fact that they had a flavor which seemed to be popular which their tobacco did not possess; but the growers of tobacco in the South have become thoroughly convinced that blending their tobacco with the Turkish tobacco is a benefit instead of any injury; that it has enormously increased the demand for their product. They have, therefore, become reconciled to the importation of Turkish tobacco, and anything that would prevent its importation would be a very bad thing in its effect upon the tobacco industry of the South." (Congressional Record, June 26, 1922, p. 10165.)

What Senator Simmons said regarding Turkish tobacco applies with equal force to the importations of Sumatra wrappers, which are used largely for nickel cigars. At this point it may again be emphasized that, contrary to what seems to be the general impression, fully 80 per cent of the imported Sumatra wrappers are used, not for the high-priced cigars but for the popular nickel cigars, while the great bulk of the domestic shade-grown wrappers are used for the higher-priced cigars.

What the Turkish tobacco has done for the American cigarette business, as so clearly pointed out by Senator Simmons, the Sumatra wrapper has done for the nickel cigar, and bearing in mind that with every 2 pounds of Sumatra wrappers used to cover a thousand nickel cigars, there must be used about 35 pounds of domestic binders and fillers (farmers' weight), the extent to which the importation of Sumatra has benefited the growers of binders and fillers may readily be seen.

#### CONCLUSIONS

It has been conclusively established:

That fully 80 per cent of the imported Sumatra go on the nickel cigars, which now constitute about 55 per cent of the entire cigar business.

That the imported Sumatra does not compete with shade-grown or any other American wrappers.

That the Sumatra wrapper has made the nickel cigar popular.

That under the present rate of duty the Government collects about \$6.20 in internal-revenue taxes plus the duty on the wrapper for each thousand Sumatra-wrapped nickel cigars.

That this item, constituting as it does approximately one-fifth of the net price that the manufacturer is getting for his cigars, is entirely too much of a burden upon the nickel-cigar business.

That for the very preservation of this type of cigars, which is the mainstay and backbone of the entire cigar industry, and for the further development thereof, and as a much-needed additional stimulus for the whole cigar industry, it is essential that the Government grant us the reduction asked for.

That the proposed 40-cent rise is certainly unjustified and, wiping out, as it would, one-half of the 1926 tax reduction, would spell disaster to the entire cigar industry, including the 40,000 farmers raising binder and filler tobacco.

In view of what has been so clearly shown it seems self-evident, and we respectfully and urgently submit not only that the 40-cent rise passed by the House be eliminated but that the present duty on wrappers be reduced from \$2.10 to \$1.50 per pound unstemmed and from \$2.75 to \$2.15 stemmed.

Respectfully submitted.

TOBACCO MERCHANTS ASSOCIATION OF THE UNITED STATES,  
By CHARLES DUSHKIND, *Counsel and Managing Director.*

**STATEMENT OF J. W. ALSOP, REPRESENTING J. W. ALSOP (INC.),  
AVON, CONN.**

(The witness was duly sworn by the chairman of the subcommittee.)

Senator SHORTRIDGE. You desire to file a brief?

Mr. ALSOP. Yes.

Senator SHORTRIDGE. On the subject matter under consideration?

Mr. ALSOP. Yes.

Senator SHORTRIDGE. Are you for or against the rate?

Mr. ALSOP. Against it.

Senator SHORTRIDGE. You may do so.

Mr. ALSOP. I would like to be heard on the question of the duty on wrapper tobacco.

I am, naturally, very much interested in this subject as anything which would bring better prices to producers of Havana seed stalk tobacco in this valley would be directly reflected in my own pocket-book.

I not only buy and pack tobacco in the regular manner practiced by other dealers but I also have contracts with about 100 farmers under which I pack and sell their crops on a commission, so that it is clear to be seen that the larger the amount I sold their tobacco for the larger would be my income from that source. Other than for my selfish financial interest, as a life-long Connecticut tobacco grower, I am, naturally, interested in anything for the good of the stalk grower who is the small farmer of the valley and the valuable citizen.

The States which produce cigar-type tobacco are, as you already know: Wisconsin, producing only binder tobacco; Ohio and Pennsylvania, producing only filler tobacco; Florida, producing Florida shade, which is a wrapper tobacco; and Connecticut, which produces shade tobacco, which is a wrapper type, and stalk tobacco, which is divided into two varieties, Havana seed and broad leaf.

The chief argument of the proponents for an increased duty seems to be that since the duty was originally imposed the cost of production has increased and, therefore, the duty should be proportionately increased.

While it is true that the duty, when originally imposed, probably made possible the inauguration of the shade industry, I think that any fairminded shade man will acknowledge that with the present duty of \$2.10 that the shade industry needs no further protection. You will naturally ask why.

Shade is used almost entirely with imported Cuban or Porto Rico filler and usually with a Wisconsin binder. It has never been successfully blended with domestic tobacco; that is, no manufacturer has succeeded in putting a brand of any size across which was filled with Pennsylvania or Ohio tobacco and wrapped with shade.

On account of the character of the filler used with shade tobacco it is necessarily confined to the higher-priced cigars and does not come into the picture to any great extent with Class A or 5-cent cigars, which is over one-half of the total production of this country.

Therefore, I will confine myself to the question of what seems to be of immediate importance, namely, an increase in duty of from



40 cents to \$1 or more on wrapper tobacco in relation to the use of Connecticut stalk tobacco.

Broadleaf tobacco is to-day not used to any great extent as a wrapper. Twenty years ago, and even 10 years ago, broadleaf was used on such national brands as La Preferencia, El Verso, and El Producto. All these three brands are now almost entirely wrapped with shade or Sumatra in place of broadleaf; the reason being the difficulty in procuring a supply of broadleaf wrappers such as is needed and the change of the smoker's taste for milder cigars of a lighter color. This change would have taken place irrespective of the duty. There is not to-day, and there has not been for 20 years, any material brand of cigar using Havana seed tobacco as a wrapper. Havana seed wrappers are being consumed by the makers of all tobacco cigarettes, as a covering for their product and by producers of such articles as stogies and cheroots.

In the last 10 years the cigar industry has gone through a similar economic change to what has taken place in many other lines; namely, national advertising, volume production and the use of machinery, which have entirely changed the nature of the business.

Less than a dozen firms produce to-day at least 80 per cent of the cigars consumed in this country and it is necessary for volume production, by machinery, to have a uniform product to use a wrapper. The business is done on what in some other lines would seem an exceedingly small margin; \$2.25 to \$2.50 a thousand is undoubtedly a generous estimate of the margin of profit which the most skillful and modern producer of class A cigars can hope for at the present time. A 40-cent increase in the duty would reduce this margin by 70 cents and a dollar increase would reduce it by approximately \$1.75. In other words, would practically wipe it out.

The argument of the proponents for the higher duty is that if this could take place they would then turn to Havana seed and broadleaf wrappers. Let us examine this for a moment.

These cigars now use Havana seed and broadleaf tobacco for binders and could not use Havana seed wrapper over a Havana seed or broadleaf binder without entirely changing the blend and flavor of the cigar. The task in hand for any good-size manufacturer to change the construction of his cigar would be similar on a smaller scale to what Mr. Ford went through when he discarded his Model T. Suppose they did try to use Havana seed wrappers and suppose the price increased and production went up, in any case not over 20 per cent of the production of the tobacco could be used for wrapper purpose. So that the question immediately arises, what would happen to the other 55 per cent which must be used for binders? The remaining 25 per cent being always of stemming grade is not necessary to consider.

In my opinion, such manufacturers before they would change the blend of their cigars, would increase the price to 6 cents. A cent a piece on 1,000 would be a theoretical increase in the margin of profit of \$10, but the result would be a greatly decreased consumption of cigars. If, on account of such an increase, the consumption of cigars in this country decreased, we would say, 2,000,000,000 a year, what

would be the effect on the general tobacco business? It is plain to be seen that our old friend, the law of supply and demand, would take care of that.

The return of the 5-cent cigar to its present place of importance in the cigar industry, and the present more hopeful outlook for the industry as a whole is the result, in my opinion, of the \$2 reduction in internal revenue. A start had been made toward the production of a nickel cigar of pre-war quality through the possible purchase of distressed tobacco after the war, but continuance was made possible by the \$2 reduction.

Practically all successful 5-cent brands on the larger scale use Pennsylvania and Ohio for a filler and Wisconsin or Connecticut stalk for a binder with a Sumatra wrapper. There are also a number of brands of 5-cent cigars which might be considered of a by-product character; that is, they are made of scrap tobacco, which is the cuttings from the long-filler cigar or else are made from the throw-out of higher-priced cigars, but the real cigar which is to be considered in the long-filler cigar, above mentioned.

The chief items of expense in its production are the internal revenue, the duty on the wrappers, the cost of the wrappers, the rent of the machines, the cost of labor, the package expense, the factory overhead and advertising, and last but not least the cost of the domestic filler and binder.

With the duty increased sufficiently to wipe out the present margin of profit it is plain to be seen what the manufacturer would struggle to do. Naturally, he would try to procure his domestic raw material cheaper as the other items can not be reduced by any appreciable amount. It also seems natural to me to suppose that a manufacturer making a fair margin of profit is in a better mood to pay fairer prices for his raw material than the one with his back to the wall and facing the dilemma of cheaper raw material or an increase in price which would ruinously affect his volume of sales.

For the above reasons I am very strongly opposed to any such increase in duty as now seems to be in question.

BRIEF OF J. W. ALSOP (INC.)

HARTFORD, CONN., June 12, 1929.

SENATE FINANCE COMMITTEE,

Senate Building, Washington, D. C.

(Attention Senator Shortridge, chairman of subcommittee on tobacco and manufactures of.)

GENTLEMEN: I would like to be heard on the question of the duty on wrapper tobacco.

I am, naturally, very much interested in this subject, as anything which would bring better prices to producers of Habana seed stalk tobacco in this valley would be directly reflected in my own pocketbook. I not only buy and pack tobacco in the regular manner practiced by other dealers but I also have contracts with about 100 farmers under which I pack and sell their crops on a commission, so that it is clear to be seen that the larger the mount I sold their tobacco for, the larger would be my income from that source. Other than for my selfish financial interest as a lifelong Connecticut tobacco grower I am naturally interested in anything for the good of the stalk grower, who is the small farmer of the valley and the valuable citizen.

The States which produce cigar-type tobacco are, as you already know: Wisconsin, producing only binder tobacco; Ohio and Pennsylvania, producing only filler tobacco; Florida, producing Florida shade, which is a wrapper

tobacco; and Connecticut, which produces shade tobacco which is a wrapper type and stalk tobacco which is divided into two varieties, Habana seed and broadleaf.

The chief argument of the proponents for an increased duty seems to be, that since the duty was originally imposed the cost of production has increased and, therefore, the duty should be proportionately increased. While it is true that the duty, when originally imposed, probably made possible the inauguration of the shade industry, I think that any fair-minded shade man will acknowledge that with the present duty of \$2.10 that the shade industry needs no further protection. You will naturally ask, "Why"? Shade is used almost entirely with imported Cuban or Porto Rico filler and usually with a Wisconsin binder. It has never been successfully blended with domestic tobacco; that is, no manufacturer has succeeded in putting a brand of any size across which was filled with Pennsylvania or Ohio tobacco and wrapped with shade. On account of the character of the filler used with shade tobacco it is necessarily confined to the higher-priced cigars and does not come into the picture to any great extent with Class A or 5-cent cigars, which is over one-half of the total production of this country. Therefore, I will confine myself to the question of what seems to be of immediate importance, namely, an increase in duty of from 40 cents to \$1, or more, on wrapper tobacco in relation to the use of Connecticut stalk tobacco.

Broadleaf tobacco is to-day not used to any great extent as a wrapper. Twenty years ago and even 10 years ago, Broadleaf was used on such national brands as La Preferencia, El Verso, and El Producto. All these three brands are now almost entirely wrapped with shade or Sumatra in place of broadleaf, the reason being the difficulty in procuring a supply of broadleaf wrappers such as is needed and the change of the smoker's taste for milder cigars, of a lighter color. This change would have taken place irrespective of the duty. There is not to-day and there has not been for 20 years any material brand of cigar using Habana seed tobacco as a wrapper. Habana seed wrappers are being consumed by the makers of all tobacco cigarettes as a covering for their product and by producers of such articles as stogies and cheroots.

In the last 10 years the cigar industry has gone through a similar economic change to what has taken place in many other lines, namely, national advertising, volume production, and the use of machinery which have entirely changed the nature of the business. Less than a dozen firms produce to-day at least 80 per cent of the cigars consumed in this country, and it is necessary for volume production, by machinery, to have a uniform product to use as a wrapper. The business is done on what in some other lines would seem an exceedingly small margin; \$2.25 to \$2.50 a thousand is, undoubtedly, a generous estimate of the margin of profit which the most skillful and modern producer of class A cigars can hope for at the present time. A 40-cent increase in the duty would reduce this margin by 70 cents, and a dollar increase would reduce it by, approximately, \$1.75; in other words, would practically wipe it out.

The argument of the proponents for the higher duty is that if this could take place they would then turn to Habana seed and broadleaf wrappers. Let us examine this for a moment.

These cigars now use Habana seed and broadleaf tobacco for binders and could not use a Habana seed wrapper over a Habana seed or broadleaf binder without entirely changing the blend and flavor of the cigar. The task in hand for any good-size manufacturer to change the construction of his cigar would be similar, on a smaller scale, to what Mr. Ford went through when he discarded Model T. Suppose they did try to use Habana seed wrappers, and suppose the price increased and production went up; in any case not over 20 per cent of the production of the tobacco could be used for wrapper purposes. So that the question immediately arises, What would happen to the other 55 per cent which must be used for binders? The remaining 25 per cent being always of stemming grade is not necessary to consider. In my opinion such manufacturers, before they would change the blend of their cigars, would increase the price to 6 cents. A cent apiece on 1,000 would be a theoretical increase in the margin of profit of \$10, but the result would be a greatly decreased consumption of cigars. If on account of such an increase the consumption of cigars in this country decreased, we would say, 2,000,000,000 a year, what would be the effect on the general tobacco business? It is plain to be seen that our old friend "the law of supply and demand" would take care of that.

The return of the 5-cent cigar to its present place of importance in the cigar industry and the present more hopeful outlook for the industry, as a whole, is

the result, in my opinion, of the \$2 reduction in internal revenue. A start had been made toward the production of a nickel cigar of pre-war quality through the possible purchase of distressed tobacco after the war, but continuance was made possible by the \$2 reduction. Practically all successful 5-cent brands, on the larger scale, use Pennsylvania and Ohio for a filler and a Wisconsin or Connecticut stalk for a binder with a Sumatra wrapper. There are also a number of brands of 5-cent cigars which might be considered of a by-product character. That is, they are made of scrap tobacco, which is the cuttings from the long-filler cigar or else are made from the throw out of higher-priced cigars, but the real cigar which is to be considered is the long-filler cigar above mentioned.

The chief items of expense in its production are the internal revenue, the duty on the wrappers, the cost of the wrappers, the rent of the machines, the cost of labor, the package expense, the factory overhead and advertising, and last but not least, the cost of the domestic filler and binder. With the duty increased sufficiently to wipe out the present margin of profit it is plain to be seen what the manufacturer would struggle to do. Naturally, he would try to procure his domestic raw material cheaper, as the other items can not be reduced by any appreciable amount. It also seems natural to me to suppose that a manufacturer making a fair margin of profit is in a better mood to pay fairer prices for his raw material than the one with his back to the wall and facing the dilemma of cheaper raw material or an increase in price which would ruinously effect his volume of sales.

For the above reasons, I am very strongly opposed to any such increase in duty as now seems to be in question.

Yours respectfully,

J. W. ALSOP.

**STATEMENT OF N. HOWARD BREWER, EAST HARTFORD, CONN.,  
REPRESENTING THE NORTHEASTERN TOBACCO GROWERS  
ASSOCIATION**

(The witness was duly sworn by the chairman of the subcommittee.)

Senator SHORTRIDGE. You desire to file a brief on the subject matter under consideration by this committee?

Mr. BREWER. Yes, sir.

Senator SHORTRIDGE. You may do so. The brief will be received and read into the record.

Mr. BREWER. I represent the Northeastern Tobacco Growers Association and have filed a brief which contains data in regard to our tobacco situation. I wish to make the following personal statement:

I am a farmer from Connecticut and grow broadleaf tobacco on my own farm, which is typical in size to many other farms which produce tobacco in the Connecticut Valley.

I also want to state that tobacco has been produced by my own people since 1800. My ancestors have always been farmers, and when as Pilgrims they came to Connecticut in 1639, my ancestor, Thomas Brewer, located on the farm which is in our possession to-day. They came to Connecticut from Holland, where they had lived after having been forced to leave England on account of their religious beliefs.

Through nine generations the sons and daughters from this farm have gone to the four corners of the country and many hold positions of national importance to-day. I want to tell you Senators of the committee that it hurts my pride to have to come here to Washington and almost beg in behalf of our Connecticut Valley farmers for a still further increase in tariff for wrapper tobacco, because the true American spirit that I have forces me to do this because we farmers

have our backs to the wall, and with increased taxation and heavy interest charges for mortgages that are now on our farms on account of the inadequate tariff protection we have had for the past seven years.

Gentlemen, for these reasons I am here to ask for a still further increase in duty for wrapper tobacco, so that we farmers of the Connecticut Valley can hold our farms and homes which we cherish.

**STATEMENT OF MANUEL L. PEREZ, NEW YORK CITY, REPRESENTING CIGAR MANUFACTURERS ASSOCIATION**

(The witness was duly sworn by the chairman of the subcommittee.)

Senator SHORTRIDGE. What is your business?

Mr. PEREZ. Cigar manufacturer.

Senator SHORTRIDGE. How long have you been engaged in that business?

Mr. PEREZ. For 25 years. I am continuing my father's business.

Senator SHORTRIDGE. Do you desire to file with the committee a brief setting forth your views in respect of the subject matter under consideration by the committee?

Mr. PEREZ. I do.

Senator SHORTRIDGE. You may do so.

Mr. PEREZ. A liberal estimate of the 1928 production of clear Havana cigars in this country is 250,000,000, of which 225,000,000 are made by the members of this association. By clear Havana cigars is meant cigars made entirely of tobacco imported from the Island of Cuba.

These figures are substantiated by records of wrapper imports through the port of Tampa for the year 1928.

Using these figures as a basis and applying the experience of factories as to quantities of tobacco required for the average production of a thousand cigars, we find that Florida's production of 225,000,000 clear Havana cigars yielded in revenue to the Government during 1928 follows:

*Per 1,000 cigars*

4 pounds wrapper at \$1.68 per pound (duty)-----	\$6.72
16 pounds filler at \$0.28 per pound (duty)-----	4.48
Average internal-revenue stamps per thousand-----	9.00

Total of Federal taxes and duties per thousand----- 20.20

*On production of 225,000,000*

Total wrapper duty paid-----	\$1,511,000
Total filler duty paid-----	1,008,000
Total internal revenue for stamps-----	2,025,000

Total customs duties and revenue stamps paid by Florida factories on production of clear Havana cigars----- 4,544,000

We feel safe in stating that there is no industry in the United States at present that is laboring under a heavier burden of Federal taxation than the clear Havana industry, and what may appear to be a trifling increase in tax may prove to be the proverbial straw that will break the camel's back.

To prove this assertion: The average gross selling price of 1,000 clear Havana cigars is \$95. As shown above, the average total of Federal tax (customs duty and internal revenue) is \$20.20 per 1,000, or more than 21 per cent of the manufacturers' gross return. This Federal import is a cash outlay which must be made before the cigars may leave the factory. For the manufacturer there remains the sum of \$74.80, out of which he must pay for his tobacco, labor, selling costs, overhead, advertising, depreciation, carrying charges on fixed investment, local taxes, and other necessary expenses before the Federal Government exacts its final pound of flesh in the form of income tax on his profits, if any profits there be.

The records in the internal-revenue office in Tampa will show, unfortunately for the Government as well as for the Tampa cigar manufacturers, that payments of income tax by our industry during the past five or six years have been shockingly meager compared to the volume of business done. This is due almost to excessive customs duties and internal-revenue taxes, under which our industry has been staggering ever since the war.

It can be demonstrated from the income-tax returns and the internal-revenue returns of production that the average profit made by the aggregate of cigar factories doing business in Tampa does not amount to more than 50 cents per 1,000 cigars manufactured. Upon the basis of 4 pounds of wrappers per 1,000 cigars, the proposed increase in duty would add \$1.28 per 1,000 to the cost of manufacture. This would inevitably result in putting out of business all those factories which do not enjoy some peculiar advantage in the industry that is not common to all.

Cigar production has fallen off in this country from a peak of 8,000,000,000 in 1920 to 6,000,000,000 in 1928. The only explanation that trade experts have been able to give for this decrease is the fact that excessive taxation, together with increased cost of materials and labor, render it impossible for the manufacturers to produce cigars that conform to the smoker's criterion of quality and value. The average smoker is convinced that cigars cost more than they are worth.

We are convinced that any benefit that might possibly accrue to the growers of domestic wrappers from the proposed increase in wrapper duty would never compensate the damage that would be caused thereby to the cigar industry as a whole. We fail to see that there can be any justice in putting our industry out of business in order to experiment with a program that may or may not ultimately yield a benefit to another branch of the industry.

In conclusion may I suggest that the welfare of all the cigar manufacturers as a class would bring unfailingly the well being of the growers as a class.

We feel safe in stating that there is no industry in the United States at present that is laboring under a heavier burden of Federal taxation than the clear Habana industry, and what may appear to be a trifling increase in tax may prove to be the proverbial straw that will break the camel's back.

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**BRIEF OF THE CIGAR MANUFACTURERS' ASSOCIATION IN RE PETITION FOR REDUCTION OF DUTY ON CIGAR-WRAPPER TOBACCOS (SCHEDULE G, PAR. 601)**

A liberal estimate of the 1928 production of clear Havana cigars in this country is 250,000,000, of which 225,000,000 are made by the members of this association. (By clear Havana cigars is meant cigars made entirely of tobacco imported from the island of Cuba.) These figures are substantiated by records of wrapper imports through the port of Tampa for the year 1928, amounting to 91,478 pounds, which, on the basis of 4 pounds of wrapper to the thousand cigars (with due allowance for waste), is sufficient to wrap 228,000,000 cigars.

Using these figures as a basis and applying the experience of factories as to quantities of tobaccos required for the average production of a thousand cigars, we find that Florida's production of 225,000,000 clear Havana cigars yielded in revenue to the Government during 1928 as follows:

*Per 1,000 cigars*

4 pounds wrapper, at \$1.68 per pound (duty).....	\$6. 72
16 pounds filler, at \$0.28 per pound (duty).....	4. 48
Average internal revenue stamps per thousand.....	9. 00

Total of Federal taxes and duties per thousand..... 20. 20

**On production of 225,000,000**

Total wrapper duty paid.....	\$1, 511, 000. 00
Total filler duty paid.....	1, 008, 000. 00
Total internal revenue for stamps.....	2, 025, 000. 00

Total customs duties and revenue stamps paid by Florida factories on production of clear Habana cigars..... 4, 544, 000. 00

The records in the internal revenue office in Tampa will show, unfortunately for the Government as well as for the Tampa cigar manufacturers, that payments of income tax by our industry during the past five or six years have been shockingly meager compared to the volume of business done. This is due almost to excessive customs duties and internal revenue taxes under which our industry has been staggering ever since the war.

It can be demonstrated from the income-tax returns and the internal revenue returns of production that the average profit made by the aggregate of cigar factories doing business in Tampa does not amount to more than 50 cents per 1,000 cigars manufactured. Upon the basis of 4 pounds of wrappers per 1,000 of cigars, the proposed increase in duty would add \$1.28 per 1,000 to the cost of manufacture. This would inevitably result in putting out of business all those factories which do not enjoy some peculiar advantage in the industry that is not common to all.

Cigar production has fallen off in this country from a peak of 8,000,000,000 in 1920 to 6,000,000,000 in 1928. The only explanation that trade experts have been able to give for this decrease is the fact that excessive taxation together with increased costs of materials and labor render it impossible for the manufacturers to produce cigars that conform to the smoker's criterion of quality and value. The average smoker is convinced that cigars cost more than they are worth.

We are convinced that any benefit that might possibly accrue to the growers of domestic wrappers from the proposed increase in wrapper duty would never compensate the damage that would be caused thereby to the cigar in-

dustry as a whole. We fail to see that there can be any justice in putting our industry out of business in order to experiment with a program that may or may not ultimately yield a benefit to another branch of the industry.

In conclusion, may I suggest that the welfare of all the cigar manufacturers as a class would bring infallingly the well-being of the growers as a class.

Respectfully submitted.

THE CIGAR MANUFACTURERS ASSOCIATION.  
By MANUEL L. PEREZ.

**STATEMENT OF N. N. SMITH, REPRESENTING N. N. SMITH CO.,  
FRANKFORD, IND.**

(The witness was duly sworn by the chairman of the subcommittee.)

Senator SHORTRIDGE. What is your business?

Mr. SMITH. Cigar manufacturer.

Senator SHORTRIDGE. You desire to present your views in respect of the subject matter under consideration by the committee?

Mr. SMITH. Yes, sir.

Senator SHORTRIDGE. I understand you desire to express those views in the form of a brief?

Mr. SMITH. Yes.

Senator SHORTRIDGE. To be presented to the committee?

Mr. SMITH. Yes, sir. I will get it to you later.

Senator SHORTRIDGE. Permission is granted for you to file such a brief.

**STATEMENT OF LLOYD D. BOWER, COLUMBUS, OHIO, REPRESENTING  
MAZER-CRESSMAN CIGAR CO. (INC.)**

(The witness was duly sworn by the chairman of the subcommittee.)

Senator SHORTRIDGE. What is your business?

Mr. BOWER. Legislative secretary of the Ohio Chamber of Commerce.

Senator SHORTRIDGE. Is that a State organization, the Ohio Chamber of Commerce?

Mr. BOWER. It is.

Senator SHORTRIDGE. You desire to submit to the committee some evidence and testimony as to your views with respect to the subject matter under consideration by the committee?

Mr. BOWER. I desire to present the views of one of our members.

Senator SHORTRIDGE. Of one of your members?

Mr. BOWER. Yes, sir.

Senator SHORTRIDGE. And who is that member?

Mr. BOWER. The Mazer-Cressman Cigar Co. (Inc.), Columbus, Ohio.

Senator SHORTRIDGE. Very well. The permission is granted to you to file that brief on behalf of the company named.

(The brief referred to is as follows:)

COLUMBUS, OHIO, June 7, 1929.

Mr. FRED CONNOLLEY,

Secretary Columbus Chamber of Commerce

Columbus, Ohio.

DEAR SIR: We are writing you to solicit the aid of the Columbus Chamber of Commerce, and through you the aid of the Ohio, and United States



Chamber of Commerce in combatting the proposed increase of 40 cents per pound import duty on tobacco wrappers in tariff bill, H. R. 2667 as passed by the House of Representatives on May 28, and is now before the United States Senate. Schedule 6, paragraph 601 of this bill provides duty on unstemmed cigar wrapper leaf shall be raised from \$2.10 to \$2.50 per pound, and that the duty on stemmed tobacco shall be raised from \$2.75 to \$3.15 per pound.

If this schedule becomes a law it will be a real calamity to the cigar industry as a whole and the 10,000 farmers raising tobacco in the State of Ohio, and it will be a death blow to the 5-cent cigar which is the backbone of the cigar industry. The idea of this increase seems to be for the protection of a group of corporations who are endeavoring to raise an imitation Sumatra wrapper in Georgia and Florida. Their efforts are as economically unsound as it would be to try to raise oranges in Maine.

The writer is a serious believer in tariff if it is protective, and it protects that which is economically sound but when the protection only acts as temporary benefit to a few corporations with ultimate ruination of numerous manufacturers, and the loss of employment to thousands of workers, and also the loss of a market of profitable crops to 10,000 farmers in Ohio and probably that many more in Pennsylvania and Wisconsin, the protection ceases to have merit and to be of benefit to anyone.

The cigar manufacturers of the United States are putting forth truly heroic efforts to reestablish the cigar industry by giving the public a good 5-cent cigar, and to build the cigar manufacturing industry back to a safe and sound footing. This can not be done by forcing on the smoking public an inferior cigar, and this is exactly what will happen if the increase on imported wrappers is passed and becomes a law.

The cigar industry has carried a tremendous burden of taxation for many years with the result that business has been steadily and alarmingly declining. Instead of increasing our taxes our Government should give us relief by changing the import duty from \$2.10 per pound back to \$1.85 per pound which rate was uniformly maintained for about 25 years up to the time of the emergency tariff act of 1921.

A few years ago, when the cigar industry was so seriously depressed that the Ways and Means Committee recommended a cigar-tax reduction, stating, "Another example of a tax which imposed a serious burden upon an industry is the tax on cigars. The manufacturers of cigars showed conclusively that under the high war-tax rates the number of cigars sold were steadily diminishing and also the number of cigars manufactured. Apparently the tax was so high as to depress the business and reduce the revenue to the Government." The internal-revenue taxes on cigars were accordingly reduced, but the increased duty on Sumatra wrappers remained and still remains unchanged excepting that the present Congress purposes to again increase this tax and thereby reestablish the burden under which cigar manufacturers have been laboring.

At the hearing before the subcommittee of the Ways and Means Committee of the House of Representatives held January 23, 1929, one manufacturer spoke as follows: "Finally the Government reduced the tax a little, and those cigars, because they were sold for 8 cents and 7 cents, reduced in sales. People began to smoke 10-cent cigars rather than to pay 8 cents for a 5-cent cigar. Naturally this Connecticut tobacco, Pennsylvania tobacco, and Ohio tobacco became a drug on the market. Two years ago we had a chance to buy tobacco cheaper. On account of that we turned back to our 5-cent cigar. Our production increased 100 per cent."

"Now, the Pennsylvania farmers, on account of increased production of this nickel cigar, are going to get twice as much money as they got for 1924 tobacco. I turn down lots of sales of tobacco for 15 and 16 cents in the cases. To-day they are getting 23 cents."

A Lancaster, Pa., paper says: "A rain of gold over the Lancaster farmers. How does that come about? Because the nickel cigar has improved in sales. Naturally, they aim to go to Lancaster and Ohio to buy the tobacco in order to make these cigars."

"The only reason it has increased is because of quality. They made a lot of 5-cent cigars during the war, but they made them out of scraps and Florida wrapper. The Florida will not give the American people satisfaction. It is an impossibility. You might just as well say that you can raise Havana in America. You can not raise Sumatra in the United States. It is impossible."

We also wish to draw your attention to the fact that there are 150,000,000 pounds of tobacco annually used and raised in the United States on approxi-

mately 110,000 acres of land. There are about 40,000 farmers in the United States raising this tobacco. There are 133,000 wage earners employed in cigar factories making cigars from this tobacco, receiving in wages \$105,000,000 a year. The cigar manufacturers have about \$220,000,000 invested in cigar manufacturing. There are also 10,000 wholesale distributors and \$750,000 retail dealers distributing this product, at a value of about \$360,000,000 per year.

The cigar industry pays approximately \$22,000,000 each year to the Government in internal-revenue taxes, and \$21,000,000 a year on import duties on wrappers and fillers. Against this we have about 50 corporations raising wrappers in the United States on approximately 10,000 acres, maximum production of 10,000,000 pounds per year, an estimated investment of \$15,000,000.

To give you further insight on this subject we are giving below extracts of a letter by Mr. C. J. Du Brul, to the editor of the Tobacco Leaf, under date of December 31, 1928:

"From the farmers' point of view—and when we say farmers we mean the tobacco growers as a whole—the increased consumption of cigars of high quality at cheap prices will unquestionably increase the demand for the better grades of filler and binder tobaccos, and the tobacco growers can not but help from benefiting from this increase."

Also in Mr. DuBrul's letter of April 8, 1929, to each member of the Ways and Means Committee, Washington, D. C.:

"No informed person who is sincere will gainsay the desirability as to quality and yield of Sumatra and Java wrappers for the 5-cent cigar, which is not only the backbone but the whole torso of the cigar industry.

"To attempt to substitute American-grown tobaccos, even of Sumatra seed, for the imported Sumatra tobacco is a '7-league step' of retrogression and can not but help to seriously handicap the 5-cent cigar industry of this country, and therefore seriously handicap if not be the death blow to the cigar industry and that vast army of binder and filler growers in the United States."

We are also quoting below for your convenience excerpts from the report of the Subcommittee of the Ways and Means Committee, House of Representatives, Mr. Harry A. Estep, chairman. We especially call your attention to the recommendation of the subcommittee in which they state, "Your committee believes that the proponents for an increase in duty have failed to sustain their case." "The statement of the Georgia and Florida growers of shade grown as to Sumatra entering into direct competition with their product is in all probability true so far as wrappers for class A cigars is concerned, because they produce a cheaper grade of wrapper, which could not be used on higher-priced cigars. Therefore, these producers have but one outlet, the 5-cent cigar industry, although some of the advocates for lower duty contended that its proper place is on cigars retailing for less than 5 cents.

One witness, representing the Georgia and Florida interests, presented an elaborate brief in which he seeks to support their argument that the duty on Sumatra wrapper should be increased from \$2.10 per pound to \$4.62 per pound. In connection with the brief he submitted a number of tables to show acreage cost of production and also the amount of money invested and expended in any current year. An analysis of some of these tables indicates that their reasons for reaching certain figures are subject to question, and if their statements are wrong their argument for an increase is materially weakened.

For example, Table No. 1 in said brief gives a summary of the cost of production of leaf tobacco shade grown for the crop year of 1928 and Table No. 2 shows the cost for 1914. There are certain figures in each of the tables covering the same item which should bear careful scrutiny as to whether they are correct or not.

This moving to new acreage, it was explained, is necessitated by the presence of the "black shank" disease, and it is set forth in a notation in the brief that—

Due to this disease it is absolutely necessary to move shades each year (for self-preservation), and which accounts for the extra cost, that has not been in existence in former years, and makes the cost to growers fully 20 to 23 cents per pound more. This is one reason why we need a higher tariff on tobacco, so better prices could be available to the farmer.

It is therefore self-evident that by reason of this disease the cost per pound to the tobacco grower has increased 20 to 23 cents. This is an unfortunate situation, but we do not believe that an increase in the tariff is the proper remedy. What they require is some attention from the plant-disease experts

of the Department of Agriculture. The venture seems to have lost its standing as an economic business proposition.

Your committee believes that the proponents for an increase in duty have failed to sustain their case.

The witnesses appearing and advocating a reduction in duty from \$2.10 to \$1.85 or down to \$1.50 on Sumatra were divided into two groups, those who represented the manufacturers of class A cigars and those who represented the growers of filler and binder in the States of Wisconsin, Ohio, Pennsylvania, Connecticut Valley, and other sections where this type of tobacco is grown.

The writer is attaching a report of the American Sumatra Tobacco Corporation which was just received through the mail. This prospectus was sent out by Frazier, Jelke & Co., members of New York Stock Exchange. We especially refer you to that part of this prospectus that the writer has underlined, and you will readily see that this proposed increase is not for the benefit of farmers in the sense that the word "farmer" is generally used. You will also note that those people admit that their crop is not stable as to quality and quantity, and that they are the largest single factors in the raising of tobacco leaf wrappers for cigars. We also wish to quote from the United States Tobacco Journal issue of Saturday, June 1, 1920, in which they state "increase in duty follows 'no change' recommendations by the subcommittee." In another paragraph they quote the Tobacco Manufacturers' Association as follows: "That this increase would spell disaster to the nickel-cigar business need hardly be emphasized." In another paragraph the Tobacco Manufacturers' Association's bulletin of Wednesday of that week is quoted as follows: "No stronger or more convincing argument against any increase in the duty on imported wrappers could have been presented than that contained in the Ways and Means Committee's report on the tobacco schedule, in which, after reviewing the entire situation, the committee stated: 'Your committee believes that the proponents for an increase in duty have failed to sustain their case.'"

Feeling sure that the above stated facts will fully convince you of the righteousness of our position in opposing this increased duty and sincerely hoping that the Columbus (Ohio) and United States Chambers of Commerce will give their immediate aid and strength to the support of the farmers, manufacturers, jobbers, and the vast army of workers who are going to suffer by this proposed increase on cigar-wrapper tobaccos, we remain,

Respectfully yours,

MAZER-CRESSMAN CIGAR CO. (INC).  
J. E. MCKINNON.

#### **FURTHER STATEMENT OF J. W. ALSOP, REPRESENTING J. W. ALSOP (INC.), AVON, CONN.**

Mr. ALSOP. My name is Joseph Alsop. I live at Avon, Conn. I have been engaged in the growing and packing of shade and stalk tobacco since 1902. I am president of J. W. Alsop (Inc.), packers of Connecticut stalk tobacco, and handling almost entirely Habana seed variety.

In addition to that business I handle for about 100 farmers their crops. I receive their crops for them, pack them, and sell them, and pay them the money I receive for the crops less the cost of doing the business and the commission. So that it is clear that the more I receive for that tobacco the better it is for me.

I was formerly president of the Connecticut pool, which was formed in 1921, so that I probably have as wide a knowledge of farm conditions in the Connecticut Valley as any person who could come before you.

The question which you gentlemen are interested in is the tariff on wrapper tobacco. Now, wrapper tobacco by itself can not be considered entirely, for the reason that a cigar is made up of a blend of tobacco; and that a change in the conditions of any one of those parts of the cigar affects the whole.

There are two main types of cigar. There is the cigar filled with Cuban and Porto Rican tobacco with a Wisconsin or Connecticut binder and with a shade or Sumatra wrapper. That is the main type of higher-priced cigar, the cigar that sells for 10 cents, two for a quarter, or 15 cents.

The other main type of cigar—and this is the cigar that affects the great volume of farmers—is the cigar which is filled with Pennsylvania and Ohio tobacco. It has a binder of Wisconsin or Connecticut and has a Sumatra wrapper. Those are the two main types.

There are other types of 5-cent cigars. There are other types of the higher-priced cigar, but none of those could be made if the two main types I have mentioned did not exist. For instance, there is the scrap cigar, which is made from the cuttings of the other factors, and there are various cigars of that kind.

I was born and brought up and lived all my life in Connecticut. I am a believer in a high tariff.

The question naturally presents itself: Why would it not be a good idea to place a tariff at such a point that the cigars made in this country would all be wrapped with domestic tobacco? That would seem to us to be the ideal condition. That is what we would like to have if it were practicable. If that were done, there are three types of wrapper that could be used, or might be used. There is the Connecticut shade, there is the Florida shade, and there is the Connecticut stalk tobacco. Those are the three types that could be used if that were done.

Senator SHORTRIDGE. What is the third?

Mr. ALSOP. The Connecticut sun-grown or stalk tobacco. That is the old-fashioned Connecticut tobacco. That is what Mr. Newberry discussed yesterday. I do not think the thing is practical. My reason is this: A number of times in the industry the attempt has been made to put across a 5-cent cigar wrapped with shade. The ultimate judge of a cigar is not the manufacturer or the grower of the tobacco; it is the consuming public. The consumer does not know what is in that cigar at all. He does not care anything about that, but he sees a new brand and he smokes a dozen of them. He finds he likes them and he buys some more. That is what makes a brand of cigar. If he finds that he does not like that cigar and stops smoking it, that brand begins, as we call it in the trade, to "slip"; and the first thing you know it is gone.

Now, a number of times various manufacturers have tried to make a cigar of Pennsylvania and Ohio filler and a domestic binder with a shade wrapper. Nobody has ever succeeded.

Senator SHORTRIDGE. Why?

Mr. ALSOP. Because the smoker does not like them. Now, you can put Florida wrappers on the same cigar at about a dollar and a half to two dollars a thousand cheaper than it is costing the manufacturer to-day to use the Sumatra wrapper. You gentlemen have seen some of the manufacturers that have come here, and I think you will agree with me that they look as if they were rather astute business men who were well able to take care of themselves in the handling of their business. Now, if a manufacturer putting out, as one manufacturer does, 400,000,000 a year of a certain brand of 5-cent cigar, should save a dollar and a half to two dollars a thousand on that

cigar by using a Florida wrapper, is it not reasonable to suppose that he would do it? He does not do it for the same reason that it has not been successful with shade, because the smoker does not like it; and when he tries it, that cigar begins to slip in its sales.

Now, the stalk tobacco I will not deal with because Mr. Newberry dealt with that yesterday quite in detail as to its availability as a wrapper. Therefore I say that if you place the duty at a price which I would love to see if it was possible, which would keep all imported wrapper out of this country, in my opinion you would probably decrease the consumption of cigars from about six billion, we will say, down to four or possibly less. If you did that, it would spell ruin to the whole tobacco industry, because in the long run the law of supply and demand fixes the price of the filler, the binder, the wrapper, and the other parts of the cigar; and if the consumption was decreased, we will say one-third, the tobacco-growing farmers in this country would be ruined; and the ones that you want to help would be ruined too, because they are growers of filler tobacco.

Senator SHORTRIDGE. To sum up, then, what is your mature opinion?

Mr. ALSOP. I was going to come to the rate of duty which you have before you, the 40-cent increase which was advocated, which has been passed by the House. That has been pretty well covered.

The tobacco business to-day is in very few hands, the manufacture of cigars. The industry has gone through the same kind of a process that many other industries have gone through. We have volume production, national advertising, machine make mostly of cigars, and the manufacturer must have a uniform volume of tobacco for his use. Now, the best of the manufacturers, with all those various economies and modern dodges that they can introduce, are not making to-day over, I think, \$2 a thousand would be a generous estimate of profit. A 40-cent increase in the duty on Sumatra tobacco would reduce that profit from 75 to 80 cents.

I am a dealer in Connecticut tobacco. I go to these various manufacturers with the different grades of tobacco which I have for sale, which are four or five, and owing to the concentration of the business there are not more than two real customers for any grade of our tobacco to-day.

Senator SHORTRIDGE. And those two are? The United Cigar Co. and the General Cigar Co.?

Mr. ALSOP. There are four grades, light wrappers—

Senator SHORTRIDGE (interposing). I mean the companies, the two big companies?

Mr. ALSOP. For any one grade I said two companies, Mr. Chairman.

Senator HARRISON. Let me ask you in that connection, before you get away from that—the United Cigar Co.—do they manufacture, or merely distribute?

Mr. ALSOP. They do not handle any of our tobacco.

Senator HARRISON. As a general rule, do they manufacture tobacco, the United Cigar Co.?

Mr. ALSOP. I understand that their cigars are manufactured for their stores.

Senator HARRISON. But they do not actually manufacture them themselves? They are merely distributors?

Mr. ALSOP. I believe not. They may have brands manufactured, but I have never come in contact with them.

Senator HARRISON. Do they own stock in any pools or corporations manufacturing tobacco?

Mr. ALSOP. I do not know about that. The light wrapper grade which we produce is used practically entirely by P. Lorillard & Co. It is also used to a small extent by one or two stogie manufacturers in Pittsburgh. P. Lorillard & Co. use it for the covering of their Between the Acts cigarettes, which you have all seen. They come in the little tin box.

Our medium wrapper can be sold to three stogie manufacturers. I am giving you the market for 90 per cent of the tobacco.

Our second can be sold to Bayuk Bros., in Philadelphia, or the Congress Cigar Co.

Our dark wrapper can be sold to the General Cigar Co., which uses at least 70 per cent of them, or to one or two other small firms. Once in a while the American Cigar Co. buys some dark wrappers, but not every year.

Now, the only other grade we have is stemming tobacco. That is the grade that is unfit for cigar purposes, and that grade goes entirely into two brands of scrap, smoking and chewing tobacco. One is named Beechnut, made by P. Lorillard & Co.; one is named Mail Pouch, made by Bloch Bros., of Wheeling, W. Va.

That is the custom that we have to deal with. We have no quarrel with those gentlemen, but you can readily see that if I go, we will say, to the General Cigar Co. with my wrappers to sell, and the General Cigar Co. is making a profit of \$2 or \$2.25 a thousand on their cigars, which is a reasonable profit, it is much easier for me to exact and procure from them a proper price for my dark wrappers, more possible for me to than if the General Cigar Co. were not making any money out of their 5-cent cigar. Now, they can not save on anything but their domestic raw material, to any appreciable extent, and therefore I feel that this 40-cent increase would make it hard, not only for our Connecticut binder producers but for our Wisconsin binder producers, or Pennsylvania and Ohio producers, because they are the great volume producers that go with that Sumatra tobacco. Of course, an increase of a little better than 40 cents a pound would simply be carrying the thing to a higher degree.

Senator SHORTRIDGE. May I ask you this: If I have followed your thought as you have developed it, your view is that an increase of the tariff on wrappers might help those making wrappers, or growing the wrapper tobacco, but it would be injurious to the other two branches of the industry?

Mr. ALSOP. I do not think it would help them, Senator, because the shade industry does not need any further protection. The shade industry is making an increase this year from 15 to 20 per cent in their acreage.

Senator HARRISON. Does that apply to Georgia and Florida too?

Mr. ALSOP. No; I am talking about Connecticut shade. But Georgia and Florida have also made an increase this year.

Senator HARRISON. There is shade tobacco down there also?

Mr. ALSOP. Shade, but a different variety of tobacco entirely. Shade tobacco goes into the higher priced cigar, and I have vet to

find a shade man that, when they sit down and talk with them fairly across the table, that will claim that shade needs any further increase in duty.

Senator SHORTRIDGE. Let me ask you right there, in Sumatra and Java have they there what you call the shade, as well as the stalk or the sun?

Mr. ALSOP. No, sir; that tobacco is grown out of doors.

Senator SHORTRIDGE. Altogether?

Mr. ALSOP. But of course, the climate is such that it is a different kind of tobacco.

Senator SHORTRIDGE. Yes; but I just wanted to know whether they had introduced that system or plan of covering the crop.

Mr. ALSOP. Now, Senator, I did not appear before the Ways and Means Committee. Four years ago I appeared and spent a great deal of time over the internal-revenue reduction, because I felt that was a fine thing, and it has proven to be so. I did not appear before the Ways and Means Committee because I felt very sure that nothing would be done, that the duty would be left the way it was, \$2.10, and I felt that it was a good thing to leave well enough alone, and I need not spend the time to come down here.

Senator HARRISON. You represented, as I understood from some witness yesterday, Mr. Newberry, I believe it was, some pool in Connecticut?

Mr. ALSOP. At the time the revenue reduction was under discussion, sir, I was president of the Connecticut pool.

Senator HARRISON. Mr. Newberry said he did not have much faith in it, I believe.

Mr. ALSOP. I am not surprised at that. [Laughter.]

Senator HARRISON. Well, anyway, what I wanted to inquire was whether any of these big manufacturers of cigars were interested in that pool that you represented?

Mr. ALSOP. No, sir; they were not. It was entirely a farmers' organization.

Senator HARRISON. And you are not interested in any of these manufacturers?

Mr. ALSOP. No, sir.

Senator HARRISON. And they are not interested in you particularly, except to buy your stock?

Mr. ALSOP. They certainly are not. We are interested simply to do business together as business men. My interest is the small farmer of the Connecticut Valley. I have been one of them. I started out as one of them 27 years ago, and I know hundreds of them. I know intimately their conditions.

Senator HARRISON. Mr. Chairman, it seems to me that we have heard from Connecticut and these Pennsylvania and other people, and I am interested to hear from the Florida and Georgia fellows. We heard Mr. Monroe yesterday, but it seems to me that the burden is upon them to show the necessity for and sustain this increase, and I would like to hear more on that, because we are not going to be able to stay here forever on this proposition.

Mr. ALSOP. Mr. Chairman, may I ask a question?

Senator SHORTRIDGE. Yes.

**Mr. ALSOP.** There is one thing that Congress could do for New England and Wisconsin tobacco growers that would be real agricultural relief of the very first water. That would be a reduction of the internal revenue on manufactured tobacco. Now if that is not something that can come before this session I will not say a word about it.

**Senator SHORTRIDGE.** Thank you for the suggestion.

**Senator HARRISON.** What is your recommendation, how much reduction? It is \$2 now.

**Mr. ALSOP.** The pre-war rate was 6 cents a pound on manufactured tobacco. I am not talking about cigars now; I am talking about smoking tobacco. The present rate is 18 cents a pound. Now, 35 to 40 per cent of our tobacco in the last seven years has gone into manufactured tobacco, and when it goes there it is because that farmer had a hailstorm or a drought or a big windstorm or trouble in his curing barns, or something like that, and he is the man that needs the help, not the man that has had the fortunate crop and got the high-grade tobacco and got the good prices for it anyway. We sell that tobacco at from 10 to 12 cents a pound, and it pays a revenue of 18 cents a pound. Now, if that revenue could go back to the pre-war rate I would be willing to guarantee that the few dealers who buy it would be willing to pass over more than half that reduction to the farmer. Now, one of those gentlemen is here to-day, the representative of P. Lorillard, and he can answer that question if you wish to ask him. There would be a relief that would cause the Government a loss in revenue which is more than made up every year by the increased revenue on cigarettes, and it would help New England and Wisconsin farmers who really need help. That is the fellow that needs the help.

**Senator HARRISON.** How about the farmer in Pennsylvania?

**Mr. ALSOP.** A little of his tobacco goes into that manufacture.

**Senator HARRISON.** But the big amount is in Connecticut?

**Mr. ALSOP.** It is nothing like the percentage of ours.

**Senator HARRISON.** Would it help the Florida and Georgia man?

**Mr. ALSOP.** I do not know what manufactured product their tobacco goes into. I am not familiar with those districts. It would help immensely the southern tobacco grower whose tobacco goes into smoking tobacco and plug.

**Senator HARRISON.** What you are talking about now is smoking and plug tobacco?

**Mr. ALSOP.** Yes; because all of our low-grade tobacco goes into two brands, two great workmen's brands of the United States, Beechnut and Mail Pouch.

**Senator CONNALLY.** What does this wrapper tobacco, first grade wrapper tobacco, sell for? What does the farmer get for it?

**Mr. ALSOP.** I will answer that by saying that the stalk tobacco, first grade wrapper tobacco, sells at from 80 cents to \$1.10 a pound.

**Senator CONNALLY.** And shade grown?

**Mr. ALSOP.** Shade-grown tobacco sells as high as \$5, perhaps a little more, the very finest grade. Broad leaf sells about the same as Havana seed. But there is practically no market for it.



**STATEMENT OF HON. MERLIN HULL, A REPRESENTATIVE IN  
CONGRESS FROM THE STATE OF WISCONSIN**

Mr. HULL. Mr. Chairman and gentlemen of the committee, representing one of the large tobacco-growing districts of Wisconsin—one of the two—I would like to make a brief statement here as to what will be the effect of this tremendous increase of tariff on Sumatra wrapper.

As has been already testified to here, I presume, by others from the tobacco-growing districts, we are raising a low-grade tobacco—a 10 to 12-cent tobacco, binder and filler. We need this Sumatra wrapper, in fact, must have it, or the manufacturer must have it, in order to make a market for the Wisconsin crop. The Sumatra wrapper is used, as you know, in the wrapping of 5-cent cigars. The large percentage of the tobacco raised in both the large districts in Wisconsin is that quality which goes into the 5-cent cigar. Now, if this tariff is increased it simply means one of two things: Either the manufacturer will have to raise the price of the 5-cent cigar and limit our market, or else the Wisconsin farmer, among those of other States who raise this quality of tobacco, will be obliged to take the loss.

The people of my district feel very strongly on this question. We have a tobacco pool there, the largest tobacco pool in the West, if not in the entire country, with 5,000 members. They have organized a strong cooperative association in an endeavor to eliminate some of the marketing abuses from which they have suffered in trying to put the tobacco industry in Wisconsin on a stable basis. We have climatic conditions there which make our tobacco raising a little different than that of other States. We have, for instance, early frosts which are likely to come along and destroy a crop right in the harvest season. We also have the hailstorms which are common to all sections, of course, and the dry seasons.

As to the tobacco industry in our State, tobacco raising in the State has not been increasing as rapidly as it should because of the low prices, and because of the climatic conditions. We have in that State about 10,000 tobacco growers. We raise from forty to forty-five million pounds of tobacco every year. The Wisconsin tobacco pool appeared before the Ways and Means Committee and set forth their situation and asked the Ways and Means Committee to reduce the tariff on Sumatra wrapper to a dollar and a half a pound, feeling that with that reduction they would have a little better advantage and perhaps might grow tobacco with a larger share of profit. Now, if this goes on, it is a very serious matter to us. Our tobacco pool is very much interested. I do not know if they have anybody here representing them before this committee. They had before the Ways and Means Committee, and they made a very strong statement. I shall be pleased to refer you to that testimony. And our legislature very recently, as you know, passed a very strong resolution, almost unanimously, asking that the Sumatra tobacco tariff be not raised.

Senator WATSON. Was this Sumatra wrapper proposition debated on the floor?

Mr. HULL. Not in the House; no.

Senator WATSON. Not at all?

Mr. HULL. We had no chance to debate it.

Senator CONNOLLY. There was nothing else debated on the floor, was there?

Senator HARRISON. You ought to advise the leader over here on the Republican side just what is the modus operandi in the House. [Laughter.]

Mr. HULL. I think he is more familiar with it than I am.

Senator WATSON. I am thoroughly familiar with it, having been a part of it for many years. [Laughter.]

Mr. HULL. On behalf of these growers, if your committee does not see fit to reduce the tariff, the present tariff of \$2.10 a pound, we feel that to increase the tariff would be an additional hardship upon an industry which is not flourishing as it should in Wisconsin. We also feel that Wisconsin has fared very poorly under the tariff bill passed by the House. The fact is, Wisconsin products were not taken care of as were the products of other States. We feel very strongly on that situation.

Senator SHORTRIDGE. Pardon me, it is hardly relevant, but in respect to what particular products?

Mr. HULL. All of our dairy products.

Senator CONNOLLY. The Progressives up there ought to get regular and get protection. [Laughter.]

Mr. HULL. I was elected as a Republican, sir, and I voted against the tariff bill. Now, I do not want to go into the politics of it, but if you want to hear something about that, my district in 1924 gave 22,000 majority against Mr. Coolidge; last year we went out on this Republican promise of doing something for the dirt farmer, and I among others helped carry that district by 20,000 majority for Hoover. We promised them that we would have a new tariff deal. We promised them we would do something here for the farmers in Wisconsin who have been down and out, and whose farms are being foreclosed. We went before the House committee asking for an increase of tariff on dairy products and for a reduction on Sumatra wrapper, among other things. We got practically nothing, so little, in fact, that I have as a Republican felt it incumbent upon me to protest, and I voted against the bill. I do not care about talking any further on politics here, but that is the actual situation.

I come before your committee representing this large tobacco district, to ask you to consider the 10,000 growers in fixing the schedule on Sumatra wrapper. It is very important to us. It is so important that our legislature, after a long discussion of the matter, almost unanimously passed this resolution, and ordinarily legislatures do not take up minor matters to pass resolutions upon.

I submit these facts for your consideration. I hope they may have careful consideration when the time comes for the fixing of this rate. I thank you.

Senator SHORTRIDGE. Thank you very much, Mr. Hull.

#### STATEMENT OF HARLEY W. JEFFERSON, REPRESENTING THE P. LORILLARD CO., NEW YORK CITY

Mr. JEFFERSON. My name is Harley W. Jefferson, New York City. I am the representative of the P. Lorillard Co., manufacturers of

cigars, cigarettes, smoking tobacco—in fact, a general line of all tobacco products with the exception of snuff.

Senator SHORTRIDGE. Do you understand the immediate matter we are now considering?

Mr. JEFFERSON. Yes, sir.

Senator SHORTRIDGE. That is to say, the tariff on Sumatra wrappers?

Mr. JEFFERSON. Yes, sir; or wrapper tobacco.

Every State or country that raises tobacco raises a different type of tobacco, a type that has been developed to fit the soil and climatic conditions of that particular State or country, and it is the blending of these various types together that go to make up the good cigar, cigarettes, smoking or chewing tobacco. Therefore every manufacturer of tobacco products of any kind has his own particular blend or mixture.

I believe I am correct in the statement that every single brand of long-filler 5-cent cigar in the market to-day is wrapped with an imported Sumatra wrapper. Now, why would the manufacturers buy this imported wrapper, paying from 80 cents to a dollar and a half a pound for it, bring it to this country, paying \$2.10 per pound duty on it, if there was any domestic tobacco wrapper to be found that would answer the same purpose and make as good a cigar? We can buy Florida shade-wrapper tobacco, top grade, at from \$1.50 to \$2 a pound and cover a thousand cigars for between \$4 and \$5.

Senator CONNALLY. You mean you can buy it for that with the tariff on it?

Mr. JEFFERSON. There is no tariff.

Senator CONNALLY. But I mean with the tariff on the imported article can you still buy the Florida tobacco for \$1.50 a pound?

Mr. JEFFERSON. That is \$1.50 to \$2.50 a pound for the top grade; yes, sir; and you can cover a thousand cigars for between \$4 and \$5, whereas the imported Sumatra wrapper will cost you between \$6 and \$7 a thousand.

Senator HARRISON. What do you say to the suggestion of Mr. Monroe yesterday that 90 per cent of the cigars that are made, cheap cigars, in Tampa are made from the Florida and Georgia wrapper?

Mr. JEFFERSON. Senator, I am going to cover some of that in just a minute. I say that for the reason that we use more different types of tobacco than any other firm in the country. We use all of the tobaccos under discussion here.

Senator WATSON. The Lorillard Co.?

Mr. JEFFERSON. The P. Lorillard Co. As I say, the P. Lorillard Co. uses more different types of tobacco than any other one firm in the United States. We use Connecticut shade-grown tobacco on 10 and 15-cent cigars, and pay \$5 to \$5.50 for that grade of tobacco.

Senator HARRISON. You make a great many different grades of cigars?

Mr. JEFFERSON. Yes, sir.

Senator HARRISON. You sell to the big distributors throughout the country? You are just manufacturers?

Mr. JEFFERSON. Just manufacturers.

Senator HARRISON. You do not sell to the retail trade?

Mr. JEFFERSON. We sell to the jobbers, and they in turn sell to the retailer. We are also the biggest users of the Florida shade-

wrapper tobacco of any firm in the country. We use that tobacco on scrap-filled cigars retailing at 2 and 3 cents each. And we have faithfully tried to market a brand of scrap-filled Florida-wrapped 5-cent cigar. In 1921 we had a brand on which we had a total volume of 68,000,000. In the past year the volume of that same brand is around 10,000,000. Now, we only make one brand of long-filler 5-cent cigar—

Senator WATSON (interposing). It declined from 68,000,000 in one year to 10,000,000 the next? When was that?

Mr. JEFFERSON. In 1921, Senator. The volume on the Florida wrapped 5-cent cigar was 68,000,000.

Senator WATSON. What was the cause of the falling off?

Mr. JEFFERSON. It was probably due to the fact that since that time the long-filled cigar has come into the market and the public prefers it to the scrap-filled cigar.

Senator HARRISON. You might have pushed some other cigar as a matter of fact, and kind of laid low on that.

Mr. JEFFERSON. When you make a general line of everything, then it is the public that is going to decide which one they are going to smoke.

Senator HARRISON. But sometimes you push a certain grade, do you not?

Mr. JEFFERSON. Well, if that was possible, gentlemen, we would certainly be glad to push the scrap-filled Florida-wrapped cigar, because we have got about \$3 or \$4 per 1,000 more profit in that particular kind of cigar than we have in the long-filler cigar.

Senator SHORTRIDGE. But you do not want us to conclude that the falling off from 68,000,000 to 10,000,000 in respect to the particular brand was due to the Florida wrapper?

Mr. JEFFERSON. No; it was due to that particular type of wrapper, and the filler, which did not satisfy the demands of the public.

Senator HARRISON. Is your concern interested financially in any lands or any corporation either in the growing of Georgia or Florida tobacco or Connecticut, Pennsylvania, Wisconsin, or Ohio tobacco?

Mr. JEFFERSON. No, sir. We operate in every tobacco market of the world, but we do not own an acre of land or cultivate or raise an acre of tobacco anywhere. We do not own any stock in any firm or corporation raising or growing any type of tobacco.

I was just going to say that we make just one brand of long-filler 5-cent cigar. The wrapper, the filler, and binder of that brand is such that it will not blend harmoniously with any other type of wrapper but Sumatra.

Senator CONNALLY. Has the witness been sworn, Mr. Chairman?

Mr. JEFFERSON. I will be glad to go under oath.

Senator SHORTRIDGE. I believe not.

Senator CONNALLY. I just thought when he spoke about making that genuine long-filler 5-cent cigar I just wanted to be sure he was correct.

Senator SHORTRIDGE. He can be sworn.

Senator CONNALLY. No; I do not care about it.

Mr. JEFFERSON. Now, if you increase the duty on 5-cent cigars, Sumatra wrapper, it is going to mean an increase in cost of manu-

facture of that type of product from 80 cents to \$1 a thousand. It is going to force the manufacturer to do one of three things: Either buy his fillers or binder tobacco for less money, increase his cost, or cheapen his price. I do not believe that there is a manufacturer in the country to-day that would attempt to cut the quality of his products. I do not believe it is possible to raise the price, certainly not without materially curtailing production.

Senator WATSON. What, in your judgment, would be the effect of this tariff on the 5-cent cigar?

Mr. JEFFERSON. It is not going to help the Florida or the shade-wrapper grower. It will simply strangle the manufacturer's that are attempting to put out a cigar that the public is demanding to-day.

Senator CONNALLY. A 5-cent cigar?

Mr. JEFFERSON. A 5-cent long filler. I want to make that point. Every Florida wrapped cigar to-day is what we call the "scrap-filled" cigar.

Senator SHORTRIDGE. What is that? Explain it so that, once and for all, we may understand those terms.

Mr. JEFFERSON. The scrap is tobacco in small pieces, that goes to make up the filler in the cigar. The long filler is the leaf that you buy and strip off, and that filler is one straight piece.

Now, I will say this: The majority of all scrap-filled cigars to-day are sold in the South. Why? Because in the South climatic conditions are such that that cigar holds its moisture, whereas if you put the same cigar in the West or in the East, during the wintertime the cigar dries out very rapidly, and a scrap-filled cigar, when a man bites off the end of it, it is dry, and he gets a mouthful of scrap, he does not like it very well. That is one reason why there is such a demand for the long-filler 5-cent cigar to-day. Every 10-cent cigar on the market, or 15, is a long-filler cigar.

Gentlemen, we do not consider the grower of Connecticut shade-grown tobacco, or the Florida shade-grown tobacco, as a farmer. This tobacco is all grown by corporations or firms who grow, cure, ferment, pack, and sell this tobacco direct to the manufacturers.

Senator CONNALLY. You do not have any prejudice against corporations, have you?

Mr. JEFFERSON. No, sir; I am representing a corporation.

Senator CONNALLY. I was going to say you represent a big one.

Mr. JEFFERSON. I do. I want to bring out this point, that these corporations or firms growing these two types of tobacco are the main ones that are asking for an increase in duty on Sumatra tobacco. Why? Because they feel that if they can put a duty so high on Sumatra that it is impossible for the manufacturers to use it they will force us to use either the Florida or the Connecticut shade. Now, if they knew something of the manufacture of cigars, gentlemen, they would realize how utterly foolish is their plea. A manufacturer does not change his formulas over night. A manufacturer knows that if he has a brand on the market that is selling, satisfying the public, that a change in his formula may mean death to his brand.

There has been lots of demand for a long time for this old-time long-filler Sumatra-wrapped cigar, and it is only in the past three

years that manufacturers have been able to put out that cigar, and then only through the fact that Congress in 1926 reduced the tax from \$4 a thousand to \$2 a thousand.

Now, gentlemen, I do not want to take up any more of your time. I simply want to say this: Imported Sumatra wrapper is just as essential to the success of a long-filler 5-cent cigar as Turkish tobacco is to the success of all the nationally known brands of 15-cent cigarettes in the country to-day.

Senator SHORTRIDGE. For cigarettes?

Mr. JEFFERSON. Yes, sir.

Senator SHORTRIDGE. But we can raise just as good tobacco in California as they can in Asia Minor, and yet you fellows who bought our tobacco during war times and sold your cigarettes as though they were made up of imported Turkish leaf, when the war was over you said that California could not raise this leaf with the proper aroma.

Senator HARRISON. You had better not get into an argument with the Senator on that. [Laughter.]

Mr. JEFFERSON. I would just like to say this: Remember that during the war days we used dark bread and went without sugar, and did a good many other things that we did not like to do, but we did it as a matter of duty and loyalty to our country.

Senator HARRISON. You mean to say that you used California tobacco simply as a matter of duty, and because it was black and was no good? [Laughter.]

Mr. JEFFERSON. Well, I do not know that—we never used any ourselves.

Senator WATSON. In other words, your ideas of duty and loyalty did not carry you that far—to the use of California tobacco? [Laughter.]

Mr. JEFFERSON. Well, I know that during the war, gentlemen, there was such a demand for binder products of all kinds—cigars, cigarettes, and anything else—that you could get by with murder; but after the war was over and we got back to a normal basis the manufacturer who was making the most popular product was the only man who was able to stand it.

And, Senator Harrison, I want to say this: Until five years ago I was a tobacco packer in the State of Wisconsin. I own a farm in Wisconsin to-day and I am a tobacco grower. You asked Mr. Jewett two or three questions yesterday, one of which was if he was not instrumental in serving an injunction against the Wisconsin pool at that time. I just want to say that I was the only man in the State of Wisconsin in the tobacco business that went on the stand in favor of the pool during that trial. And I did it because I know the problems of the farmer. I appreciate what he is up against, and I am in hearty sympathy with the farmer in his cooperative movements.

Senator HARRISON. I was not trying to criticize; I just wanted to get the facts.

Mr. JEFFERSON. I wanted to mention that anyway.

Senator SHORTRIDGE. Thank you very much, Mr. Jefferson. May it be regarded that what you have said has been stated under oath?

Mr. JEFFERSON. Yes, sir.

**STATEMENT OF FORREST B. COULTER, REPRESENTING JOHN S. SWISHER & SON, JACKSONVILLE, FLA.**

(The witness was duly sworn by the chairman of the subcommittee.)

**Mr. COULTER.** My name is Forrest B. Coulter, Jacksonville, Fla. I represent John H. Swisher & Son, manufacturers of cigarettes, Jacksonville, Fla., of which firm I am the secretary.

**Senator SHORTRIDGE.** And you understand the immediate connection of the proposed law that we have under consideration?

**Mr. COULTER.** I do. The wrapper tobacco tariff?

**Senator SHORTRIDGE.** Yes. You may address yourself to that proposition.

**Mr. COULTER.** I want to say that I did not appear before the Ways and Means Committee for the reason that at that time I did not believe that a slight revision of the wrapper tobacco tariff, either upward or downward, would act as a protective measure. My belief was that if the tobacco tariff was changed it should be a prohibitive tariff, and when I personally advocated that theory I did not seem to gather many converts, but my opinion to-day is that more converts could be gathered to that prohibitive tariff than there could have been six months ago. In fact, I have heard some of the gentlemen in the last few days who have appeared here in behalf of reduction in the tariff, make the statement that the 40 cents allowed by the Congress was not sufficient, but that if it was raised to \$5 they would be in hearty accord with it.

**Senator SHORTRIDGE.** Making it prohibitive?

**Mr. COULTER.** Making it prohibitive.

**Senator HARRISON.** Is that the position of the Connecticut people and the people raising binder and filler tobacco?

**Mr. COULTER.** Not to my knowledge; no, sir. My company manufactures and sells upwards of one hundred million 5-cent cigars per year, and 99 per cent or more of these cigars are made with a Florida wrapper, and regardless of the fact that cigars of this description have at previous hearings been termed "illegitimate" and "bootleg," I deny these claims, for the reason that these cigars are sold through all the regular channels of trade and in competition with all brands of 5-cent cigars now upon the market. Our product is not forced upon the consuming public but is sold entirely upon its merits.

Also, there have been some previous statements made that the successful and palatable 5-cent cigar could only be made with a Sumatra wrapper, and this, gentlemen, I deny, for I know that the manufacture of cigars other than Sumatra wrapped have been successful with my company.

**Senator HARRISON.** How long have you been in business?

**Mr. COULTER.** The firm dates back about 50 years.

**Senator HARRISON.** How long have you been making 5-cent cigars?

**Mr. COULTER.** Practically during the entire history of our business.

**Senator HARRISON.** Do you sell throughout the United States or just through the South?

**Mr. COULTER.** Throughout the United States. Some of our largest patrons are located in towns like Kansas City; Boston, Mass.; Detroit, Mich.; Chicago, Ill.

Senator HARRISON. Has your business, the sale of these cigars made from the Florida wrapper, increased during the last few years?

Mr. COULTER. It has materially. In fact, this year our business has shown an increase. Up until the first of this month it showed an increase of about 35 per cent over last year.

Senator HARRISON. Do you use any Sumatra wrapper at all?

Mr. COULTER. Very little—some.

Senator HARRISON. Why do you use it?

Mr. COULTER. I guess just to have a variation more than anything else.

Senator HARRISON. What percentage of Sumatra wrappers do you use compared to the Florida wrappers?

Mr. COULTER. I would say less than 1 per cent.

Senator SHORTRIDGE. I have a question following that, if you will permit me. What was the number of millions of 5-cent cigars you sold last year, say, in round figures?

Mr. COULTER. One hundred million.

Senator SHORTRIDGE. One hundred million 5-cent cigars with Florida wrappers?

Mr. COULTER. Yes, sir.

Senator SHORTRIDGE. All right, sir, proceed.

Mr. COULTER. As I stated there when the question was asked, it has been said that a successful and palatable cigar could only be made with Sumatra wrapper, and I deny those assertions, because we have been successful in the manufacture of cigars other than Sumatra wrapped, and I know that the cigars must be palatable or the consuming public would not come back year after year and year after year and buy the same cigar.

Senator SHORTRIDGE. Let us demonstrate something. Is that box I see over there in the office a box of your cigars?

Mr. COULTER. This is the offer.

Senator WATSON. Was that box specially made for this occasion?  
[Laughter.]

Mr. COULTER. No, sir.

Senator HARRISON. How long have you been making this cigar?

Mr. COULTER. Since about 1919.

Senator HARRISON. Has it been on the increase in that time?

Mr. COULTER. It has been on the increase continually.

Senator CONNALLY. This is a Florida wrapped cigar?

Mr. COULTER. It is.

Senator CONNALLY. What kind of tobacco is this cigar made of; what filler, and what kind of tobacco?

Mr. COULTER. The filler is a so-called "scrap" filler.

Senator HARRISON. Did not this foil cost a good deal on this cigar?

Mr. COULTER. Not materially; no. That foil is put on there by machinery.

Senator HARRISON. I noticed that the 5-cent cigars before us yesterday did not have this tin-foil on them. There is nothing in the proposition that they can make a better cigar by virtue of not using this tin-foil than you can by using it?

Mr. COULTER. No, sir; it is a matter of style that comes and goes. At the present time there are a good many cigars being marketed with foil wrappers.



Senator WATSON. When you break one open, is that just the same kind of tobacco as the ordinary 5-cent cigar, the same kind of filler with a Sumatra wrapper?

Mr. COULTER. In some instances; yes.

Senator WATSON. Wherein does it differ from the ordinary cigar that is made, except in the wrapper?

Mr. COULTER. Outside of the cigar you refer to, I believe you are referring to the long filler.

Senator WATSON. The long-filler cigar.

Mr. COULTER. In the long-filler cigar the tobacco is taken as it comes from the leaf and is not cut up.

Senator WATSON. Is the ordinary long-filler cigar made of that same kind of tobacco?

Mr. COULTER. Yes, sir. Probably not that same blend.

Senator HARRISON. Where do you get that filler from?

Mr. COULTER. Principally from Ohio.

Senator HARRISON. Where do you get the binder?

Mr. COULTER. From Connecticut. That cigar contains a Connecticut shade binder.

Senator SHORTRIDGE. With a Florida wrapper?

Mr. COULTER. Yes, sir. It always appears to me that on the question of wrapper tobacco tariff there has been a great deal said that is not really commensurate with the subject. For instance, I referred to some statements that have been made, that if the tariff was lowered the farmers producing filler tobacco and binder tobacco would receive more for their tobacco. To me this is unbelievable, for the reason that in my experience of 20 years as a buyer I can not recall one single instance that I ever paid a man one penny more than I was asked, but on numerous occasions I have paid less.

Senator HARRISON. How is the price of the wrapper to the Florida producer? Has it been stabilized pretty well?

Mr. COULTER. Pretty well stabilized; yes.

Senator HARRISON. What is the condition of the Florida and Georgia tobacco wrapper grower? Is he in fairly good condition?

Mr. COULTER. Within the last two years, yes.

Senator HARRISON. He has been in better shape in the last two years than he was before?

Mr. COULTER. Yes.

Senator HARRISON. Is he in as good a condition as the man who raises cotton or other agricultural products, as a rule?

Mr. COULTER. I would say yes.

Senator HARRISON. You think they are making money?

Mr. COULTER. I think they are making money within the last couple of years, yes.

Senator HARRISON. Why in the last couple of years?

Mr. COULTER. Well, before that time they had some slumps and some ups and downs, the same as any business would experience over a period of years.

Now, upon the subject of this country being able to produce an adequate supply of wrapper tobacco for the entire industry, I personally believe that this is absolutely possible, provided, of course, that the men of the corporations who grow and market this tobacco are protected by an adequate tariff.

Senator **SHORTRIDGE**. Will you say that again, please? I did not catch it.

Mr. **COULTER**. On the subject of this country being able to produce an adequate supply of wrapper tobacco for the entire cigar industry, I personally believe that it is absolutely possible, provided, of course, that the men or the corporations who grow and market this tobacco are protected by an adequate tariff.

Statements have heretofore been made that it was impossible to manufacture a 5-cent cigar with Connecticut shade wrapper, for the reason that this class of tobacco sold for \$5.25 a pound, and was therefore prohibitive in the use and manufacture of a 5-cent cigar. I admit to you that there is some shade tobacco sold for \$5.25 a pound, but this particular type is of the very highest type and grade that is produced, and there are other grades that are sold at from \$4.75 down to less than \$1 a pound, and there are certain grades of this tobacco that enter into direct competition with the Sumatra tobacco, and there are certain firms of cigar manufacturers in the United States who operate factories in Porto Rico who buy these various grades of Connecticut shade wrapper tobacco, ship it to Porto Rico and there manufacture 5-cent cigars, which are returned to the United States and sold in the regular channels of trade.

I further do not believe that it is good policy for this country to lower its tariff to such an extent that foreign monopolies are able to control the American market.

Senator **HARRISON**. What are those foreign monopolies?

Mr. **COULTER**. I will get to that in just one minute. In this connection I want to repeat to you in part the annual report of Nathan I. Bijur, president of the National Cigar Leaf Tobacco Association, at their thirtieth annual convention held in the city of Dayton, Ohio, on June 4 and 5, 1928. In part it is headed "The Sumatra Monopoly." He says:

By this time you are all familiar with the Newton bill, which was introduced in the House, which served its purpose as far as rubber was concerned. This bill was designed to permit the pooling of purchases by American citizens from foreign monopolies. We wish to warn the Dutch companies, which absolutely control the Sumatra tobacco in its production and its sale, that if they continue to limit the production without regard to the prices they obtain, and pursue the arbitrary methods they have employed, we shall certainly bring forward a similar bill in Congress and urge its passage. The American buyer is entitled to act as a merchant who knows before he begins to operate how much or how little desirable tobacco a crop contains, and not have to buy like a gambler at each early sale without having a general outline of the quantity and kind of merchandise later offerings will contain. It is absolutely impossible to formulate any sensible plan of buying without a general knowledge of the merchandise to be offered."

Now, I want to ask you in all fairness, if these conditions existed a year and a few days ago—as is reported by the gentleman who by his position is conceded to be an authority—what are the conditions existing now?

Senator **HARRISON**. Was that witness here before the committee?

Mr. **COULTER**. He was, yesterday.

Senator **SHORTRIDGE**. You are referring immediately now to this alleged Sumatra or foreign monopoly?

Mr. **COULTER**. Yes; the Dutch monopoly. What I read was Mr. Bijur's annual address at the regular annual convention. And if you

lower this tariff, what action is going to be taken by the Dutch monopoly, which absolutely controls the Sumatra tobacco in its production and its sale? And along these same lines one might draw the conclusion that the Dutch monopolies are already making drastic strides and are striving to secure the wrapper-tobacco market of the United States. And along this line of thought I want to call your attention to the June 8 issue of the United States Tobacco Journal, page 25, and also the June 8 issue of Tobacco Leaf, page 39, which carries Sumatra ads that are unsigned and evidently have been inserted and paid for by someone who has some object in view, but who the someone is it is apparently rather difficult to determine from these unsigned advertisements [indicating].

Senator HARRISON. Have the Sumatra people, the Dutch people, got one selling interest or agency over here, or more?

Mr. COULTER. I understand they have no real agency in this country. American buyers must go over there to attend their auctions.

Senator SHORTRIDGE. At Amsterdam?

Mr. COULTER. At Amsterdam.

Senator WATSON. Do you know why it is that all these gentlemen come here, who make these cigars, and say they can not continue to make a 5-cent cigar with this new tariff and use Sumatra wrappers, if they can use Florida wrappers just as well?

Mr. COULTER. I believe that part of that is difference of opinion, which, I might say, makes horse racing. I claim that it is possible; the other fellow may claim that it is not possible. Now, I may have some different knowledge that he has; he may have some different knowledge than I have.

Senator SHORTRIDGE. You base your statement upon the fact that you do use Florida wrappers and sell millions of 5-cent cigars so wrapped?

Mr. COULTER. Yes, sir; and my experience of 35 years in the business.

Senator HARRISON. The United States Tobacco Journal, is that a corporation in which any of these manufacturers are interested?

Mr. COULTER. I could not answer you that question.

Senator HARRISON. You do not know what kind of a corporation it is?

Mr. COULTER. I do not know who holds the stock of the corporation; no.

Senator WATSON. If you have been making these cigars and increasing your sales right along throughout the year, under the existing tariff, have you any objection to continuing as it now is?

Mr. COULTER. I have.

Senator WATSON. What is it?

Mr. COULTER. I do not believe it is fair to the whole tobacco industry of the United States. I believe that this country is able to take care, as I have said before, in its entirety, of all of its tobacco requirements.

In closing I just want to repeat again that I am in favor of this high duty, with the firm belief that these United States are able to take care of their own requirements in their entirety. And along this line, there appeared an editorial in the Washington Times under

date of June 13, which in part covers this entire line of thought. This editorial read:

Fortunately our tariff helps to promote the "buy United States" idea.

The snob, seeking to buy himself some flavor of aristocracy, finding that it costs him about double, is apt to conclude that United States products are good enough.

American merchants should sell United States. American buyers should buy United States and all should be proud of it.

I sincerely hope that the Senate Finance Committee will decide that this country is able to take care of its own tobacco requirements, and will therefore place an increased duty upon all wrapped tobacco of not less than \$3.50 per pound. And I want to add, in the last four words of the above editorial, "be proud of it."

Senator SHORTRIDGE. I think it was Mr. Munroe yesterday who said that Florida wrapper tobacco had been purchased and sent to some point and then was sold or used as Sumatra wrapper. Can you throw any light upon that point?

Mr. COULTER. I can not. I have heard the story but it was before my advent into the tobacco business.

Senator SHORTRIDGE. Very well. Thank you.

**STATEMENT OF DANIEL F. McCARTHY, REPRESENTING  
H. FENDRICK (INC.), EVANSVILLE, IND.**

(The witness was duly sworn by the chairman of the subcommittee.

Senator SHORTRIDGE. What is your business?

Mr. McCARTHY. My business is the manufacturing of cigars.

Senator SHORTRIDGE. You wish to consider the point we now have up for study?

Mr. McCARTHY. I do, Mr. Chairman.

Senator SHORTRIDGE. Namely, the tariff on imported wrapper tobacco.

Mr. McCARTHY. I do, Mr. Chairman.

Senator SHORTRIDGE. You may proceed.

Mr. McCARTHY. I am a manufacturer of cigars, and our family has been manufacturing cigars for a great many years. Our factory was established in 1850. My ancestors came to Evansville and started a cigar factory there, and since that time we have prospered a little bit and our reputation has grown as manufacturers of high grade or high quality cigars.

Our two principal brands are the La Fedrich and Charles Denby. The Charles Denby is named after a distinguished citizen of our country, a former minister to China.

Gentlemen, there are two types of nickel cigars, both of them essential to the trade. We bear no grudge toward the opposite type or to the different type wrappers than that which we use. There is the long filler cigar, as the gentlemen have explained, and the scrap cigar. The long filler cigar at 5 cents to-day is essentially smaller in size than the scrap cigar, for the reason that the materials that go into it are of higher price, both the filler and the wrapper. Then, there is the very essential cigar, the scrap cigar, which is of larger size and tells another need of the trade. The long filler cigar, as a rule, gets the longest price from the retailer. Our cigars sell to the retail trade in tin foil at \$38.50 and plain at \$37.50 per thousand cigars.

There must be some reason why we could get that long price. The reason is, as I said, that the materials which we use we believe are more expensive than go into the scrap cigar.

At \$38.50 per thousand our factory, which is a medium-sized factory, does not make a penny on our nickel cigars.

I was very much interested in what some of the gentlemen before me have said as to their factories making money on their nickel cigars. But, gentlemen, we do not. And we think we should have some help so that we can get our wrappers at a lower price.

You might ask me the question, "If you lose money on your nickel cigars, why don't you use these Florida wrappers?" We could wrap our cigars at \$2 a thousand less with the Florida wrapper and could at least break even on our cigars.

You may also ask me why we manufacture a nickel cigar. We have always been nickel manufacturers, we were originally nickel manufacturers, but we make some high-priced goods and we have a very nice trade on them. But there is a certain demand for a nickel cigar from our jobbers, and it is to satisfy them that we manufacture it, but not push to any extent, these cigars. We would be only too happy to use Florida tobacco universally if we thought that it was as good as the Sumatra wrapper and would be entirely suitable to our trade.

Senator WATSON. How many of each kind do you make, Mr. McCarthy?

Mr. McCARTHY. Of all kinds of cigars?

Senator WATSON. No; of the La Fendrick and Charles Denby.

Mr. McCARTHY. Of our La Fendrick we make about 25,000,000 a year and of our Charles Denby we make about 75,000,000 a year. Some are of the two for 15-cent size and some are of the 5-cent size, a smaller sized cigar.

Senator WATSON. Do you use Sumatra wrapper altogether?

Mr. McCARTHY. No; we do not. We use Sumatra wrapper and we also use some Florida wrapper. We use Florida wrapper on some of what we call fill-in cigars. And we have experimented with Florida wrappers on our Charles Denby cigars.

Senator CONNALLY. And it does not work?

Mr. McCARTHY. Not as satisfactorily as the Sumatra.

Senator CONNALLY. Why?

Mr. McCARTHY. The consuming public has decided that on the long-filler cigar. I personally believe that Florida tobacco is most excellent on a scrap cigar.

Senator SHORTRIDGE. Do you think there is any one American, whether he be in Texas or Mississippi or California or Indiana who, in buying a cigar, can tell whether it is a Florida wrapper or a Sumatra wrapper?

Mr. McCARTHY. No, sir; I do not. I do not think that the wrapper on a cigar means a great deal to the public, but it is the general result of the blending of the tobaccos that the public likes or dislikes.

Senator SHORTRIDGE. It is not proper to argue the matter now, but perhaps the committee will excuse me if I ask this question: Don't you think that the preference expressed for the Sumatra wrapper is because of the great advertising and exploiting of it?

Mr. McCARTHY. To some extent but not to the main extent, I believe, is the fact that a Sumatra wrapper on a long-filler, high-quality nickel cigar is much more satisfactory. The gentlemen on the opposing side are all good friends of mine. Yesterday I had lunch with them and I tried to explain my side to them, and I think some of them appreciate it. And I would like to see their industry go ahead, because eventually when Florida tobacco is suitable for the long-filler cigar the American manufacturers will be only too happy to go to it.

I am speaking to-day for the factories of our size. If we had to pay an increased duty on Sumatra wrappers it will practically put us out of business in the nickel long-filler line. We are in the long-filler line because we believe in that. Other men are in the scrap line because they believe in it.

Senator HARRISON. Did you ever attend one of these auction sales in Amsterdam?

Mr. McCARTHY. Yes. I bought some Sumatra over there myself.

Senator HARRISON. How does it operate?

Mr. McCARTHY. On certain days during the week—Mondays, Tuesdays, and Wednesdays—you are given your samples to look at, so many samples every day. And it is terrifically hard work. We go through them and select the kinds we think will be suitable to us, we count the yield and figure out how much we can give for them.

On Thursday we get our figures together and look over all the samples we have seen on Monday, Tuesday, and Wednesday, and on Friday, as the different lots come up for sale, we put in sealed bids for the lots that we desire. If we are high, we get them; if we are low, we lose them.

Senator HARRISON. Is that the only way you can purchase the Sumatra tobacco?

Mr. McCARTHY. No, sir. We can also purchase Sumatra tobacco from jobbers. Personally we purchase our Sumatra tobacco, practically all of it, ourselves in Amsterdam.

Senator HARRISON. Does it cost more or less to purchase in Amsterdam?

Mr. McCARTHY. We think we buy it, because we purchase quite a number of bales over there, at about the same cost that we do over here, but we get a much bigger selection, because we see everything that the market affords.

Senator HARRISON. Of course, in regard to the 5-cent cigar the overhead expense enters into it?

Mr. McCARTHY. Yes, sir.

Senator HARRISON. I imagine it costs something to go to Amsterdam. I have never been able to go over there yet. But how can the small manufacturer go to the expense of sending people over there annually or at times to buy this tobacco?

Mr. McCARTHY. A very small manufacturer can not do it. The small manufacturers will have to put their orders with jobbers in this country.

Senator HARRISON. Then he is placed at a disadvantage in the purchase of it, isn't he?

Mr. McCARTHY. Only in that he does not get as wide a selection as we believe we do by going to Amsterdam.

Senator HARRISON. Is there not a rumor in the tobacco trade that certain big houses have an advantage and are on the inside track in the purchase of this Sumatra tobacco?

Mr. McCARTHY. No, sir; I do not believe they have, only that they pay more if they get their lots.

Senator CONNALLY. They do not have an open auction like they do in Carolina?

Mr. McCARTHY. No, sir; they are sealed bids. Every 15 minutes a new lot comes up, and, of course, immediately after there are trades effected where you may purchase a few bales.

Senator CONNALLY. Of course, it is an impossibility for any big concern to get any inside arrangement in the purchase there through the sealed bids?

Mr. McCARTHY. I think it would be.

Senator WATSON. What would be the difference between the price you would have to pay on the same consignment of Sumatra bought in Amsterdam and bought from jobbers in the United States?

Mr. McCARTHY. The jobbers have to have a profit. I don't know their profits at all, but I imagine they would want about 10 cents a pound profit.

Senator HARRISON. Who is the largest purchaser of Sumatra tobacco in this country?

Mr. McCARTHY. It is either H. Duys & Co., or the General Cigar Co.

Senator HARRISON. Are either of those concerns represented here?

Mr. McCARTHY. Mr. Duys was down here the first day, but he had to go back.

Senator HARRISON. How about the others?

Mr. McCARTHY. The General Cigar Co. have not had a representative here with the exception of Mr. Levy, who is their Pennsylvania representative, who was here the first day and then went back when the hearing was postponed.

Senator CONNALLY. How about the statement that the Lorillard Co. buy more than anybody else?

Mr. McCARTHY. No, sir; I believe he said they purchased more Florida and Georgia, more shade grown, than any of the others.

If I might say so, gentlemen, I do not believe the increase in tariff would help the Florida and Georgia growers to any great extent, if at all. It would injure the medium-sized factories, such as we are, that really need protection. The larger manufacturers I always figure are better able to look out for themselves than we of normal size. We produce about a hundred million cigars a year and we employ about 2,000 people, but we are still small in the cigar game to-day, as things are figured.

Senator SHORTRIDGE. You say that you do not think an increase in the tariff would be beneficial to the Florida grower?

Mr. McCARTHY. No; I do not.

Senator SHORTRIDGE. Of course, he proceeds upon the assumption and the theory and the hope that it would result in an increased price for his product. Is that unfounded?

Mr. McCARTHY. That is what I would like to come to, if I may, Senator.

Senator SHORTRIDGE. All right.

Mr. McCARTHY. I think the Florida and the Georgia grower is entirely able to increase his price for his wrapper without added protection in the matter of duty. As we have shown, you can wrap cigars with Florida or Georgia shade grown at \$2 less a thousand than you can with the imported Sumatra wrapper. There is a difference in there that the Florida or Georgia grower of tobacco could have in part by raising the price of his tobacco and not disturbing the duty on Sumatra or even permitting us to have a little lower duty on Sumatra.

Senator SHORTRIDGE. Are you quite through.

Mr. McCARTHY. If there are any questions you have to ask me I would be very happy to answer them to the best of my ability.

Senator SHORTRIDGE. Thank you very much.

Senator CONNALLY. How would they go about getting that raise unless they have a monopoly or an organization?

Mr. McCARTHY. There is a demand for practically every bale of good Georgia and Florida tobacco, I think, that is grown to-day, and I think if they were to ask more they could get it. Undoubtedly the firms that purchase from them want them to go ahead and prosper and grow better tobacco, and if by getting an increase in price they could grow better tobacco and be more prosperous, those firms should be willing to let them have it, because there is a difference between the price obtained in most cases for a Florida wrapped cigar of the scrap variety and the long-filler nickel cigar.

Senator CONNALLY. You said a while ago that the Florida wrapper was fine for scrap but was not good for the long filler. But Sumatra, on the other hand, was necessary for the long filler. Why is that?

Mr. McCARTHY. I will repeat to you just exactly what I was arguing with the gentlemen yesterday.

In my opinion, the biggest drawback to the Florida tobacco is the burn.

Senator CONNALLY. The burn?

Mr. McCARTHY. I mean the way it burns, the way it burns when you light the cigar. The scrap cigar, being loose filler, burns much more rapidly than a long filler cigar. Consequently, in my opinion, the rather poor burn sometimes of the Florida tobacco is not as objectionable on a scrap as an a long filler cigar.

Senator SHORTRIDGE. Well, finally, Mr. McCarthy, let me ask you this question. There is a tobacco grown for wrapper purchases?

Mr. McCARTHY. Yes, sir.

Senator SHORTRIDGE. That tobacco is grown in Connecticut, in Florida and in Georgia, and perhaps, e sewhere, and we know that it is grown in those distant isles?

Mr. McCARTHY. Yes, sir.

Senator SHORTRIDGE. Generally speaking, is it the same type of tobacco?

Mr. McCARTHY. No, sir. The one tobacco will have a different quality from another tobacco. Some times there is a little difference in taste. It may be in burn, or it may be in texture.

Senator SHORTRIDGE. Due to soil?

Mr. McCARTHY. Due to climatic conditions, to soil, and also the seed that is used.

Senator SHORTRIDGE. Suppose we take two seeds for purposes of illustration, we will say, of the same kind. They plant the one seed in



Sumatra and one in Georgia soil, and they are cultivated intelligently until the seed germinates and they plant is developed and picked at the proper time and cured in the proper way. Am I to understand that there would still be an essential difference between those two?

Mr. McCARTHY. To my knowledge, there absolutely would be, because the climatic conditions are different, and the soil conditions are different, just the same, I suppose, as flowers grown from the same bushes or same slips will bloom better in one section of the country than in another.

Senator SHORTRIDGE. Thank you very much.

**STATEMENT OF MANUEL L. PEREZ, BROOKLYN, N. Y. REPRESENTING CIGAR MANUFACTURERS OF TAMPA, FLA.**

(The witness was duly sworn by the chairman of the subcommittee.)

Senator SHORTRIDGE. What is your business?

Mr. PEREZ. Cigar manufacturer.

Senator SHORTRIDGE. With what firm or corporation are you connected, if any?

Mr. PEREZ. Marcelleno Perez & Co.

Senator SHORTRIDGE. And that is a corporation, is it not?

Mr. PEREZ. No; it is an estate. It is my father's business. I am the eldest son.

Senator SHORTRIDGE. You conduct the business under the name of—

Mr. PEREZ. Marcelleno Perez & Co.

Senator SHORTRIDGE. A partnership, in other words?

Mr. PEREZ. Yes, sir.

Senator SHORTRIDGE. Did you appear before the House committee?

Mr. PEREZ. No, sir.

Senator SHORTRIDGE. Did your company or your concern file a brief?

Mr. PEREZ. No, sir; our concern did not file any brief at all.

Senator SHORTRIDGE. We will hear you.

Mr. PEREZ. I represent the clear Habana manufacturers, that is to say, I represent the cigar manufacturers of Tampa, particularly the clear Habana element. The clear Habana cigars are cigars made entirely of tobacco imported from Cuba. We have not touched upon that point at all.

Senator SHORTRIDGE. You put in a brief yesterday, did you not?

Mr. PEREZ. Yes, sir.

Senator SHORTRIDGE. You wish to supplement that now?

Mr. PEREZ. I do; I wish to summarize that brief.

Senator SHORTRIDGE. Well, we can understand it.

Mr. PEREZ. I understand, but I would like to make some points that it was not possible for us to make there.

Senator SHORTRIDGE. All right, if you have something supplemental. But inasmuch as you have been heard in the form of brief you might abbreviate your remarks.

Mr. PEREZ. Our association comprises a hundred factories in Key West, Tampa, and Jacksonville, and a hundred more factories

in Florida. We give employment to 30,000 people. We oppose this duty on wrappers. We oppose it because the clear Havana element is already paying a very burdensome and excessive taxation.

Senator SHORTRIDGE. Mr. Reporter, will you please read the last statement?

(The last statement of the witness was then read by the reporter.)

Mr. PEREZ. We oppose it because the clear Havana element is already paying a very burdensome and excessive taxation in import duties and revenue.

Out of every \$95 which we receive from the customer more than \$20 is previously paid out to the Government in the form of these taxes; that is, import duties and revenue. We can not recoup ourselves, as we dare not deteriorate the quality of our goods nor advantage ourselves at the expense of our wrapper, and our industry can not absorb this additional tax or this increase.

One thousand cigars require, on the average, four pounds of wrappers and 16 pounds of fillers. Upon this basis we pay \$6.72 in wrapper duty, we pay \$4.48 in filler duty, and we pay \$9 in internal revenue taxes.

Senator WATSON. That is on your clear Havana?

Mr. PEREZ. Yes.

Senator WATSON. How many clear Havana cigars do you make out of your whole product?

Mr. PEREZ. Our product is entirely clear Havana.

Senator WATSON. Altogether?

Mr. PEREZ. Yes.

Senator WATSON. In all of the 30 factories?

Mr. PEREZ. Yes, sir. There are approximately 30 factories out of the 100 which we represent. The association has gone on record by resolution protesting against this increase.

Senator WATSON. Do you use any Florida tobacco at all in your institutions in Florida?

Mr. PEREZ. Some of the members of the association.

Senator WATSON. Well, do you personally?

Mr. PEREZ. No, sir; we do not.

Senator SHORTRIDGE. You are speaking of the association now, when you say 30?

Mr. PEREZ. Yes, sir; I am speaking of the association, but particularly for the clear Havana element.

Senator HARRISON. Do you get a wrapper from Havana?

Mr. PEREZ. Yes, sir.

Senator HARRISON. Is it as good as the Sumatra wrapper?

Mr. PEREZ. No, sir.

Senator HARRISON. It is not?

Mr. PEREZ. Mr. Hirst answered that yesterday rather uncharitably. Mr. Hirst said they were no good and would not burn and that the people did not take them.

Senator HARRISON. Why do you use it?

Mr. PEREZ. We have always used it, and there is a legitimate demand for it. Our business is a connecting link between the high-priced imported cigars and the popular priced domestic cigars.

Senator HARRISON. It was stated here yesterday, I believe, that at Tampa 90 per cent of the tobacco used by the cigar manufacturers is Florida tobacco.

Mr. PEREZ. That is an exaggeration.

Senator HARRISON. What would you say?

Mr. PEREZ. I don't know. I would say that 40 per cent would be clear Havana. Out of a production of 500,000,000 at least 225,000,000 are clear Havana.

Senator HARRISON. Is there much difference between the Havana wrapper and the Florida wrapper?

Mr. PEREZ. Yes, a vast difference.

Senator HARRISON. Is it better?

Mr. PEREZ. Is the Havana wrapper better?

Senator HARRISON. Yes.

Mr. PEREZ. Yes, sir.

Senator SHORTRIDGE. Well, why in the world is it? I can't understand, then.

Mr. PEREZ. It is more aromatic.

A liberal estimate of the 1928 production of clear Havana cigars is 250,000,000, of which total 225,000,000 are made by the members of the Cigar Manufacturers of Tampa.

Using these figures as a basis we find that Florida's production of 225,000,000 cigars yielded to the Government last year \$1,511,000 in wrapper duty, \$1,008,000 in filler duty and \$2,025,000 in internal revenue tax, making a total of more than four and a half million dollars.

We feel safe in stating that there is no industry in the United States that is laboring under a heavier burden of Federal taxation than the clear Habana industry and what may appear to be a trifling increase in tax may prove to be the proverbial straw that will break the camel's back.

Senator HARRISON. You say that there are 255,000,000 cigars produced in Florida, as I understand it?

Mr. PEREZ. Clear Habana cigars.

Senator HARRISON. Clear Habana cigars, you say?

Mr. PEREZ. Yes.

Senator HARRISON. How many of all kinds are produced in Florida?

Mr. PEREZ. About 650,000,000.

Senator HARRISON. What per cent of the production in the whole United States does Florida produce?

Mr. PEREZ. Nearly one-tenth.

Senator HARRISON. You say it is nearly one-tenth?

Mr. PEREZ. Yes, sir.

Senator HARRISON. What State is ahead? Can you say that?

Mr. PEREZ. I would say Massachusetts and Michigan. Both have large cigar centers—Detroit and Boston.

Senator SHORTRIDGE. When you say two and a half million of clear Habana cigars—

Mr. PEREZ. 250,000,000, Senator.

Senator SHORTRIDGE. 250,000,000?

Mr. PEREZ. Yes, sir.

Senator SHORTRIDGE. Manufactured in Florida?

Mr. PEREZ. Yes, sir.

Senator SHORTRIDGE. You mean—

Mr. PEREZ. I mean entirely of Havana tobacco. Of the total production in the United States of 250,000,000 clear Havana cigars

made entirely of Havana tobacco, that is, tobacco imported from Cuba, 225,000,000 are made in Florida.

Senator SHORTRIDGE. And of tobacco raised in Cuba and brought over to Florida?

Mr. PEREZ. Yes, sir.

Senator SHORTRIDGE. I understand.

Senator HARRISON. Of course, you get a differential on your duty from Cuba?

Mr. PEREZ. We get a differential?

Senator HARRISON. Yes.

Mr. PEREZ. Oh, yes. We have a 20 per cent.

Senator SHORTRIDGE. Cuba does not permit us to send any tobacco there, does it?

Mr. PEREZ. She does not permit anybody to send any tobacco there.

Senator SHORTRIDGE. That is what I am getting at. Cuba has what we may call an absolute embargo on importing tobacco into Cuba.

Senator HARRISON. That does not apply against us, does it? We have the same arrangements with Cuba.

Senator SHORTRIDGE. How much tobacco can we import into Cuba?

Mr. PEREZ. How much may we export to Cuba?

Senator SHORTRIDGE. Yes.

Mr. PEREZ. Well, we may export any quantity there, but it is not practical. It is \$5 a pound duty there on tobacco—a prohibitive rate.

Senator SHORTRIDGE. I am asking for information, and I frankly admit that for the moment I do not quite understand you. I have gone upon the notion that Cuba, deeply interested in the raising of tobacco, does not permit other countries to ship tobacco in there.

Mr. PEREZ. Except by a prohibitive tariff. Anybody may ship tobacco there.

Senator SHORTRIDGE. What is their rate of duty?

Mr. PEREZ. \$5 a pound on tobacco.

Senator SHORTRIDGE. On all kinds of tobacco?

Mr. PEREZ. Camel cigarettes that we sell here, as you know, at 15 cents normally, and at the cut price of two for a quarter and eleven cents, sell there for 65 cents and 70 cents.

Senator SHORTRIDGE. Can the Florida raiser of wrapper tobacco ship the wrapper tobacco into Cuba?

Mr. PEREZ. If he had a buyer; yes.

Senator SHORTRIDGE. But at \$5 a pound?

Mr. PEREZ. He would not find a buyer.

Senator SHORTRIDGE. Is the rate \$5 a pound on Florida wrapper tobacco?

Mr. PEREZ. On any tobacco going into Cuba.

Senator SHORTRIDGE. It is practically a prohibitive tariff, is it not?

Mr. PEREZ. Yes.

Senator HARRISON. Less the 20 per cent differential?

Mr. PEREZ. That was due to two causes, if I may say so. The first was that at that time a tariff was adopted. Cuba's sole reliance for economic freedom was the tobacco industry. It was bigger than the sugar industry. And Porto Rico, which was then a foreign country and not a protectorate of the United States, was producing a competing type of tobacco, and manufacturers of shoddy merchandise

were slipping the cheap Porto Rican into the Cuban factories; and it was primarily against Porto Rico that that embargo in the form of prohibitive tariff was made.

Senator SHORTRIDGE. As I understand it, and as you are interested immediately in this business, Cuba has enacted and enforces what might be termed an embargo on foreign imported tobacco?

Mr. PEREZ. Yes, sir; I should say so.

Senator SHORTRIDGE. It is prohibitive?

Mr. PEREZ. Yes, sir.

Senator SHORTRIDGE. And for reasons which appeal to you to make it prohibitive?

Mr. PEREZ. I must recall that I am under oath. I stated \$5 a pound. I do not know that.

Senator SHORTRIDGE. I understand that.

Mr. PEREZ. It is 20 years since I have been in Cuba, and I don't remember it.

Senator HARRISON. It is under a treaty that we have with Cuba?

Mr. PEREZ. Yes.

Senator HARRISON. The rates are fixed?

Mr. PEREZ. Yes; and we would have preferred treatment with Cuba as against other countries shipping tobacco there.

Senator SHORTRIDGE. You may resume.

Mr. PEREZ. The average gross selling price of 1,000 clear Havana cigars is \$95. I have shown the average total of Federal tax is \$20.20 per 1,000, or more than 21 per cent of the manufacturer's gross return. This Federal impost is a cash outlay, which must be made before the cigars may leave the factory. For the manufacturer out of 95 per cent there remains the sum of \$74.80. From this he must pay for his tobacco, labor, selling costs, overhead, advertising, depreciation, carrying charges on fixed investment, local taxes, and other necessary expenses, after which the Federal Government exacts its final pound of flesh in the form of income tax on his profits, if any profits there may be.

Senator SHORTRIDGE. Well, there are generally some.

Mr. PEREZ. I will come to that.

The records in the internal-revenue office in Tampa will show, unfortunately for the Government as well as for the Tampa cigar manufacturers, that payments of income tax by our industry during the past five or six years have been shockingly meager compared to the volume of business done.

This is almost entirely due to the excessive customs duty and internal revenue under which our industry has been staggering ever since the war.

It can be demonstrated from the income-tax returns and the internal-revenue returns of cigar production that the average profit made by the aggregate of cigar factories doing business in Tampa does not amount to more than 50 cents per 1,000 of cigars manufactured. There are some gentlemen here making \$2 on the nickel cigars.

On the basis of 4 pounds of wrappers per 1,000 cigars the proposed increase in duty would add \$1.28 per 1,000 to the cost of manufacture. This increase would inevitably result in putting out of business all those factories which do not enjoy some peculiar advantage in the industry that is not common to all; that is to say, it will put out of business all of those who have only a 50-cent profit on their product—with the \$1.28 increase.

Cigar production has fallen in this country from a peak of 8,000,000,000 in 1920 to 6,000,000,000 in 1928, 25 per cent in 8 years. The only explanation that trade experts have been able to give for this decrease is the fact that excessive taxation, together with increased costs of materials and labor, renders it impossible for the manufacturers to produce cigars that conform to the smoker's criterion of quality and value. The average smoker is convinced that cigars cost more than they are worth.

We are convinced that any benefit that might possibly accrue to the growers of domestic wrappers from the proposed increase in wrapper duty would never compensate the damage that would be caused thereby to the cigar industry as a whole. We fail to see that there can be any justice in putting our industry out of business in order to experiment with a program that may or may not ultimately yield a benefit to another branch of the industry.

In conclusion, may I suggest that the welfare of all the cigar manufacturers as a class would bring unfailingly the well-being of the growers as a class.

**STATEMENT OF FRED SCHEAFFER, GERMANTOWN, OHIO, REPRESENTING OHIO TOBACCO GROWERS**

(The witness was duly sworn by the chairman of the subcommittee.)

Senator SHORTRIDGE. Where do you reside?

Senator SHORTRIDGE. What is your business?

Mr. SCHEAFFER. Farmer.

Senator SHORTRIDGE. You understand what we have under consideration here, do you?

Mr. SCHEAFFER. Yes.

Senator SHORTRIDGE. And you wish to address yourself to that proposition?

Mr. SCHEAFFER. Yes.

Senator SHORTRIDGE. You understand that the house bill raises the duty on imported wrappers from \$2.10 to \$2.50 per pound?

Mr. SCHEAFFER. Yes.

Senator SHORTRIDGE. What is your position in respect to that matter? Do you favor or for the moment oppose it?

Mr. SCHEAFFER. I would rather that there be a reduction.

Senator SHORTRIDGE. Rather than any increase?

Mr. SCHEAFFER. Yes.

Senator SHORTRIDGE. Or than keeping the rate as it is?

Mr. SCHEAFFER. Yes.

Senator SHORTRIDGE. You may state your reasons.

Mr. SCHEAFFER. These will probably not be my own reasons, but I think it is the feeling of 7,000 or 8,000 tobacco growers in the Miami Valley.

Senator SHORTRIDGE. Do you come here as representative of any group of farmers?

Mr. SCHEAFFER. No; not as a group.

Senator SHORTRIDGE. You come speaking your own honest thoughts in respect of this matter?

Mr. SCHEAFFER. Yes, sir. And there were some petitions circulated, and by the percentage that were signed I would say that it is the feeling of all the farmers there that we would be better off with a reduction rather than an increase.

Senator SHORTRIDGE. Very well. You may give your reason for those views.

Mr. SCHAEFFER. We grow three types of tobacco, the Gebhardt, the Zimmer Spanish, and the other is the Little Dutch, and it is stripped in the three classes; that is, there are three types and stripped into three classes. One is called the wrapper, the other is called the filler, and the other is the loose leaves, or, commonly, trash.

The wrapper is a filler also but it is the best class of filler. What we call filler, stripped off as filler, is probably used in scrap tobacco such as is made for chewing purposes. These loose leaves are stemmed and ground and used in the type of cigar which is very injurious to the cigar industry.

Senator WATSON. How much tobacco do you raise personally?

Mr. SCHAEFFER. About 42 acres.

Senator WATSON. You raise personally 42 acres?

Mr. SCHAEFFER. Yes.

Senator WATSON. How do you think this duty would affect you individually?

Mr. SCHAEFFER. Well, there are about 20 pounds of filler used to wrap a thousand cigars. Evidently this increase of 80 cents, or 40 cents a pound, and 80 cents on the requirement of wrappers to wrap a thousand cigars, would affect the filler end and the binder about 4 cents a pound.

Senator WATSON. And the tobacco you raise is used for filler and binder?

Mr. SCHAEFFER. For filler only; no binder at all.

Senator WATSON. All filler?

Mr. SCHAEFFER. Yes. And our Zimmer Spanish is sprigged in with Pennsylvania tobaccos.

Senator WATSON. Of course, you raise no wrapper tobacco at all?

Mr. SCHAEFFER. No wrapper and no binder.

Senator CONNALLY. How much per pound do you get for this tobacco?

Mr. SCHAEFFER. For the 1927 and 1928 crop we received a very desirable price, ranging from 15 cents to 20 cents. That was for wrapper and filler combined. From 15 cents to 26 cents per pound were the prices we received.

Senator WATSON. I thought you said you did not raise any wrapper.

Mr. SCHAEFFER. Well, excuse me. It is all filler, but those are the classes it is stripped in. It is stripped into wrapper and filler.

Senator CONNALLY. They use it for filler?

Mr. SCHAEFFER. Filler only.

Senator CONNALLY. In harvesting it you call it wrapper and filler?

Mr. SCHAEFFER. Yes; but it is all filler tobacco and it sells at a straight price. They both bring the same.

Senator CONNALLY. Is there any tariff on that particular kind of tobacco?

Mr. SCHAEFFER. Any what?

Senator CONNALLY. A separate tariff rate.

Mr. SCHAEFFER. We have other fillers from Cuba, and the like of that.

Senator CONNALLY. What is the tariff rate on that?

Mr. SCHAEFFER. I don't know.

Senator SHORTRIDGE. Filler tobacco not separately provided for, if unstemmed, 35 cents a pound.

Senator CONNALLY. Yes; and yet he only gets 15 cents.

Senator SHORTRIDGE. The law is: If stemmed, \$2.75 per pound. The proposed amendment would raise it from \$2.75 to \$3.15 a pound.

Mr. SCHAEFFER. Well, I would state that these prices from 15 to 26 cents a pound are profitable prices.

Senator CONNALLY. They are profitable to the farmer?

Mr. SCHAEFFER. Yes, sir; very profitable. We have had our best prices in the last two years that we have ever had for quite a period.

Senator CONNALLY. You cultivate 42 acres?

Mr. SCHAEFFER. Yes.

Senator CONNALLY. How many men does it take to cultivate them?

Mr. SCHAEFFER. There are four different growers. You see, that includes the families.

Senator CONNALLY. Four families?

Mr. SCHAEFFER. Yes.

Senator CONNALLY. On the 42 acres?

Mr. SCHAEFFER. Yes, sir. This tobacco is all grown by individuals, and 40 per cent of them depend upon growing tobacco alone, and some daywork. Sixty per cent is grown by general farmers who grow all crops.

#### STATEMENT OF LEE R. MUNROE, REPRESENTING FLORIDA AND GEORGIA TOBACCO GROWERS

(The witness was duly sworn by the chairman of the subcommittee.)

Mr. MUNROE. I was just checking up on the figures of imported Cuban wrapper tobacco against this statement made by Mr. Perez. The figures for last year show duty paid on approximately 100,000 pounds of wrapper tobacco from Cuba.

Senator SHORTRIDGE. From Cuba?

Mr. MUNROE. Yes; from Cuba. The gentleman makes the statement that there were 250,000,000 cigars, clear Havana cigars, manufactured in the United States.

I was in the back of the room, but I was told he made the further statement that it took 4 pounds per 1,000.

Senator SHORTRIDGE. Of wrapper?

Mr. MUNROE. To wrap each 1,000 cigars.

Senator SHORTRIDGE. Just wait a minute, please. It takes 4 pounds of wrappers to wrap a thousand cigars?

Mr. MUNROE. I was told that back here. I did not hear his speech.

Senator SHORTRIDGE. All right. What is the fact?

Mr. MUNROE. Well, if that is a fact, instead of 100,000 pounds being used, there was 1,000,000 pounds used.

Senator SHORTRIDGE. You wish to call the attention of the committee to those figures?

Mr. MUNROE. I wish to call the attention of the committee to them so that if that comes before you or within your scope it needs attention, or so that it can be put into the proper channels. I will have to differ a little bit.

Senator CONNALLY. Are you going to the record? The record shows there is only 100,000 pounds brought in?

Mr. MUNROE. Yes.

Senator CONNALLY. The Treasury records?



Mr. MUNROE. Yes.

Senator SHORTRIDGE. From Cuba?

Mr. MUNROE. Yes. Yet according to his figures there were a million pounds. There is an allowance on the filler made up of 35 per cent wrapper content.

Senator SHORTRIDGE. Don't you suppose they brought in a lot of that tobacco as long filler and then used it as wrapper?

Mr. MUNROE. That is the way it comes.

Senator SHORTRIDGE. So your statement does not necessarily challenge Mr. Perez's statement?

Mr. MUNROE. No, sir; I do not challenge his statement. I make this statement—that there is something radically wrong.

Senator SHORTRIDGE. In what way?

Mr. MUNROE. Because the duty is paid on 100,000 pounds of Cuban tobacco and a million pounds are used.

Senator CONNALLY. In other words, it comes in as filler when it ought to be classified as wrapper? Wrapper bears a much higher rate than filler?

Mr. MUNROE. The wrapper is under the present law \$2.10 and the filler 35 cents.

Senator HARRISON. The facts show that on wrapper from Cuba in 1927 there were 196,000 pounds, of a value of \$533,000; of filler, 22,244,000 pounds, value, \$19,784,000.

Mr. MUNROE. There is another error that I wish to correct. I know it was made inadvertently by Mr. Coulter.

Senator SHORTRIDGE. By whom?

Mr. MUNROE. By Mr. Coulter. He stated that he believed that the Florida growers had made money in the last couple of years.

I may state that I am, perhaps, the largest individual grower, I mean, direct grower and not a contractor, of Florida and Georgia tobacco outside of the American Sumatra Tobacco Co. According to my best recollection, I have not paid income taxes in about six years; for the past four years I will state positively that my income tax reports show a loss every year. A few of the packers who have been contracting with the smaller farmers—and they grow some tobacco themselves, too—have made a little money, but the small farmer is broke.

Senator HARRISON. You would say that industry is in just as bad shape as some other agricultural industries?

Mr. MUNROE. Absolutely. It is broke. I say that I own these farms; but these farms own me.

Senator HARRISON. Most farms own the fellow.

Mr. MUNROE. Yes; and they own me. I don't own anything but trouble.

Senator SHORTRIDGE. Where is your home?

Mr. MUNROE. Quincy, Fla.

Senator SHORTRIDGE. What part of the State is that?

Mr. MUNROE. North Florida, just 8 miles south of the Georgia line.

Senator CONNALLY. Right there in connection with the gentleman's testimony about the rates; here may be the explanation. Paragraph No. 601 provides:

Wrapper tobacco and filler tobacco, when mixed, packed with more than 35 per cent of wrapper tobacco.

That may be an explanation of why such a small amount is classified as wrapper, because the filler may be mixed with it.

Senator SHORTRIDGE. Precisely. But when brought in under that schedule it is then used for wrapper purposes?

Mr. MUNROE. Yes, sir; and they pay 35 cents on it.

Senator CONNALLY. There is no law that requires what they shall use it for after they get it in.

Senator SHORTRIDGE. That is true. But I was merely observing it as a practical operation.

Mr. MUNROE. I merely want to call the attention of the committee to that fact, that the law is being gotten around.

Senator HARRISON. Is there any other witness here on this proposition?

Senator SHORTRIDGE. Yes.

Mr. MUNROE. We would like to file a short brief.

Senator SHORTRIDGE. You have a statement there that you would like to submit?

Mr. MUNROE. Yes.

Senator SHORTRIDGE. It will be received.

(The brief referred to is as follows:)

**BRIEF ON BEHALF OF LEE R. MUNROE, GROWER OF FLORIDA AND GEORGIA LEAF TOBACCO, AND ALSO INTERESTED AS WELL IN THE PACKING END OF THE BUSINESS**

**FINANCE COMMITTEE,**

*United States Senate, Washington, D. C.:*

What is, in my opinion, the reason for the agitation for the reduction of tariff on imported leaf tobacco is that, since such a procedure would break every one in the tobacco business of Florida and Georgia, as well as many in Connecticut, the result would be that this particular type of tobacco would be controlled absolutely by the Dutch Syndicate and their agents in the United States, a majority of whom are listed to appear before your honorable committee, and have appeared before the Ways and Means Committee of the House, thereby practically giving them control of the entire cigar manufacturing business of this country.

A further effect would be to at once eliminate the numbers of manufacturers of cigars using Florida and Georgia tobacco for wrappers, as competitors to the users of their tobacco, by either actually putting them out of business or by forcing them to pay any price demanded for Sumatra wrappers, it being a well known fact that Sumatra tobacco can be produced by the coolie labor for a great deal less than it can be produced in the United States and to compete with this type of labor it would be necessary to reduce our standards of living to the level of the Far East.

It has also been claimed before your honorable committee that Sumatra leaf tobacco does not come in competition in any way with the product of Connecticut Valley. I wish to state that although it may not directly come in competition, should an adequate increase be granted it would mean the salvation of the stalk growers in this district, for, while they are now able to sell only some 3 per cent of their product for wrapper purposes, under present conditions, they would be able, according to the best information, to run this percentage up to an average of 15 per cent or possibly 20 per cent.

I wish to state that the Philippine Islands do not use anywhere near 25 per cent of Florida and Georgia production as has been claimed, or even half that much, and also question the claim made that only 25 or 30 per cent of the cigars manufactured in the United States are wrapped with Sumatra leaf tobacco.

I wish to state clearly that all of the producers in the United States of cigar wrapper tobacco are as a unit in asking for an increased tariff, and that all of the opposition is from producers of other types of tobacco and purchasing syndicates who control the importation of Sumatra wrapper, who are being sponsored by the Tobacco Merchants Association and other organizations affiliated with, controlled or influenced by the importing syndicate.

I wish further to emphasize the fact, as was so patently shown at yesterday's hearing, that those growers of other types of tobacco who oppose us, do so from purely selfish motives, or were persuaded by interested parties to take the stand that they did in this matter.

I feel that they have no more moral right to attempt to make a fight against our necessities than we have to actively engage in a fight to cut their throats by reducing or eliminating the tariff on their product.

I wish to state further that since the World War period everything that we use in conducting our business has been doubled or more than doubled in cost, and we are asking for protection, increased in proportion to the increased cost of our production.

I wish to refer briefly to the Tobacco Leaf issues of June 1 and June 8, 1929. On page 1 of the June 1 issue, there is an article commenting on the actions of the Ways and Means Committee recommending 40 cents a pound increased duty on imported wrapper tobacco, stating in part that the cigar manufacturing trade absolutely could not exist at this increased cost, while on page 2 of the same issue, there is an editorial headed, "But why cut cigar prices?" "Reminds us of when Germany declared war on Russia and then started to lick Belgium." It would, therefore, seem that while there is no room to pay a slight increased price of the wrapper there is room to have a cut-price war.

In the issue of June 8, on page 9, there is an article headed, "United Stores cut in more States." On the same page of the same issue there is another article headed "Schulte extends cut on cigars. Prices in out of town stores now on a level with those prevailing in local trade—smoking tobacco, playing cards, razor blades, and candies are cut—100 new stores in prospect."

It again is apparent that there is ample room for price cutting and business expansion, but no room to pay the farmer a living price for his product.

Respectfully submitted.

LEE R. MUNROE.

#### **STATEMENT OF JACOB MAZER, REPRESENTING THE MAZER-CRESSMAN CIGAR CO., DETROIT, MICH.**

(The witness was duly sworn by the chairman of the subcommittee.)

Senator SHORTRIDGE. What is your business?

Mr. MAZER. Cigar manufacturer.

Senator SHORTRIDGE. You wish to address yourself to this immediate matter before us?

Mr. MAZER. Yes, sir.

Senator SHORTRIDGE. You may proceed.

Mr. MAZER. Gentlemen, I wish to state that I represent the Mazer-Cressman Cigar Co. of Detroit. We employ about 3,500 people in the manufacture of cigars.

At a meeting last night of the various cigar manufacturers who have to leave, they got up the idea of what I was to say for them.

I realize you gentlemen are in a very peculiar situation here. We have farmers who want relief and we have farmers who do not want relief. Now, there must be something wrong.

Now, then, gentlemen, what is the condition?

We, as manufacturers, are interested in selling cigars. We are interested in selling the kind of cigars that our public demands. We do not make cigars to smoke; we make those cigars to sell; and we try to find out what the public wants, and that is what we give them.

When they talk of the Florida proposition, we would welcome and would be glad to contribute to a fund, if it were possible, to make Florida tobacco so palatable that the American public would prefer it to Sumatra tobacco.

The duty on tobacco was \$1.85 before the war, but as a war measure it was raised to \$2.10. So we are now paying 25 cents a pound more than we did before the war.

Before the war cigars were classified from an internal revenue standpoint only in one class, \$3 per 1,000 was paid on all cigars, whether sold at 5 cents, two for a nickel, 10 cents or 25 cents or 50 cents. It was \$3.

During the war they were put into brackets and cigars classed as A, B, C, and D. "A" cigars were cigars that sold for 5 cents and less. They were to pay \$4 per thousand. The other cigars were advanced \$6, \$9, \$12, and \$15 per 1,000.

During the war you could sell anything and you could get any price. When the war was over the people wanted the 5-cent cigars. The tariff had been raised, that is, the internal revenue had been raised to \$4, and the duty had gone up to \$2.10. We found out that the consumption was decreasing because the smoker wanted the 5-cent cigar. We found out that we could not sell at a high price. So what did we, as business people, do?

We started to make the 5-cent cigar that we could afford to make. And 90 per cent of the good manufacturers in the United States tried every kind of tobacco but they found the public would not come back; they did not like the kind of tobacco we could afford to put into them.

We appealed to the United States Government, and they reduced the tax to \$2.

Senator HARRISON. That is only in certain brackets?

Mr. MAZER. Yes.

Senator HARRISON. Cheap cigars?

Mr. MAZER. Yes; on cheap cigars they reduced it to \$2. That was in 1926. It takes some time to adjust the business to the conditions.

In 1928 we started selling more cigars than we did in 1927, before the cigar business was going backwards.

You might say cigarettes hurt our business. They are growing faster to-day than they did before, but still the cigar industry is going ahead because we are able to give the consuming public a 5-cent cigar.

Now, then, you want to give relief to the farmer; and I am in favor of relief to the farmer. I wish we could use every ounce of tobacco we could buy in this country.

But I would simply say that it is a godsend to the American farmers that there is such a country as Sumatra which produces the kind of tobacco that makes the rest of the tobacco salable. If we did not have the Sumatra tobacco on the 5-cent cigars there would be less smoked.

Every time we import 2 pounds of Sumatra tobacco the American farmers sell 37 pounds of fillers and binders, because we buy that tobacco before the shrink.

Senator HARRISON. You are talking about the farmers as a whole?

Mr. MAZER. Yes; I am talking about the farmers as a whole. And the Florida tobacco is available and can be purchased. If we could use it, why wouldn't we use it? We wouldn't need the tariff.

Take Connecticut; there is no tariff on Connecticut, just the same as with respect to Florida; but still we pay \$5 and \$5.25 a pound.

Why? Because they have the tobacco that the public wants.

Senator CONNALLY. You mean you buy Sumatra tobacco?

Mr. MAZER. No. You say, Why don't we buy Florida?

Senator HARRISON. There is no tariff on the Florida tobacco and on the Connecticut.

Mr. MAZER. No. I do not speak for myself, because I may be a failure in marketing one thing and I might be a success in another. I take the country as a whole. Eighty per cent of the 5-cent cigars consumed in the United States are covered with Sumatra tobacco. There is no trick at all to sell a 20 per cent inferior article. You might go into a bakery and buy a pie and the baker will charge you 10 cents for it, and the fellow next door may charge you 10 cents but sell you an inferior article. But the seller of the inferior article does not last so long.

Eighty per cent of the cigars sold are wrapped with Sumatra and 20 per cent with the other tobacco.

Now, take Connecticut tobacco. That is a wonderful tobacco, but we can not afford to use it on the 5-cent cigars. The result is that they get their price. We pay \$5 and \$5.25 per pound. And we can buy Georgia tobacco for \$1.50.

Senator HARRISON. Isn't the Sumatra tobacco used in the better grade of cigars than the 5-cent cigars?

Mr. MAZER. It is also used in the 5 and 10 cent cigars, and the two for a quarter. It is used in everything. But this domestic tobacco that is raised in Ohio, in Pennsylvania, and in Wisconsin needs that little tonic.

You might say, What does 2 pounds of tobacco mean on 37?

I will tell you what it means.

Senator SHORTRIDGE. What were those figures?

Mr. MAZER. Two to thirty-seven. You might say, What effect has 2 pounds of Sumatra tobacco on the 37 pounds that we buy from the American farmer? We do not have 37 pounds after we are through with it, but we pay for 37 pounds because we buy it when it is wet, and we pay him for it.

Senator SHORTRIDGE. Is that the proportion?

Mr. MAZER. Yes.

Senator SHORTRIDGE. For every 2 pounds of Sumatra wrapper tobacco you buy 37 pounds of American tobacco?

Mr. MAZER. Yes.

Senator HARRISON. Let me ask you, Mr. Mazer, how does the price on wrapper tobacco compare with the price on binder tobacco and filler tobacco?

Mr. MAZER. What kind of wrapper?

Senator HARRISON. Take the Florida wrapper.

Mr. MAZER. Well, you can get binder tobacco, which would run around 50 cents a pound and fillers about 30 cents a pound.

Senator HARRISON. And wrappers?

Mr. MAZER. \$1.50 or \$2.

Senator CONNALLY. That is all domestic tobacco?

Mr. MAZER. Yes. I am speaking of domestic tobacco.

Senator CONNALLY. Do they keep their relative positions? When one goes up do the others go up?

Mr. MAZER. There is not much change. They run about the same proportion.

Senator SHORTRIDGE. Which is the cheapest of the three?

Mr. MAZER. The fillers.

Senator SHORTRIDGE. And then what?

Mr. MAZER. The binders.

Senator SHORTRIDGE. And then the wrappers?

Mr. MAZER. Yes, sir. You see, it takes more pounds of filler, less of binders, and then less pounds of wrappers. They run in those proportions.

Now, if you were to grant this relief of 40 cents a pound, gentlemen, the Florida would not benefit one iota, because there is not a good cigar manufacturer in the United States who would go to Florida. He would have to take that 80 cents and absorb it. He could do several things. He could help reduce wages, which is not very good. We want our people to have a nice standard of living. Or else we would have to go to the American farmers and try to cut them, or we could use cheaper Sumatra; we could buy Sumatra that was still cheaper than what we have been using. But all of those things would tend to reduce the consumption of cigars.

Senator SHORTRIDGE. Let me ask you this question. If this increase should be made what effect, in your judgment, would it have upon the Georgia and Florida raiser of wrapper tobacco?

Mr. MAZER. I would say that it would not help him one particle.

Senator SHORTRIDGE. Why?

Mr. MAZER. Because a man who has to establish a business can not afford to jeopardize that business, knowing that one tobacco was not as good as another, for 80 cents a thousand, and some of the people state they would rather work on a dollar a thousand sure than jeopardize their business by trying to save the 80 cents.

Senator SHORTRIDGE. You mean your manufacturers would not buy the Florida tobacco?

Mr. MAZER. Even if this goes through.

Senator SHORTRIDGE. That you would buy the Sumatra tobacco even though you had to pay an additional price for it?

Mr. MAZER. Yes, sir; although we had to pay more money on account of the extra duty, we still could not go to Florida, because our public—and we are only servants of the public—would not buy them as readily.

Senator SHORTRIDGE. The Sumatra exporter would play some part in this, wouldn't he?

Mr. MAZER. In what way? He couldn't play any part.

Senator SHORTRIDGE. Wouldn't the price of Sumatra tobacco be affected by this increase?

Mr. MAZER. No more than it is to-day.

Senator SHORTRIDGE. I am just asking you; I am not arguing it.

Mr. MAZER. I understand.

Senator SHORTRIDGE. If we raise the tariff on Sumatra tobacco, would it or would it not affect the price of imported Sumatra tobacco?

Mr. MAZER. I do not see how it could. The only way it could affect the price of imported Sumatra tobacco would be if that tariff forced us to use Florida, and if they had an oversupply of the Sumatra, then the price would be reduced on Sumatra.

Senator SHORTRIDGE. Put it this way; suppose we just wiped off that tariff entirely; could you buy Sumatra tobacco cheaper?

Mr. MAZER. Yes, absolutely.

Senator SHORTRIDGE. Then the tariff rate does affect the price of Sumatra tobacco?

Mr. MAZER. It does—if we could go ahead and buy it so cheaply that it would benefit everybody else.

Senator SHORTRIDGE. I am not talking about benefiting anybody. If the tariff was entirely removed?

Mr. MAZER. Then surely the people would buy more Sumatra.

Senator SHORTRIDGE. And wouldn't it affect the price of Sumatra tobacco?

Mr. MAZER. Well, it would in a way—the supply and demand. Supply and demand would regulate the price.

Senator CONNALLY. It would take off the whole tariff, and if you had it free it would be \$2.10 a pound?

Mr. MAZER. Yes.

Senator CONNALLY. The price would be reduced that amount? That is what he means.

Senator SHORTRIDGE. I am going further. The cost to them—

Mr. MAZER. Might be raised.

Senator SHORTRIDGE. But I am speaking now of the exporter in the trade, if they could send their tobacco in here free.

Mr. MAZER. The chances are we would pay more for it.

Senator SHORTRIDGE. Pay more for it?

Mr. MAZER. Yes, sir; because if we pay \$2.10 for tobacco, \$2.10 import duty, our cost that we have left is limited, and they would feel that if we are saving us \$2.10 they could charge us more; and there would be a greater demand for the Sumatra tobacco, because it is coming in free, and therefore it would cost more.

Senator SHORTRIDGE. I understood you to say it would cost less. But probably I misunderstood you.

Senator HARRISON. You could probably sell your cigar cheaper to the consumer?

Mr. MAZER. Yes; or improve it.

Senator HARRISON. But the Sumatra people might lift their price?

Mr. MAZER. Yes, sir.

Senator HARRISON. Now, there is a limited production of Sumatra tobacco. Are we the biggest users and consumers of it?

Mr. MAZER. I think we are. Foreign countries also use it, but not as good a grade.

Senator HARRISON. About what per cent of the Sumatra tobacco do you think we use?

Mr. MAZER. I couldn't say; but I think about 50 per cent.

Senator HARRISON. Is it limited?

Mr. MAZER. Fifty per cent, I think.

Senator HARRISON. The use of Sumatra tobacco is limited?

Senator SHORTRIDGE. Well, they sell all they raise.

Senator HARRISON. Can they increase the acreage of Sumatra tobacco?

Mr. MAZER. Oh, yes.

Senator HARRISON. There is no limitation as to that?

Mr. MAZER. No trouble at all in getting all of the Sumatra tobacco you want. They raise all they want.

Senator SHORTRIDGE. Then finally, because I want to pursue this just a moment, if the tariff were wiped out entirely you would buy the Sumatra wrapper then, wouldn't you?

Mr. MAZER. Yes, sir; we do now.

Senator SHORTRIDGE. Of course you do, but you would then prefer to buy, and you would buy almost exclusively, wouldn't you, Sumatra wrapper tobacco?

Mr. MAZER. Yes, sir.

Senator SHORTRIDGE. If it came in free?

Mr. MAZER. Yes, sir.

Senator SHORTRIDGE. What effect would that have upon the American producer of wrapper tobacco?

Mr. MAZER. Well, I would say this, that as to the American producer of wrapper tobacco, it would hurt him.

Senator SHORTRIDGE. It would put him out of business?

Mr. MAZER. But he raises 2,000,000 pounds. Now, then, while he would be hurt by 2,000,000 pounds, the other farmers would sell 15,000,000 pounds by the increased consumption of better cigars. The better the cigars are the more of them are smoked. And while you might affect this farmer to the extent of 2,000,000 pounds, you would help the other farmers in the United States to the extent of 15,000,000 pounds.

Senator SHORTRIDGE. You mean the raisers of the filler and the binder?

Mr. MAZER. Yes, sir; because the better we make the cigars the more of them are smoked.

Senator SHORTRIDGE. In other words, then, if the Sumatra wrapper tobacco came in free you would buy that in preference to the American?

Mr. MAZER. Yes, sir.

Senator SHORTRIDGE. And while that might result in a better cigar, as you say, that, in turn, would result in the buying of more filler and binder tobacco?

Mr. MAZER. Yes, sir.

Senator SHORTRIDGE. And hence more raisers of tobacco, speaking generally, would be benefited than those who would suffer?

Mr. MAZER. Yes, sir.

Senator SHORTRIDGE. The loss, if any, would fall upon the raisers of wrapper tobacco?

Mr. MAZER. Yes, sir, of wrapper tobacco. Then, if they could find a way in which they could raise that wrapper so that the American public would want it, why, we would be tickled to death to buy it.

Senator SHORTRIDGE. But don't you think advertisements, such as appear here before us in this journal, the Tobacco Leaf, for June 8, 1929, impresses the American smoker with the idea that Sumatra wrapper tobacco is better than any tobacco raised in our country?

Mr. MAZER. Well, Senator, I am glad you brought that out, and for this reason: The smoker does not see that paper. The smoker doesn't know anything about it. And I will say that in this room we have cigar manufacturers, and we have leaf dealers and we have growers, and I will venture to say that I can fool any one of them. I can give them a cigar, and they won't know whether it is Florida or Sumatra. The appearance means nothing. So the public is not concerned with what you call it. It is only as to how it tastes.

Senator SHORTRIDGE. Now, I contend this, that as it is with tobacco so it is with wine. There was a time when California made a certain kind of wine, a white wine—I have heard of this—a red wine and I am told that they made champagne, and it has been demonstrated, or was in days gone by, many, many times that you could take a given quart of a certain white wine and put it into a French bottle with a French label and let a connoisseur drink of it and he



would go into ecstasies, declaring that it was from "Gay Paree" and was the finest wine he ever tasted.

Isn't that so in regard to this question of wrappers on cigars? If the man is led to believe and thinks that it is a Sumatra wrapper, then it is better than if raised in Florida?

Mr. MAZER. Well, in answer to that I would say yes, that the average smoker doesn't even know the name of wrapper.

Senator SHORTRIDGE. Of course, he does not? That is what I am driving at. He doesn't know anything about it.

Mr. MAZER. So he is not deceived by advertising or influenced by the advertising, because he doesn't know and doesn't care.

Senator SHORTRIDGE. Is it not a fact—and I ask this not to embarrass or to argue, but to develop perhaps some thoughts, do you not take your position as a manufacturer because of this prevailing notion that the Sumatra wrapper is better than the American raised wrapper?

Mr. MAZER. Mr. Senator, in answer to that I would tell you that, being in business, we have no sentiment for any country as far as wrappers are concerned. We are absolutely catering to only one person, to the boss; and I say that he is the one that ought to know. If all the manufacturers in the United States said that Sumatra was best but if we could supplant it with something that cost less money, we would be the first ones to do it regardless of what the other fellow thought. We are anxious to make money; and if we could find something that the public wanted, we would take it without argument.

Senator CONNALLY. You can buy Florida tobacco now you say from \$1 to \$1.50 a pound?

Mr. MAZER. From \$1 to \$1.50.

Senator CONNALLY. Is that the best?

Mr. MAZER. I would say so.

Senator CONNALLY. And for Sumatra what do you pay?

Mr. MAZER. What we pay on Sumatra?

Senator CONNALLY. Yes, including duty.

Mr. MAZER. Including duty the grade we use on the nickel cigars is \$3.50 to \$4.

Senator CONNALLY. In other words you are paying \$3.50 and \$4 now—

Mr. MAZER. Yes.

Senator CONNALLY. On Sumatra in preference to a dollar and a half—

Mr. MAZER. On Florida.

Senator CONNALLY. Then the Florida growers get the full benefit of the tariff even now with \$2.10.

Mr. MAZER. Nobody takes advantage of what they call the low tariff. We could buy that tobacco in New York all the way from \$1.50 to \$2; but we do not use it.

Senator SHORTRIDGE. Leaving out of the picture the tariff duty how much a pound do you pay for the Sumatra tobacco, leaving tariff out of the picture for the moment?

Mr. MAZER. For the 5-cent cigar I would say from 80 cents to as high as \$2.

Senator SHORTRIDGE. And what do you pay for Florida tobacco?

Mr. MAZER. From \$1.50 to \$2 for tobacco of the very finest type; and I may say that Connecticut, without any prohibitive tariff, gets as high as \$5.25 for some of its tobacco.

Senator SHORTRIDGE. The shade grown carries the highest price because it is supposed to be, and is, more uniform.

Mr. MAZER. Yes. If it were not for the prohibitive price manufacturers would use all Havana tobacco because nature has furnished a better climate to Cuba. In Cuba they raise Havana tobacco, Cuban tobacco, in the dry season; and every morning there is a certain amount of dew that nourishes that plant; and a certain amount of dew that nourished the plant in the evening. During the raising season every morning and night the plants receive a certain amount of nourishment. In this country where we raise tobacco they may not have rain for two or three weeks. Then we may have too much rain; and, therefore, this tobacco that is raised in Havana is receiving substantial nourishment through the cores all the time.

Senator CONNALLY. Do you make any Havana cigars?

Mr. MAZER. We make some, yes. I have taken up a lot of your time and you have been very courteous. In conclusion I would say this, that if the American farmer would really get relief even at our expense I would say he should have it; but I can not see where the Florida farmer can get any relief when 80 per cent of the nickel cigar manufacturers are using Sumatra and could not afford to change despite the fact that we may want to. Even if we had to work for nothing we could not afford to jeopardize our business and go to a tobacco that we know is inferior to the tobacco that we have because we have copyrighted brands and we have spent many thousands of dollars advertising the brands that we make, and we could not use Florida wrappers. Therefore I can not see where this relief would come to him. It would only add a hardship on to the cigar manufacturer who might have to spread that hardship on labor and the tobacco grower, the domestic grower from whom we purchase.

Senator SHORTRIDGE. Do you think there has been any general misrepresentation as to the type of wrapper used by manufacturers in the United States?

Mr. MAZER. No, I do not think so; but I would say this: The mere fact that I got up and said I was successful in doing a certain thing, and a second man got up and said he was successful in his efforts does not mean anything because one man might know how to merchandise better than the other, or perhaps be favored by geographical location. But, notwithstanding that, the most successful manufacturers use Sumatra tobacco.

Senator SHORTRIDGE. I was alluding to some suggestion that Florida tobacco had been purchased and shipped to certain points and relabeled, if you please, and in a sense "palmed off" on the American people as Sumatra tobacco, the public not knowing the difference.

Mr. MAZER. That could be done. It is done in a lot of industries, but just because some dishonorable person does it is not proof that the practice is prevalent.

Senator SHORTRIDGE. Not at all.

Senator CONNALLY. Is everything entering into the make-up of a nickel cigar tobacco of some kind?

Mr. MAZER. You mean taking the general run of nickel cigars?

Senator CONNALLY. Yes; is it all tobacco?

Mr. MAZER. Yes; it is all tobacco.

Senator CONNALLY. Then they do not use rubber, rope, and such stuff as that.

Mr. MAZER. It is all tobacco although some may not taste like it or smell like it; but it is all tobacco.

Senator CONNALLY. I suppose the old-fashioned cheroot is a thing of the past, is it not?

Mr. MAZER. They still manufacture them for some people who want two for five or three for five.

Senator CONNALLY. Are they hand made or machine made?

Mr. MAZER. Both; some are hand made and some are machine made.

Senator SHORTRIDGE. Have you ever tried any of our Gilroy tobacco raised in Santa Clara County, Calif.?

Mr. MAZER. No; I have not.

Senator SHORTRIDGE. It is pretty good tobacco.

Mr. MAZER. I will tell you one thing, Senator, we do not care where it is raised. We prefer to have it in this country. We are not anxious to send our money out if we can find what we want in this country, but so far we can find nothing to take the place of Sumatra.

I want to go on record as saying that the manufacturers of the United States would be very glad if the Agriculture Department could develop an American raised tobacco to compete with Sumatra. We would welcome it. We would pay money to help it. We are not antagonistic to Florida but it is simply a condition where we can not use their product.

Senator CONNALLY. What is the name of your company?

Mr. MAZER. Mazer Cressman Cigar Co., Detroit, Michigan.

Senator CONNALLY. What are some of your popular brands of nickel cigars?

Mr. MAZER. We make a cigar called "Tenneyson." That is our 5-cent cigar.

Senator CONNALLY. Do you make higher priced cigars?

Mr. MAZER. Yes, we make cigars two for fifteen, ten cents, two for a quarter. We make a large line.

Senator CONNALLY. Most of yours are made of domestic tobacco?

Mr. MAZER. We use Havana filler in the higher priced cigars with Sumatra wrapper.

Senator CONALLY. What does a real Havana cigar cost at retail—your best one?

Mr. MAZER. The best one sells for as high as 20 cents.

Senator CONNALLY: A real good one would cost 20 cents.

Mr. MAZER. They will run up as high as 20 cents but you can get good ones for less.

Senator CONNALLY. You can get good ones for less?

Mr. MAZER. Yes.

Senator CONNALLY. Of other brands than yours, you mean?

Mr. MAZER. No; different sizes. A smaller-sized cigar would cost less. I would say from 10 cents up to 20 cents. When you increase the size of your cigar using Havana filler the price goes up rapidly.

Senator SHORTRIDGE. Do you believe that the manufacturing industry of America is allied with the agricultural activities of our people?

Mr. MAZER. I think a great many of the cigar manufacturers in the United States are helping the farmer in better fertilizing—

Senator SHORTRIDGE. The prosperous city becomes a market for the farmer.

Mr. MAZER. That is the idea.

Senator SHORTRIDGE. And a prosperous farming community becomes a market for the manufacturing city.

Mr. MAZER. Yes, sir; it all just dovetails in. We are anxious for the farmer to make money. If we could help the farmer produce better tobacco it would help us because we could sell more cigars; and the more cigars we sell the less our overhead, the less our selling expense and the more we could allow to pay him. We do not think he is getting enough. We are not against the farmer.

Senator SHORTRIDGE. Generally speaking what is the condition of the specialized industry of cigar manufacturing in the United States?

Mr. MAZER. Do you want it from an economic standpoint?

Senator SHORTRIDGE. I do.

Mr. MAZER. I would say the condition of the cigar industry to-day is such that owing to the high cost of everything pertaining to the cigar the nickel cigar industry is in a precarious condition. Before the war cigars were 5 cents. After the war all other commodities, like coffee were greatly increased in price and frequently doubled in price—a cup of coffee went from 5 cents to 10 cents; soda which was 5 cents went to 15 cents; but the public, for some reason or other, still wants a cigar at 5 cents. It is very difficult to produce, after the war, an article of the same quality we produced before the war at the same price with the high prices prevailing against us. It has gotten down to the point where it must be done on a mass production basis; we must have real big volume. The profit has gone down to such a point that the small manufacturer could not make a living and the big manufacturers are merging and consolidating so that the overhead is down to a minimum; advertising is down to a minimum and selling costs are down to a minimum; but for some reason or other the public demands a 5-cent cigar.

Senator SHORTRIDGE. Is the 5-cent cigar machinemade or hand-made?

Mr. MAZER. Some are handmade and some are machinemade.

Senator SHORTRIDGE. Could you advise the committee what proportion are handmade and what proportion are machinemade?

Mr. MAZER. I would say it is about 50-50.

Senator SHORTRIDGE. The price of labor in the hand-made cigar, the wages of the workman who with his skill, and his fingers guided by his brain, makes the cigar, have gone up.

Mr. MAZER. Before the war his wages were not any too high. During the war his wages went up. His wages have receded somewhat, but not to what they were before the war; but our costs are greater than they were before the war. We pay more for making cigars to-day than we did before the war. Wages are not as high as they were at war peak, but they have not come down to what they were in pre-war times; and all other expenses have gone up. For instance, when we haul tobacco the driver gets more than he used to, and so forth; and all expenses have gone up.

Senator SHORTRIDGE. It costs you just so much to make a cigar.

Mr. MAZER. Yes, sir.

Senator SHORTRIDGE. What percentage of that cost is for the material that goes into the cigar as compared with the cost of the labor used in making the cigar, if you are able to answer that?

Mr. MAZER. You mean just the tobacco material?

Senator SHORTRIDGE. Yes; I mean what my question implies. Here is a cigar. The cost of the material is so much. The cost of the labor is so much. What is the general percentage in your immediate business, and in respect of this class of cigar what is representative of the industry?

Mr. MAZER. I would say that labor on a 5-cent cigar is between 25 and 30 per cent of the selling price of the cigar.

Senator SHORTRIDGE. But I am asking about your costs; pardon me. Senator Connally, and I am sure you, too, grasp what I am aiming at. In the making of any article there enters into it what we might call the material used and there is, necessarily, human labor bestowed.

Mr. MAZER. I would say 30 per cent.

Senator SHORTRIDGE. In respect of a cigar the material used costs you so much.

Mr. MAZER. Yes, sir.

Senator SHORTRIDGE. The labor necessarily to be devoted to the making of the cigar costs you so much.

Mr. MAZER. I would say the labor on a 5-cent cigar would average 30 per cent of the cost of the cigar.

Senator SHORTRIDGE. That is to say, the material would cost 70 per cent and the labor bestowed 30 per cent.

Mr. MAZER. It would not all be material. There is advertising cost and other costs; but very little left for the manufacturer. I could not give you the exact figures offhand.

Senator SHORTRIDGE. I do not expect you to. I think you hardly understand me. That phase of this problem has often been discussed, whether it be a reaper, a plow, a wagon, an automobile, or what not, the manufacturer pays so much for the material that goes into the reaper, the plow, the wagon, or the automobile, or the cigar; and he pays so much for human labor directly devoted to the making of that reaper or that cigar; and if there is a way to estimate what the one costs and what the other costs as elements entering into the manufacture of the cigar I would be glad to know what it is.

Mr. MAZER. I would say pretty certainly that about 30 per cent of the cost of the 5-cent cigar is labor. Naturally the rest has to be materials and other incidentals.

Senator SHORTRIDGE. I want to ascertain it. Naturally it costs you so much money to put out a 5-cent cigar, and that cost is 100 per cent. How much of that do you charge up against materials used?

Mr. MAZER. That would naturally be 70 per cent if 30 per cent represented labor.

Senator SHORTRIDGE. It would, assuming that to be correct.

Mr. MAZER. I have not got the exact percentage.

Senator SHORTRIDGE. Seventy per cent would be for material.

Mr. MAZER. Yes; that is the idea.

Senator SHORTRIDGE. And 30 per cent would be left for labor.

Mr. MAZER. Yes, sir.

Senator CONNALLY. Do you smoke?

Mr. MAZER. Yes.

Senator CONNALLY. What do you smoke, cigarettes or cigars?

Mr. MAZER. I happen to smoke cigars.

Senator CONNALLY. Your own?

Mr. MAZER. Well, I am forced to get a liking for them.

**STATEMENT OF OLCOTT F. KING, REPRESENTING THE HARTFORD LEAF TOBACCO DEALERS ASSOCIATION, HARTFORD, CONN.**

The witness was duly sworn by the chairman of the subcommittee.

Senator SHORTRIDGE. What is your business?

Mr. KING. I am a farmer engaged in dairying and tobacco raising, as has my family for about eight generations.

Senator SHORTRIDGE. To abbreviate matters do you appear in favor of raising this duty or lowering it?

Mr. KING. I appear in favor of raising it.

Senator SHORTRIDGE. The House bill raises it from \$2.10 to \$2.50?

Mr. KING. Yes, sir.

Senator SHORTRIDGE. Do you favor that raise?

Mr. KING. We think it should go further than that, if anything.

Senator SHORTRIDGE. Very well. State your views and as briefly as you can. If you have a brief there we will receive it.

Mr. KING. I have a short statement here. It is not a brief. Unless you want me to I will not read it, if you will give it the same consideration that you would my oral statement.

Senator SHORTRIDGE. We certainly will.

Mr. KING. Then I will not take the time of the committee to read it.

Senator SHORTRIDGE. I thank you.

Mr. KING. There are a few words I would like to add to this statement.

Senator SHORTRIDGE. You may submit your written statement to the clerk and supplement it orally as you suggest.

Mr. KING. Several points have been brought up, sir, that are interesting. I am not familiar with the manufacture and sale of cigars, but for a period of 30 years we sold our tobacco directly from the farm to the manufacturers in the main, so that I have something of an idea. For instance, over a period of 30 years, from about 1874 to 1904 we sold to a manufacturer in Wisconsin an average of about \$5,000 worth of tobacco off of our 15 acres. The name of that concern was Wiggernhorn Bros. in Watertown, Wis.; and we also have sold a great deal of Carl Schutz and the tobacco we sold was sold as wrappers. If I had sold them as binders I would have sold them for the average price of 20 cents a pound, but I sold them as wrappers and we got an average of 55 cents, or a difference of 35 cents. We have a great many difficulties, however, in growing tobacco, sir; we have hailstorms; we have bad years; we have disease the same as they do in Florida, and all that sort of thing. Throughout a period of 10 years we might get three nice crops or four nice crops on which we would make a killing; and the only way you can make a killing is on wrappers; you can not make a killing on binders.

Senator SHORTRIDGE. You have heard the statements of witnesses here speaking on behalf of Florida and Georgia?

Mr. KING. Yes, sir.

Senator SHORTRIDGE. You agree with them; do you?

Mr. KING. I surely do.

Senator SHORTRIDGE. Very well; go ahead.

Senator HARRISON. May I ask in that connection, Mr. King, if you raise shade grown tobacco?

Mr. KING. No, sir; we raise stalk tobacco. In Government reports it is carried as stalk, sun, Havana seed, and broad leaf; but they are all the same; it is just ordinary stalk tobacco.

Senator HARRISON. You disagree with the others who have appeared here from Connecticut saying they do not want any tariff.

Mr. KING. You mean Mr. Newberry?

Senator HARRISON. Yes; Mr. Newberry.

Mr. KING. He is from my town. There is a little dissension in Connecticut; we do not all agree. I have a letter written by L. B. Haas in 1893 to the Hon. Louis Sperry. They were going to reduce the tobacco tariff from \$2 to a lower figure. I do not know how far down they were going. The house of Haas & Co. in Connecticut is one of the oldest in the State and is a great distributing house. They are conservative people. Mr. Haas took the position that this duty should be raised. Now, answering your question about Mr. Newberry. This dissension in my town—I remember when I was a youngster back when those things were discussed on the cracker barrels, you know—and there always has been a little dissension about it. For instance Mr. Newberry appeared before you yesterday and attacked the statement made by Mr. Mazer yesterday—I don't remember it now, but I know there has always been dissension and he is one of the men who have opposed a raise in duty; but they opposed it then just the same as they do now. The only difference is that for some reason they have got down to Washington. I do not know who paid his fare down.

Senator SHORTRIDGE. They had the right to come, of course, and the right to present their views.

Mr. KING. Certainly he has that right.

Senator SHORTRIDGE. We are listening; we are not deciding now.

Mr. KING. Those who oppose a raise in the wrapper duty constitute a very small percentage. I think 90 per cent of the wrapper growers in America are for a raise in duty so that they can go ahead.

A gentleman from Ohio who grows fillers spoke about being benefited by having the duty taken off the Sumatra, but I think it will be a greater benefit to have duty taken off Cuban filler and sell more Havana tobacco. However, that is another; but I would not ask that, because it is not American.

Senator SHORTRIDGE. We do not want you to argue with the other witnesses, but wish you to present your views. Then we will take the views of those on the other side of the question and give careful consideration to each.

Mr. KING. If I am wrong, let me know; I am green in this business.

Mr. Munroe wanted me to correct something that came out this morning regarding the kind of tobacco used in Tampa and in Key West. He wanted to be sure that you understood that his claim was that 90 per cent of the tobacco was Connecticut shade.

Most of the rest of what I have to say is more or less rebuttal. That is all.

Senator SHORTRIDGE. Thank you.

(The statement submitted by Mr. King is as follows:)

Connecticut sun-grown tobacco means not shade grown. The Connecticut 1929 crop will be 23,000 acres sun grown and 8,000 acres shade grown.

What types of tobacco does Connecticut grow?

Twenty per cent wrappers, 40 per cent binders, 20 per cent fillers, 20 per cent stemming.

Fillers represent the tobacco that can not be used for binders or wrappers. The rest is rubbish.

Are there any Connecticut growers who, as growers, would be in favor of a reduction in the tariff?

Not unless they had some agreement with or some promise from the cigar manufacturers who buy their tobacco that if they would help them get a decrease in duty on Sumatra wrappers they could then afford to pay them a higher price for their binders.

What duty is necessary in order to allow Connecticut wrappers to be grown for a profit to the farmer?

A minimum of \$3 a pound on imported Sumatra tobacco.

The United States produces all the binders necessary for its own trade, and no binders are imported. Therefore no duty is necessary. This single fact eliminates Wisconsin and Pennsylvania as growers of binder tobacco.

What is the difference between sun-grown and shade-grown tobacco in Connecticut as to the duty requirements?

Sun-grown wrappers are used in class A cigars and come into direct competition with the lower class of imported Java and Sumatra tobacco. The shade-grown tobacco is a high-grade tobacco, very expensive to produce, and is used on class B, C, and D cigars, which are high-priced cigars, from 10 cents up. A higher increase in the duty will stimulate and benefit the Connecticut sun and shade grown tobacco.

The lower Connecticut Valley, commencing with southern Vermont, is the only area in the United States which is capable of raising high-grade tobacco for wrappers. Therefore it is important to stimulate the raising of such tobacco in order to get an increased price per acre for the farmer.

What, then, will stimulate the acreage in Connecticut tobacco?

A \$3 duty on wrapper tobacco instead of the House proposal of \$2.50. It is a fact that the Department of Agriculture has carried on extensive experiments, testing various parts of the United States for wrapper tobacco, and developing a seed that will produce wrapper tobacco. The lower Connecticut Valley was the only area found that would produce a wrapper of the proper texture and color to compete with Sumatra.

Nothing is asked by way of protection beyond the differential between the labor cost in Connecticut and the labor cost in Sumatra or the East Indies. Tobacco raising is a far-reaching industry and should be encouraged in the United States by erecting a barrier against the cheap labor in the Tropics, because the product is a luxury, and every acre of shade-grown tobacco raised requires 450 pounds of specially woven tobacco cloth, and that, in turn, requires from an acre to an acre and a half in the South to raise this upland cotton; also every acre of shade-grown tobacco requires 450 pounds of iron wire to support the cotton cloth or shade.

To spread this argument geographically, it is a fact that the argument for a \$3 duty as protection for cigar wrappers does not affect, in any way, the filler-tobacco industry of Pennsylvania, Ohio, and Wisconsin. Kentucky is not interested, one way or the other, because she raises pipe-smoking, cigarette, and chewing-tobacco grades. Florida and Georgia are in identically the same boat with Connecticut and want the same thing. No tobacco-growing State can take a position against Connecticut, Florida, and Georgia growers because they are not affected; they are not raising the same types of tobacco as Connecticut, Florida, and Georgia.

All cigars use binders in the making, and there is no duty on binders. No duty is asked on them because no other country can compete with the United States in binders. The high-grade Cuban tobacco that enters the United States goes into fillers, with the exception of a very few wrappers, and the Cuban tobacco does not compete in any material way with Connecticut, Florida, or Georgia tobacco.



**STATEMENT OF O. C. CUNNINGHAM, DAYTON, OHIO, REPRESENTING THE OHIO TOBACCO GROWERS**

(The witness was duly sworn by the chairman of the subcommittee.)

Senator SHORTRIDGE. Your name?

Mr. CUNNINGHAM. O. C. Cunningham.

Senator SHORTRIDGE. Where do you reside, Mr. Cunningham?

Mr. CUNNINGHAM. Dayton, Ohio.

Senator SHORTRIDGE. What is your business?

Mr. CUNNINGHAM. My business is educational worker. I am an agricultural extension agent working out of the University of Ohio.

Senator SHORTRIDGE. You desire to address yourself to the immediate matter now before us?

Mr. CUNNINGHAM. That is correct.

Senator SHORTRIDGE. We will be glad to hear you.

Mr. CUNNINGHAM. Most of the things I had in mind to say, Senator, have been said; and I do not care to take very much of your time to reiterate them. I am here simply as an educational worker and interested only as an educational worker because I do not farm, own no farm, and am not interested in the manufacture of tobacco.

I happen to work in one of the largest tobacco-producing counties in Ohio; and the position I have gives me a close-up of the real farm situation, a little more so than any other person not similarly located could have.

Until the last two years we suffered a great deal. The last two years the situation has been very much better, because prices have been better and because the demand for cigars has gone along with it.

We accept the statement of the cigar manufacturers that there is an inherent difference between the Sumatra wrapper and the others. I can not argue it. From my own standpoint I simply accept that position, except that we are interested, of course, in anything that would tend to reduce the consumption of cigars because we produce the tobacco that goes into the filler of the 5-cent cigars. We figure that the question of manufacturing costs are fairly fixed and are fairly constant with the exception of what they pay the farmer for the tobacco and that we get the brunt of the reduction, because we figure he would pay the difference on his Sumatra wrappers and pay us just a cent less, or something like that for our tobacco. That is the way we feel about it.

I regret that there is no one organization that can speak for all the farmers, but such is the case. It is my belief that if you raise the duty you will benefit a small number of people and injure the farmer, because as I said a moment ago, I believe we are the ones that will suffer.

Senator SHORTRIDGE. We thank you, Mr. Cunningham.

I think that exhausts the list of witnesses we have on this schedule. Before we take up the next schedule let me ask if there is anyone else here who desires to be heard.

Mr. HOLDER. I want to refer particularly to the statement of Mr. Mazer as to the price of Florida tobacco. I infer of course that he was talking of the upper grades of Florida tobacco. We make mostly a 5-cent cigar. Mr. Mazer said the price was \$1.50 per pound. At the present time my purchases of Florida tobacco of the 1928 crop total a

little over 1,800 bales, and I have paid a range of price for the top grades of from \$2.40 to \$2.60. I thank you.

Senator HARRISON. That is higher than it was in previous years is it not?

Mr. HOLDER. No, sir.

Senator CONNALLY. That is the finest tobacco.

Mr. HOLDER. That is the top grades Florida.

Senator CONNALLY. What is the price of the lower grades?

Mr. HOLDER. The lower grades will run down to as low as 45 cents.

## BRIEF OF THE CIGAR MAKERS' INTERNATIONAL UNION OF AMERICA

JUNE 20, 1929.

HON. SAMUEL M. SHORTRIDGE,  
*Chairman Subcommittee of the Finance Committee,  
 United States Senate, Washington, D. C.*

DEAR SIR: The organized cigar makers of America, an organization of more than 20,000 skilled craftsmen, are deeply concerned with tariff legislation pertaining to cigars and tobaccos.

Our industry is already overtaxed to such an extent that the demand for our product is continually decreasing.

As a result of years of study and experience we are able to state, without hesitancy, that in America there is a market for cigars that sell at a nickel, a market for cigars that sell at 10 cents, and a smaller and continually decreasing market for cigars that sell two for a quarter.

We are opposed to the increase in the tariff bill, as adopted by the House of Representatives, because we sincerely believe that the enactment of such legislation would mean ruin to both the American cigar maker and to the growers of American tobacco.

Contrary to all legislative procedure the House of Representatives have incorporated in the pending tariff bill a provision for the repeal of section 2804 of the Revised Statutes. This section of the Revised Statutes—no reference to it in the present or past tariff laws—is the provision wherein there is a limitation on the minimum shipment of Cuban cigars which may be imported at any one time. It should be evident to any sensible person that the repeal of this provision will mean that within a short time after the pending tariff bill becomes a law that there will be a number of fly-by-night mail-order Cuban cigar manufacturers who, claiming to be the manufacturers of Cuban cigars, will be able to send, via parcel post, small packages of Cuban-made cigars into America at much less than the same cigars could be made for in America. In addition we fear that the quality of such cigars will be so poor and the type of tobacco which will be used in the manufacture of such cigars will be of such poor quality that there will be a heavy falling off in the demand in our country for cigars. This will be a loss to the American cigar maker but also a heavy loss to the growers of American tobaccos as it should be evident that these imported cigars will be composed entirely of foreign grown tobaccos.

We honestly believe that the increase in the tariff rates on tobacco wrappers will make it impossible to offer American-made cigars, the fillers and the binders of which are made from American-grown tobaccos, at a price at which the general public will continue to purchase this class of goods.

This decreased demand for American-made cigars will be injurious to our own membership, but in addition we sincerely believe that this increase in tariff rates will be harmful to the growers of American tobaccos especially to those who raise binder and filler tobaccos.

The pending tariff bill, while pretending to help the American tobacco raiser by increasing the duty on wrapper tobaccos has in reality injured both the cigar maker and the tobacco planter.

The pending tariff bill carries an increase of 40 cents per pound on wrapper tobacco which means an increase of 80 cents per thousand in the cost of making American cigars.

We know that there are a number of American cigar manufacturers who are to-day marketing their product at a net margin of not more than 50 cents per thousand. The adoption of this increased duty on wrapper tobacco means that these men will either have to reduce the size or the quality of their product or

increase the price which they now receive for their product. The adoption of either of these measures will mean the loss of considerable work to American cigar makers and will also mean that the growers of American tobaccos will suffer a lessened demand for their product.

In addition to the injury which the increase in the duty on wrapper tobacco will mean to the American cigar industry we note that while the pending tariff bill carries this increase in the duty on the raw material, which we use, that there has been no increase in the duties on imported cigars made entirely from tobaccos grown in foreign countries. Surely it is not fair to increase the cost of our raw material and still permit the present tariff rates to remain in effect on the finished cigars.

We note with much pleasure that for the first time in American tariff legislation that the pending tariff bill, in the title, says, "An act \* \* \* to protect American labor." Speaking for more than 20,000 organized cigarmakers we can say that the treatment accorded to those employed in the cigar industry would warrant our recommending that this title should be changed, as we have pointed out two instances wherein the adoption of this bill will mean that thousands of American cigar makers will be denied employment at their trade.

We respectfully ask that instead of increasing the duty on wrapper tobaccos that the present duty be reduced, believing that the larger use of imported wrapper tobaccos will mean a greater use of American-grown binder and filler tobaccos and a greater demand for cigars that can be sold at a price that the great majority of the American purchasing public seem willing to pay for cigars.

We also appeal to your justice and fairness and ask that you strike out that provision in the pending bill wherein section 2804 of the Revised Statutes, having no relation whatever to tariff or revenue legislation, is repealed.

Trusting that our request will receive favorable consideration at your hands. Respectfully submitted.

J. M. ORNBURN, *President.*

## BRIEF OF AMERICAN FARM BUREAU FEDERATION

Representatives of the wrapper tobacco growers have submitted cost data to the House Ways and Means Committee, showing that their costs of production have increased more than two times the cost in the pre-war period. (See brief of the New England Tobacco Growers Association, pp. 3504-3507, hearings. Also brief of Florida-Georgia Tobacco Growers Association, pp. 3540-3549, hearings.) The growers, both in Connecticut and in the Florida-Georgia region, are finding it increasingly difficult to continue in the tobacco-growing business because of its unprofitableness. A dismal picture of abandoned acreage and decadent farm areas is portrayed by the representatives of the growers in those regions. The maintenance and development of the shade-grown wrapper industry holds forth some hope to these growers for a continuation of the wrapper-growing industry in this country provided adequate protection against the imported wrappers can be secured. The growers maintain that they can not successfully compete with the imported wrappers from Java and Sumatra, where coolie labor can be employed at wages which seem to be almost unbelievably cheap.

The contention of the opposition that the shade-grown wrapper tobacco industry is almost entirely operated by corporations, and therefore is not worthy of further consideration can not be successfully maintained. While it may be true that in Connecticut a large percentage of the acreage of the shade-grown tobacco is operated by corporations, this does not apply to the Florida-Georgia region. Evidence submitted to the House committee indicated that out of a total acreage of approximately 3,800 acres in that region less than 1,000 acres were operated by a corporation, and that this particular corporation is only recently out of the hands of a receiver. Moreover, in Connecticut the evidence submitted to the committee showed that the corporations operating in that State did so by three different methods: First, by corporate ownership and operation; second, by leasing the corporation land to local farmers; and third by share-cropping methods.

Expert witnesses representing both the growers and the manufacturers testified as to the similarity and the comparability of the domestic wrappers and the imported wrappers from Sumatra and Java. The Florida-Georgia wrappers appear to be more nearly comparable to the imported wrappers, although there are certain of the lower grades of wrappers in the Connecticut Valley which are directly competitive with the imported wrappers. The higher grades of wrapper which are produced in the Connecticut Valley are comparable with the so-called Havana wrappers produced in Cuba, and with some of the higher grades of the

imported wrappers from Sumatra and Java. The wrapper industry in the United States represents a total acreage of 10,000 or 12,000 acres, with a total farm value of seven to nine million dollars. (See p. 3440, Hearings, House Ways and Means Committee.)

The imports of unstemmed wrapper tobacco totaled over 6,000,000 pounds in 1927 and nearly equaled the total domestic production of 10,341,000 pounds in that year. Information was submitted to the House committee by the growers to the effect that the domestic growers could expand their acreage sufficiently to supply the entire domestic consumption, if it were profitable. The New England Tobacco Growers' Association adopted the following resolution in annual assembly at Hartford, Conn., January 12, 1929:

"Whereas tobacco constitutes the most important money crop in this section of the Union, and at least \$100,000,000 has been invested in this enterprise; and

"Whereas this great agricultural industry did prosper, flourish, and increase for a period of 35 years prior to the year 1920 under a sufficient protective tariff; and

"Whereas since the period of 1920 on account of insufficient protective tariff this industry has been sustained at a loss so that a great number of the farmers are bankrupt; and

"Whereas this condition has been brought about by not having the customs tariff increased in proportion to the increased cost of production; and

"Whereas the tobacco farms, warehouses, and equipment throughout New England are of great value for the production of tobacco, but for no other purpose; and

"Whereas the New England tobacco industry gives steady employment to from 15,000 to 20,000 unskilled laborers throughout the year on the farms and in the warehouses at attractive wages: Therefore, be it

*Resolved*, That we, the tobacco growers of New England assembled, request the Ways and Means Committee of Congress to revise Schedule 6, paragraph 601, of the existing tariff law, so that the duty on wrapper tobacco imported from foreign countries shall give us the same protection as we had prior to 1914; and be it further

*Resolved*, That John B. Stewart, Windsor, Conn.; A. T. Pattison, Simsbury, Conn.; C. F. Clark, Sunderland, Mass.; Harry S. Farnham, East Windsor Hill, Conn.; Oscar Belden, Bradstreet, Mass.; William J. Hayes, Tariffville, Conn.; Fred B. Griffin, Hartford, Conn.; F. T. Roberts, East Hartford, Conn.; H. Z. Thompson, East Granby, Conn.; M. E. Thompson, Ellington, Conn.; Patrick F. Chamberlain, Broad Brook, Conn.; Ned E. Kendall, Granby, Conn.; Samuel G. McLean, Glastonbury, Conn.; Ralph B. Tryon, Glastonbury, Conn.; Henry B. Smith, Glastonbury, Conn.; A. G. Pelletier, Hadley, Mass.; A. H. Grant, Melrose, Conn.; Andrew S. Shepard, Portland, Conn.; Albert E. Clark, Montague, Mass.; W. N. Pinney, Rockville, Conn.; T. L. Warner, Sunderland, Mass.; J. E. Shepard, South Windsor, Conn.; Philip Whitmore, Sunderland, Mass.; Samuel Spencer, Suffield, Conn.; Charles Bridges, Thompsonville, Conn.; C. B. Holton, Westminster, Vt.; Charles W. Wade, Hatfield, Mass.; Fred M. Colton, Granby, Conn.; Donald Grant, Manchester, Conn.; V. P. Staub, New Milford, Conn.; Robert Hyde, Ellington, Conn.; Oliver J. Thrall, Windsor, Conn.; be and hereby are appointed delegates to represent us before the Committee on Ways and Means at Washington, D. C., and that they are instructed to use any honorable means in their power to obtain such a revision in the tariff laws as stated above; and be it further

*Resolved*, That we petition our Senators and Representatives in Congress to use every effort to secure the desired increase of the tariff on wrapper leaf tobacco, so that our industry may once more become a means of livelihood for our farmers."

The act of 1922 provided a rate of \$2.10 per pound on unstemmed wrapper tobacco and \$2.75 per pound on stemmed wrapper tobacco (par. 601), and the House bill (H. R. 2867) increased the rate on the former to \$2.50 per pound and on the latter to \$3.15 per pound.

The rates given in the House bill are not enough to give adequate protection to domestic wrapper producers, and it is therefore requested that further increases be made by the Finance Committee.

Respectfully submitted.

AMERICAN FARM BUREAU FEDERATION,  
By CHESTER H. GRAY,  
Washington Representative.

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# SUPPLEMENT

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## WRAPPER TOBACCO

[Par. 601]

### PREPARED STATEMENT OF HON. FRANKLIN MENGES, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF PENNSYLVANIA

I appear for the York County Cigar Manufacturer's Association of Red Lion, Pa., and in favor of an increase of duty on imported wrapper tobacco. This town is located in the first revenue district of Pennsylvania, and in the twenty-second congressional district which I have the honor to represent in the House of Representatives. The cigar manufacturers in my district produced 1,798,424,177 cigars in 1927 or 27.59 per cent of all the cigars manufactured in the United States. Of this number of cigars 950,022,758 were class A or the 5-cent cigar which amounts to 30.28 per cent of all of the class A cigars manufactured in this country.

In the manufacture of these cigars we use the domestic grown wrapper tobacco produced in Connecticut, Massachusetts, Georgia, and Florida. The manufacturers in this district have blended this domestic wrapper tobacco with the filler tobacco in such a way that it makes a very desirable smoke and because of this the industry has increased from a total production in 1918 of 711,819,610 cigars to a production in 1927 of 1,798,424,177 cigars. Such an increase would certainly not be possible if the cigars were made of an inferior quality of tobacco as was represented by those who appeared in opposition to an increase of duty on the imported Sumatra and Java wrapper tobacco.

It is asserted by those who appeared in opposition to this increase of duty that, if granted, it would spell disaster to the nickel-cigar business. We who make one-third of all the nickel cigars made in this country are willing to pay the additional price which would surely be imposed on the domestic product as soon as the law is passed and to continue to use the same good grades of filler tobacco as we are now using, and to go into the market and compete with those who are endeavoring to put us out of business. So-called "farmers" were induced to appear before the House Ways and Means Committee and I suppose also before the Senate Finance Committee as well, asking for a reduction of duty on Sumatra-wrapper tobacco in order that the nickel cigars might be improved in quality and the sale increased—the purported result of this reduction would be a greater demand for domestic filler and consequently a higher price would be paid for it.

During the 10 years and longer for which I quoted statistics the manufacturers of my district have used the domestic wrapper and have increased their sales enormously in competition with the Sumatra-wrapped cigars. Surely if the Sumatra-wrapped cigars were of such superior quality it should have had the effect of increasing sales of this cigar so enormously as to reduce the sale of the domestic-wrapped cigars—this according to the statistics cited above, and which were secured from the Internal Revenue Bureau, has not been the case.

Another thing, should the duty on wrapper tobacco be reduced as the Sumatra wrapper users request and the Connecticut, Massachusetts, Georgia, and Florida producers be put out of business and the majority of the cigar manufacturers of the first revenue district of Pennsylvania with them, what would become of the 37,007,559 pounds of filler tobacco now used by the cigar manufacturers of the above-mentioned district? Would these gentry who are inducing these so-called "farmers" to appear here in opposition to the increase of duty on imported wrapper tobacco pay these farmers a higher price for their filler when there is a 37,007,559-pound surplus on hand? All of this class of chaps I have ever come in

contact with are not constructed in that way. It is only another method of inducing the farmer to become the agency of his own undoing.

The House of Representatives has increased the duty on unstemmed wrapper from \$2.10 per pound to \$2.50 per pound and the stemmed wrapper from \$2.75 per pound to \$3.15 per pound. In order to continue and to improve the production of domestic-wrapper tobacco which is an American industry and as such is entitled to the fostering care of the protective system that other industries enjoy, we therefore urge that an additional 50 cents a pound be added to the duty imposed by the House of Representatives. With this additional duty the hand-made cigar industry in my congressional district, which gives employment to over 20,000 people, and in which, by virtue of the fact that the cigars are hand-made, a superior cigar is produced, will be able to continue to live on an American standard of living, and will be able to compete with the inferior machine-made cigar industry which asks for this reduction.

## **SUPPLEMENTAL BRIEF OF CHARLES DUSHKIND, REPRESENTING THE TOBACCO MERCHANTS ASSOCIATION OF THE UNITED STATES**

### **THE ISSUE INVOLVED**

In 1922 the duty on Sumatra wrappers, which for many years, with but a short interruption, had been maintained at \$1.85 per pound unstemmed and \$2.50 stemmed, was raised 25 cents per pound on both.

The manufacturers of the standard type of Sumatra wrapped long filler nickel cigars, constituting about 80 per cent of the nickel business, together with accredited representatives of the 40,000 or more dirt farmers raising the binder and filler tobacco, have asked that the wrapper duty be reduced by 60 cents per pound, while the small number of corporations growing what are known as shade-grown wrappers, particularly in Florida, have asked for a prohibitive duty on Sumatra wrappers.

The Ways and Means Committee originally reported that the duty remain unchanged, but at the last minute they brought in an amendment recommending an increase of 40 cents per pound, and overruling the chairman of its own subcommittee, who, protesting against it, said on the floor of the House:

"I can not agree that this amendment is fair to anybody except to someone I have not been able to discover, who apparently has pleaded for the raise for political reasons. \* \* \*

"That if the Congress has met in the interest of farm legislation and in the interest of the agriculturists, then the rate of \$2.10 is the rate that will give more relief to the dirt farmer than the rate proposed by the Ways and Means Committee in this amendment." (Congressional Record, May 27, 1929, p. 2058.)

### **THE SHADE GROWERS AGAINST THE BINDER AND FILLER FARMERS**

By duly accredited representatives, the 40,000 or more binder and filler farmers in Wisconsin, Ohio, Pennsylvania, and Connecticut have presented their demands for a reduction of the existing tariff on Sumatra, both before the honorable, the Ways and Means Committee, and before your honorable Finance Committee.

The fact is that with every 2 pounds of imported wrappers, there is used about 35 pounds of domestic fillers and binders, and that whereas the shade-grown business is in the hands of a small number of corporations, the binders and fillers are raised by about 40,000 real dirt farmers.

At first blush, it may seem difficult to understand how the binder and filler farmers could benefit by a lower tariff on wrappers. But the 1926 tax reduction has clearly demonstrated that a curtailment in the cost of production of the cigars means greater leeway to the manufacturer for additional promotion work, for more extensive advertising, for more liberal selling campaigns, and for wider latitude in purchasing tobaccos, as a result of which larger volume of business and increased demands for tobacco, with better prices therefor, may be looked for with reasonable certainty. Thus, the Ways and Means Committee says in its report, "This reduction (referring to the 1926 tax reduction), was reflected in increased prices to farmers and, we believe, in a superior 5-cent cigar."

In this connection we may well repeat the statement of Mr. Harvey L. Hirst, of the Bayuk Cigar Co., to wit:



"We are asking for a decrease in the wrapper schedule. If this is granted, it will benefit that vast army of dirt farmers in Connecticut, Massachusetts, Pennsylvania, Ohio, and Wisconsin, who raise filler and binder tobacco. It will encourage the manufacturer in his commendable effort to satisfy the millions of smokers who are to-day favoring the 5-cent cigar" (p. 26).<sup>1</sup>

#### CAN SUMATRA WRAPPERS BE REPRODUCED IN THE UNITED STATES?

Since 1834, according to the testimony of Mr. Mark W. Monroe, the venerable spokesman for the Florida wrapper growers, Florida farmers have been endeavoring to develop cigar-wrapper growing in that State (p. 33).

Yet, after all these years of continued efforts, they have evidently succeeded only to a very limited extent.

Connecticut, on the other hand, has, within a much shorter period of time and, of course, under no higher tariff than that which protected the Florida tobacco, developed a shade-grown wrapper that sells for as high as \$5.25 per pound, and is used almost exclusively for the higher grade of cigars, while Florida's wrappers bring only about \$1.50 to \$2 per pound, and are used mostly for cheap cigars, i. e., scrap cigars selling at 5 cents each.

And it may be added that a very large if not the major part of both Florida shade wrappers as well as Connecticut shade wrappers are raised by one and the same company, to wit, the American Sumatra Tobacco Co.

Surely if it were possible to reproduce any type of tobacco simply by using the given seed, regardless of the soil and the climate, the American Sumatra Tobacco Co. would be raising \$5 wrappers in Florida as it is raising in Connecticut.

It is self-evident, therefore, that the mere use of a certain seed will not reproduce the desired type of tobacco, unless grown on the soil and under the climatic conditions required for it, thus demonstrating the truth of the assertion that the imported Sumatra can not be reproduced in Florida, and that the Florida wrappers are an entirely different type of tobacco.

#### ARE CIGAR MANUFACTURERS DISCRIMINATING AGAINST DOMESTIC WRAPPERS?

This question would seem to be conclusively answered by the very fact that the leading cigar manufacturers are paying as much as \$5.25 a pound for Connecticut shade wrappers, and are using these wrappers almost exclusively for high-grade cigars, while as regards Florida wrappers, they find it necessary to use imported Sumatra instead, despite the duty thereon of \$2.10 per pound, and are using it mostly for their cheap cigars, the 5-centers.

Moreover, it has been shown, as an indisputable fact, that the maximum margin of profit on Sumatra-wrapped long-filler nickel cigars amounts to about \$2.50 per thousand, and in some cases only a dollar and even less, averaging less than 5 per cent of the selling price.

It has also been established as an indisputable fact that it costs about \$6 a thousand or more to cover nickel cigars with Sumatra wrappers and only \$4 or \$5 a thousand to cover the same cigars with Florida wrappers.

Surely, with such a dangerously low margin of profit on nickel cigars, no manufacturer would spend \$6 for wrappers if he could save \$1 or \$2 per thousand by using Florida.

And in this connection, it may be added that none of the cigar manufacturers owns an acre of land on Sumatra Island; none of them is enamored of doing business in Holland; none of them has any interest other than the securing, without embarrassment, and at a fair cost, of raw material for his product.

No one has even hinted that there was any particular reason, either pecuniary or otherwise, why the American cigar manufacturers should favor the Dutch tobacco. On the contrary, the paragraph quoted by Mr. Coulter from the annual report of President Nathan Bijur to his association (appearing on p. 70 of the hearings) clearly indicates that the American buyers of Sumatra have a real grievance against the Dutch companies by reason of "the arbitrary methods they have employed." So that far from having any reason for favoring Sumatra, there is every reason why they should avoid buying tobacco from the Dutch companies, if possible.

<sup>1</sup> All references to pages, unless otherwise indicated, are to the numbered pages of the printed hearing before the subcommittee of the Committee on Finance, on schedule 6.

The position of the cigar manufacturers was tersely and indeed very correctly stated by Mr. Mazer in the following testimony:

"Mr. MAZER. I will tell you one thing, Senator, we do not care where it is raised. We prefer to have it in this country. We are not anxious to send our money out if we can find what we want in this country, but so far, we can find nothing to take the place of Sumatra.

"I want to go on record as saying that the manufacturers of the United States would be very glad if the Agriculture Department could develop an American raised tobacco to compete with Sumatra. We would welcome it. We would pay money to help it. We are not antagonistic to Florida, but it is simply a condition where we can not use their product" (p. 95).

#### HAS SUMATRA BEEN POPULARIZED BY ADVERTISING OR EXPLOITATION?

It was suggested at the hearing that "the preference expressed for the Sumatra wrapper is because of the great advertising and exploiting of it" (p. 73). If that be so, then the same manufacturers who have been advertising Sumatra-wrapped cigars could just as readily have advertised Florida-wrapped cigars, and effected a saving of about \$2 per thousand.

Could it be possible that these large manufacturing concerns, who have developed such vast business enterprises, have failed to see the point that by the same methods of advertising, they could just as readily have popularized the Florida wrapper and saved \$2 on a thousand cigars? It is hardly believable that these captains of the industry could overlook such an advantage.

The high-tariff advocates pointed, with apparent self-satisfaction, to one or two Sumatra advertisements that appeared in tobacco trade journals, but they seem to have overlooked the facts that these trade journals are only circularized among manufacturers and dealers within the industry, but not among the public, and that these advertisements are intended only to reach cigar manufacturers and not the cigar consumers.

#### CAN THE CONSUMER TELL THE DIFFERENCE BETWEEN SUMATRA AND DOMESTIC WRAPPERS?

Senator Shortridge correctly stated that "not one smoker out of a million can tell whether the wrapper is Sumatra raised or Florida raised" (p. 23).

Surely no one can tell the difference by looking at the cigar, any more than one can tell what there is within the chocolate without tasting it. The consumer does not know, nor does he care to know, whether the cigar is covered by one wrapper or another, or what sort of filler there is in it, but he does know whether the cigar is palatable or not, whether it suits his taste or not, and he passes his judgment accordingly, from which judgment there is no appeal, for, as Mr. Mazer stated, the consumer is the boss. The life or death of any brand depends upon his taste—his judgment.

#### SCRAP CIGARS AGAINST LONG-FILLER CIGARS

It has, however, been shown that some manufacturers of nickel cigars are, in fact, using Florida wrappers, and moreover, a certain group of these manufacturers, notably the York County (Pa.) cigar colony, manufacturing scrap cigars, are advocating a higher tariff on Sumatra wrappers.

A scrap cigar is a cigar made of short filler, of cuttings, offal, or tobaccos cut into fragments, or of the left-overs from the leaves going into cigars, while long-filler cigars are made of whole leaves, of course, after withdrawing the stems therefrom. In the textbook "Tobacco Land," by Carl Avery Werner, the distinction as between long filler and short (or scrap) filler is given as follows:

"These are terms (rather than classifications) meaning that the cigar has a filler composed of sprigs of leaf approximately as long as the cigar itself; or that it has a filler composed of the scraps or cuttings that accumulate in the factory during the process of manufacturing."

The difference between a cigar made of scrap tobacco and a cigar made of long filler must be too apparent to require any comment.

One of the disadvantages of the scrap cigar pointed out by Mr. Jefferson (p. 65) is that, when a scrap cigar is dry "and a man bites off the end of it, it is dry, and he gets a mouthful of scrap, he does not like it very well."

However, it would seem that the very fact that a manufacturer is advocating a higher tariff on any of the raw material going into any of the types of the commodity which he manufactures, can not but convey the impression that there must be some strange motive behind it. The situation in the instant case must appear doubly queer when it is recalled that the very same group of manufacturers (the York County cigar colony) opposed, through Congressman Menges, with equal vigor, the 1926 cigar tax reduction. (See Congressional Record, December 17, 1925, p. 660.)

But the answer is quite simple. Before the war the York County cigar colony constituted the fountain source of the two and three for a nickel scrap cigars. With the advent of the war, the two-fors and three-fors disappeared, and since then they have been manufacturing scrap cigars with Florida wrappers that go to the consumer at a nickel a piece. Apparently realizing that the proposed tax reduction in 1926 would bring about the development of the Sumatra-wrapped long-filler nickel cigar in competition with their scrap cigars, they vigorously opposed any tax reduction, and having failed in that regard, they are now urging a higher duty on Sumatra, which would inevitably eliminate the competition of the same type of cigars.

This is purely a case of scrap cigars against long-filler cigars.

#### DO FLORIDA WRAPPER GROWERS REALLY NEED ANY ADDITIONAL TARIFF PROTECTION?

We refer only to the Florida shade growers because, judging from the appearances at the hearing before your honorable committee, it seems evident that the Connecticut high tariff advocates have virtually withdrawn from the picture.

Again referring to the testimony of Mr. Mark W. Monroe, Florida's chief spokesman, who was questioned by Senator Connally with respect to the cost of producing wrappers in Florida, as follows:

"Senator CONNALLY. What does it cost you to raise a pound of this tobacco?"

"Mr. MONROE. It runs right around 60 cents a pound."

"Senator CONNALLY. That much to raise it?"

"Mr. MONROE. Yes" (pp. 37 and 38).

Surely, it would seem that a tobacco which costs 60 cents a pound to produce is more than sufficiently protected by a tariff of \$1.50 per pound, the amount to which we have asked the tariff to be reduced, and certainly of \$2.10 per pound, the rate that has been in existence since 1922.

Moreover, Mr. Coulter, one of the largest scrap cigar manufacturers who appeared in support of Florida's demand for a higher tariff, upon being questioned by Senator Harrison, testified that the price of Florida wrappers has been "pretty well stabilized" and that "the Florida and Georgia tobacco-wrapper grower is in fairly good condition"; that "he has been in better shape in the last two years than he was before" (p. 69).

Furthermore, we need only glance at the statements published by the Standard Statistics Co., of New York, regarding the American Sumatra Tobacco Co.'s earnings to see that the Florida wrapper growing corporations are indeed quite prosperous.

And here again we must refer to the Connecticut shade wrapper situation. As hereinabove already pointed out, probably the major part of Connecticut's shade-grown wrappers are raised by the American Sumatra Tobacco Co., the very same company that is also raising what is probably the major part of shade wrappers in Florida, and yet they have no difficulty in getting as much as \$5.25 a pound for their better grade of Connecticut wrappers, while the Florida wrappers sell for less than half that price.

Hence, since the shade-wrapper growers in both Connecticut and Florida are operating under precisely the same tariff protection, it must be self-evident that there is some fundamental reason other than inadequate tariff for Florida's failure to develop a wrapper as good and as valuable as the wrapper grown in Connecticut and raised by one and the same concern operating in both States.

The subcommittee of the Ways and Means Committee refers to the "black shank" disease and says: "What they require is some attention from the plant-disease experts of the Department of Agriculture. The venture seems to have lost its standing as an economic business proposition." To which it may be added that nearly a century of experience and continuous efforts to develop wrapper growing in that State, with but little success, ought to be sufficient to demonstrate that neither Florida soil nor its climate, though otherwise most satisfying, is suitable for high-class wrapper tobacco.

And, finally, we can not refrain from quoting a line or two from the testimony of no less an authority than Mr. Joseph Alsop, formerly State senator of Connecticut, himself a tobacco grower since 1902, who was president of the Connecticut Tobacco Pool and who is now handling the crops for about 100 dirt farmers in that State. Mr. Alsop has always been regarded as the leader of the New England tobacco farmers, and in his forceful and earnest plea for a lower tariff on wrappers, he said:

"Therefore I say that if you place the duty at a price which I would love to see, if it was possible, which would keep all imported wrapper out of this country, in my opinion you would probably decrease the consumption of cigars from about 6,000,000,000, we will say, down to 4,000,000,000, or possibly less. If you did that, it would spell ruin to the whole tobacco industry, because in the long run the law of supply and demand fixes the price of the filler, the binder, the wrapper, and the other parts of the cigar; and if the consumption was decreased, we will say one-third, the tobacco-growing farmers in this country would be ruined, and the ones that you want to help would be ruined too, because they are growers of filler tobacco" (p. 57).

Respectfully submitted.

CHARLES DUSKIND,  
*Counsel and Managing Director.*

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