

1930.  
NEW ZEALAND.

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# TOBACCO INDUSTRY COMMITTEE

(REPORTS OF THE).

(MR. GEO. C. BLACK, CHAIRMAN.)

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*Presented to the House of Representatives, and ordered to be printed.*

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## ORDERS OF REFERENCE.

*Extracts from the Journals of the House of Representatives.*

WEDNESDAY, THE 30TH DAY OF JULY, 1930.

*Ordered*, "That a Select Committee, consisting of ten members, be appointed to inquire into and report upon the Dominion tobacco growing and manufacturing industries in all their phases; with power to call for persons, papers, and records; three to be a quorum: the Committee to consist of the Hon. Mr. Atmore, Mr. Black, Mr. Clinkard, Mr. Munns, Mr. Barnard, Mr. Mason, Mr. Campbell, Mr. Harris, Mr. Kyle, and the mover."—(Hon. Mr. MURDOCH.)

*Ordered*, "That the number of members of the Committee appointed to inquire into and report upon the Dominion tobacco growing and manufacturing industries be increased from ten to twelve, and that the names of Mr. Polson and Mr. Tan Henare be added to those on the Committee."—(Hon. Mr. FORBES.)

TUESDAY, THE 5TH DAY OF AUGUST, 1930.

*Ordered*, "That the petition of W. J. Smith and others be referred direct to the Tobacco Industry Committee."—(Mr. BLACK.)

TUESDAY, THE 9TH DAY OF SEPTEMBER, 1930.

*Ordered*, "That the petition of R. R. Hodgkinson and others be referred direct to the Tobacco Industry Committee."—(Mr. BLACK.)

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## REPORT.

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I HAVE the honour to report that the Tobacco Industry Committee, appointed to inquire into and report upon the Dominion tobacco growing and manufacturing industries in all their phases, held during its deliberation twenty-four meetings, and has heard evidence on the subject-matter of the order of reference and two petitions from the following witnesses:—

- (a) Representing Messrs. W. D. and H. O. Wills (N.Z.), Ltd., Imperial Tobacco Co., and Dominion Tobacco Co.—  
Mr. R. B. Smith, director.  
Mr. R. L. Gracie, director.
- (b) Representing Auckland tobacco-growing companies—  
Dr. W. H. Horton, Auckland Tobacco-growers, and New Zealand Tobacco Co., Ltd.  
Mr. G. A. Green, Auckland Tobacco-producers' Federation.  
Mr. C. H. M. Wills, Dominion Tobacco-growers Federation, Ltd., and Tobacco-growers (N.Z.), Ltd.  
Mr. C. P. Lock, Tauranga Tobacco and Citrus Co., Ltd., and New Zealand Tobacco Federation.  
Mr. W. H. Owen, plantation-manager.
- (c) Representing Government Departments—  
Dr. C. J. Reakes, Director-General of Agriculture.  
Dr. G. Craig, Comptroller of Customs.  
Mr. C. E. Lowe, Government Tobacco Instructor, Department of Agriculture.  
Mr. J. A. Campbell, Director of the Horticultural Division, Department of Agriculture.  
Mr. M. O'Brien, Department of Industries and Commerce.  
Mr. E. D. Good, Acting Comptroller of Customs.  
Mr. F. J. Brooker, Secretary, Stores Control Board.  
Mr. E. J. R. Cumming, Commissioner of Taxes.

- (e) Representing National Tobacco Co.—  
 Mr. C. C. Nash, Nelson district representative.  
 Mr. W. E. Barnard, M.P. for Napier, handed in to the Committee a statement made to certain individual members of Parliament by Mr. Gerhard Husheer, managing director, National Tobacco Co., Ltd., Napier. This statement was accepted in evidence.
- (e) Representing growers for the National Tobacco Co., Ltd.—  
 Colonel C. B. Brereton, Ngatimoti district.  
 Mr. F. W. Gibbs, Tapawera district.  
 Mr. R. Lewis, Waimea district.  
 Mr. F. A. Mayes, Pokororo district.  
 Mr. J. A. McGlashan, Riwaka district.  
 Mr. O. C. Best, Pangatotara district.  
 Mr. C. J. Boyes, Motueka district.  
 Mr. C. F. Wilkinson, Stanley Brook district.  
 Mr. L. H. Mitton, Woodstock district.  
 Mr. D. C. Eggers, Upper Moutere district.
- (f) Representing Wills's growers—  
 Mr. B. Rowling, Riwaka district.  
 Mr. S. Fry, Motueka district.  
 Mr. B. Lusty, Waimea district.  
 Mr. W. M. Hawkes, Dovedale and Thorpe districts.  
 Mr. L. P. Haycock, Pokororo district.  
 Mr. R. R. Hodgkinson, Upper Moutere and Lower Moutere districts.  
 Mr. J. F. Balck, Woodstock and Dovedale districts.
- (g) Representing other interests—  
 Mr. B. Sutherland, Self-help Co-operative, Ltd., Wellington.  
 Mr. S. F. Brame, tobacco expert, Nelson and Motueka growers.  
 Mr. A. E. Bartlett, Marlborough growers.  
 Mr. F. O. Hamilton, Buxton and Co., Ltd., Nelson.  
 Mr. S. G. Smith, Motueka Progress League.

Individual members of the Committee have also taken the opportunity to visit the manufacturing tobacco-factories operated by the National Tobacco Co., Ltd., at Napier, and the Dominion Tobacco Co. and associated companies at Petone; and also the tobacco-growing areas in the Nelson-Motueka district, and at Riverhead in the Auckland Province.

#### HISTORY OF TOBACCO-GROWING IN NEW ZEALAND.

First introduced into the colony more than a century ago, tobacco-growing has since been carried on in a small way by the Maori and pakeha alike, and during the past forty years or so some Europeans in the northern part of the North Island have been producing a leaf in such quantities as to attract the attention of horticulturists.

As a commercial enterprise, however, tobacco-growing in the Dominion owes its establishment to Mr. Gerhard Husheer, the present managing director of the National Tobacco Co., Ltd. His first crop was grown in 1911 at Pakipaki, outside of Napier, while at the same time he carried out experiments on behalf of the Department of Agriculture on the Government Experimental Farm at Arataki. Mr. C. E. Lowe, now Government Tobacco Instructor, commenced tobacco-growing in the Motueka district in 1916. In August, 1920, Mr. C. C. Nash, of Brightwater, planted a field of tobacco, and it gave a yield of a quality sufficient to convince Mr. Husheer of the possibilities of the Nelson-Motueka district; and to this small beginning can be traced the great strides that tobacco-culture has made in that province. Messrs. W. D. and H. O. Wills (N.Z.), Ltd., by their expert, Mr. J. T. Whittaker, carried out experiments in various parts of the Dominion in 1921-22, and commenced growing operations in the Nelson-Motueka district in 1927.

#### QUALITY OF NEW ZEALAND LEAF.

Realizing that one of the cardinal factors governing the industry in the Dominion is the quality of the New Zealand leaf produced, your Committee has carefully inquired into this phase of the matter. We have sought to ascertain how the domestic leaf compares with that grown in the several United States and imported as American leaf; we have also, realizing the importance of such inquiry in view of the present policy of the Empire Marketing Board, probed the question as to how New Zealand leaf compares with that produced in other countries within the Empire. We have sought thus information regarding the burn, the aroma, the physical and chemical constitution of the leaf, and its smoking-qualities; we have inquired as to whether tests have been carried out to determine what methods of processing—whether by heat, moisture, added substances, or removal of injurious substances—would improve such leaf.

In this connection we attach very great value to the statement of Mr. G. Husheer, managing director of the National Tobacco Co., who has been handling leaf as a manufacturer longer than any other person or company in the Dominion. Mr. Husheer states:—

“Our greatest difficulty was to remove the prejudice that still existed in many quarters, and wean smokers off the American and other imported tobacco and get them to recognize the merits of the New-Zealand-manufactured tobacco. The New Zealand leaf is distinct from any other grown

in any other country. It is like any other tobacco: it has merits and it has demerits; but one of the greatest virtues is the small content of nicotine, provided leaf is grown on soils which do not contain an excess of chlorides.

"I have been asked to give an opinion on the sample\* of leaf submitted to me by Mr. Cecil C. Nash, Hope, Nelson, and now report upon same as follows: 'The type presented by this sample is essentially a cigarette tobacco of high-grade order. It is a well-shaped leaf, broad and of fair size and fine silky texture, mild body, and excellent flavour and aroma; combustibility perfect. The outstanding feature of the sample, however, is its uniform bright-lemon-yellow colour, which should particularly appeal to manufacturers of cigarettes. In my opinion, this leaf compares favourably with some of the best types grown in the United States of America and in South Africa.'"

Great importance must be attached to the evidence of Mr. S. F. Brame, who has had wide experience in the cultivation and buying of leaf in the United States, Canada, China, Japan, Russia, and New Zealand, regarding the quality of New Zealand leaf:—

"The natural surroundings of the Nelson district, its climate, and the intelligence of the average farmer, in my opinion, classes it as very favourable for growing tobacco-leaf of suitable quality, and from my experience more suitable than any other country I have worked in—outside, of course, the United States. The bulk of the leaf produced in the Nelson district, from my experience, is second to that grown in Virginia, or what we know as Virginian tobacco, and is quite suitable to produce a smoking-mixture which should meet with the public favour in New Zealand. . . . Every manufacturer who is catering for public requirements must give considerable consideration, firstly, to a blend of the raw product. The difference in the soils of the various parts of the Nelson district will allow for this blend, and if proper attention and encouragement are given to the farmer I am sure that New Zealand could supply at least 75 per cent. of the raw leaf to meet the public demand.

"*The Chairman.*] I take it from your answers that from your experience you are of opinion that New Zealand can produce a suitable tobacco?—I do not see any reason why it cannot.

"You have said in your statement, 'I am sure New Zealand could supply at least 75 per cent. of the raw leaf to meet the public demand'?—You could put 75 per cent. of the New Zealand tobacco in a cigarette with the imported tobacco and I am sure the average man could not tell the difference.

"What do you base that statement on—how could a man not tell the difference?—Because he could not tell the difference in the smoking-qualities of it from the imported tobacco.

"So that, according to your evidence, we can grow a suitable leaf in New Zealand. What districts or areas would you, as an expert, recommend for the growing of the leaf?—I do not know much about New Zealand. What experience I have had has been round the Nelson district. I should say, though, the Motueka River valley—Motueka, Dovedale, Moutere, and on the Riwaka River would be suitable areas.

"You are quite satisfied that in the areas you have named tobacco-leaf second only to the Virginian tobacco of which you have spoken can be produced?—It has already been proved: they have produced it.

"Have you seen any Australian-grown leaf?—Yes.

"How would that compare with the New Zealand leaf?—I do not think you could compare it at all; it is of inferior quality.

"In what way?—The Australian leaf has a very distinct aroma. It grows a big, heavy leaf with a big midrib. If you took out the midrib it would be 40 per cent.; and if you took it out here it might come down to 32 per cent."

Mr. Brame has also stated that he had inspected in factory Australian leaf.

We, as a Committee weighing up the expert and other evidence tendered before us, are definitely of the opinion—(1) That New Zealand leaf has been grown of a standard equal to any grade other than the best Virginian; (2) that such results have been obtained without the usual experiments extended over a period as have been carried out in all other countries.

As will be seen from the minutes of evidence attached hereto, Messrs. W. D. and H. O. Wills (N.Z.), Ltd., do not share the general opinion of other witnesses regarding the high quality of New Zealand leaf. Speaking on behalf of the company, Mr. R. B. Smith said:—

"I have obtained the following expression of opinion on the characteristics of New-Zealand-grown tobacco from a member of our staff, who is, in my opinion, the best qualified to judge: 'To some extent it resembles the tobacco around Durham, N.C., but has not the texture or aroma of the American. These differences mean that in a general way the domestic tobacco is only of medium usefulness as a smoke, not having a full measure of pipe qualities of the Old Belt or the cigarette-smoking qualities of the American New Belt tobacco. It is also noticeable that the domestic tobaccos do not as readily soften with moisture or absorb casing as similar tobaccos of American growth.'

"I would express a similar view, and would be inclined to say that New Zealand tobacco, at its best, is neutral, and suitable for blending with American tobaccos for the purpose of pipe smoking. Even at its best it lacks the pleasant aroma and refreshing smoothness of the best American leaf. The amount produced of the best is only a small proportion of the whole. The inferior grades are very lacking in flavour, and pungent."

Your Committee would direct attention to the evidence of Messrs. C. C. Nash (Nelson representative of the National Tobacco Co., Ltd.), C. E. Lowe (Government Tobacco Instructor), W. H. Owen (plantation-manager, New Zealand Tobacco Co., Ltd.), and the extracts from the minutes of evidence of the Recess Industries Committee containing the opinions of Mr. J. Gilmour, quoted before your Committee by Mr. S. G. Smith, president of Motueka District Progress League, regarding the quality of New Zealand leaf and its suitability for manufacturing purposes.

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\* Handed in to Committee.

## TOBACCO-GROWING DISTRICTS IN NEW ZEALAND.

The official statistics show that there has been a gradual increase in the acreage of tobacco cultivated annually since the National Tobacco Co. contracted with the growers of the Motueka-Nelson district in 1920 for the supply of leaf.

The value of the industry to the tobacco-growers is shown in the following table :—

| Nelson.   |           |          |             |         | Auckland.   |               |             |         | Elsewhere.    |                  |        |
|-----------|-----------|----------|-------------|---------|-------------|---------------|-------------|---------|---------------|------------------|--------|
| Year.     | Grow-ers. | Acreage. | Production. | Value.  | Growers.    | Acre-<br>age. | Production. | Value.  | Acre-<br>age. | Pro-<br>duction. | Value. |
|           |           |          | lb.         | £       |             |               | lb.         | £       |               | lb.              | £      |
| 1925-26.. | 160       | 450      | 360,000     | 36,000  | ..          | ..            | ..          | ..      | ..            | ..               | ..     |
| 1926-27.. | 140       | 300      | 240,000     | 24,000  | ..          | ..            | ..          | ..      | ..            | ..               | ..     |
| 1927-28.. | 314       | 720      | 556,234     | 56,792  | ..          | ..            | ..          | ..      | ..            | ..               | ..     |
| 1928-29.. | 539       | 1,450    | 1,062,392   | 107,586 | 53          | 78            | 45,200      | 3,540*  | 80            | 60,000           | 3,000  |
| 1929-30.. | 491       | 1,315    | 1,045,632   | 105,828 | 5 companies | 272           | 215,600     | 21,460* | ..            | ..               | ..     |
|           |           |          | 3,264,258   | 330,206 |             |               | 260,800     | 25,000  |               | 60,000           | 3,000  |

\* Not as yet marketed.

Judged by the usual tests applied to the determination of tobacco-growing areas—the importance of soil and rainfall, the absence of winds, the results obtained by the two manufacturing companies, and expert opinion before the Committee—the indications are that up till the present the following districts have been proved suitable and successful leaf-growing districts: Dovedale, Ngatimoti, Woodstock, Pokororo, Riwaka, Motueka, Thorpe, Brightwater, Upper Moutere, Lower Moutere, and the Waimea.

| Season.    | Acreage. | Number of<br>Growers. | Yield.  | Average Price. | Value. |
|------------|----------|-----------------------|---------|----------------|--------|
|            |          |                       | lb.     | s. d.          | £      |
| 1928 .. .. | 833      | 384                   | 640,000 | 1 11           | 61,340 |
| 1929 .. .. | 848      | 387                   | 561,000 | 1 9            | 49,100 |
| 1930 .. .. | 850      | 400                   | 620,000 | 1 11           | 59,400 |

The leaf operations of the W. D. and H. O. Wills (N.Z.) Co. in these districts for the same seasons were, according to statistics handed in to the Committee by the growers' representatives, as follows :—

## SUMMARY : FLUE-CURED TOBACCO.

| District.                          | Season 1928.  |                   |            | Season 1929.  |                   |            | Season 1930.  |                   |             |
|------------------------------------|---------------|-------------------|------------|---------------|-------------------|------------|---------------|-------------------|-------------|
|                                    | Acre-<br>age. | Leaf<br>produced. | Value.     | Acre-<br>age. | Leaf<br>produced. | Value.     | Acre-<br>age. | Leaf<br>produced. | Value.      |
|                                    |               | lb.               | £ s. d.    |               | lb.               | £ s. d.    |               | lb.               | £ s. d.     |
| Riwaka ..                          | 55            | 62,834            | 6,730 11 5 | 144           | 123,739           | 12,970 3 1 | 128           | 122,498           | 13,149 3 6  |
| Motueka ..                         | 10            | 3,735             | 288 8 7    | 22½           | 10,886            | 1,072 0 5  | 11            | 4,948             | 516 16 5    |
| Dovedale, Thorpe,<br>Pokororo, &c. | 28            | 19,854            | 2,228 17 9 | 91            | 77,346            | 8,504 4 0  | 89            | 69,886            | 7,108 1 6   |
| Waimea, Tadmire,<br>&c.            | 51½           | 29,349            | 2,550 4 8  | 29            | 11,372            | 960 10 3   | 4             | 3,162             | 285 8 9     |
| Upper and Lower<br>Moutere         | 50½           | 28,533            | 3,082 5 10 | 79            | 28,764            | 2,912 6 6  | 58½           | 43,634            | 4,583 0 11  |
|                                    | 194½          | 144,305           | 14,880 8 3 | 365½          | 252,107           | 26,419 4 3 | 290½          | 244,128           | 25,642 11 1 |

Another statement tendered in evidence by the growers indicates the number of employees engaged last season in the planting, cultivation, harvesting, and curing of the flue-cured leaf, other than members of the farmer's family, and also indicates the outlay to the growers in the cost of flue-barns, bulking-sheds, and other necessary appointments.

## VALUE OF KILNS, NUMBER OF EMPLOYEES, AND WAGES PAID, TOBACCO SEASON 1930.

| District.           | Value of Kilns. | Number of Employees. | Wages paid. |
|---------------------|-----------------|----------------------|-------------|
|                     | £               |                      | £           |
| Riwaka .. ..        | 8,096           | 333                  | 4,012       |
| Motueka .. ..       | 850             | 44                   | 454         |
| Pokororo .. ..      | 1,378           | 100                  | 329         |
| Dovedale and Thorpe | 2,335           | 298                  | 1,118       |
| Waimea .. ..        | 600             | 29                   | 105         |
| Moutere .. ..       | 2,926           | 168                  | 670         |
|                     | 16,185          | 972                  | 6,688       |

From the illuminating tables handed in by Mr. B. T. Rowling on behalf of the "flue-cured" growers who had contracts with Messrs. W. D. and H. O. Wills (N.Z.), Ltd., the relative position of such growers as against farmers contracting for the National Tobacco Co. is clearly to the advantage of the latter. National growers in 1928 season received an average price of 1s. 11d.; Wills's growers received an average price of 2s. 4·8d. In the 1929 season the prices were: National, 1s. 9d.; Wills, 2s. 1·8d. For the past season they were: National, 1s. 11d.; Wills, 2s. 1·7d. But it was necessary for the Wills's growers to go to an expenditure ranging from £120 to £150 to erect drying-kilns, as against drying-sheds costing from £20 to £30 required for air-curing leaf. And it was further stated in evidence that it costs approximately 6d. a stick to dry leaf in a flue-barn. It is usually reckoned that a stick of dry leaf weighs 1 lb.

Tobacco has also been grown in other parts of the Dominion, and your Committee would refer those interested to the expert evidence appearing in the minutes of evidence attached hereto regarding the results obtained off these areas and the future prospects for successful cultivation there. We refer particularly to the evidence of Messrs. G. Husheer, R. L. Gracie, C. E. Lowe, and S. F. Brame.

One fact is apparent to your Committee, and that is that in the successful districts the average individual areas under cultivation have been small. In the United States the average size of tobacco-farms is 3·7 acres, and actual experience and expert opinion indicate that, at the most, from 3 to 4 acres will occupy the whole personal attention which a small farmer is able to give a crop. In view of the fact that no leaf has yet been sold by the Auckland companies who planted last season, it was not possible for the Committee to obtain the necessary data to enable it to calculate the comparative production costs and net results obtained by growing tobacco in large areas and curing in kiln-batteries.

#### OPERATIONS OF THE NATIONAL TOBACCO CO. OF NEW ZEALAND (LIMITED AND REGISTERED UNDER COMPANIES ACT).

The National Tobacco Co., Ltd., is a public company, with its registered office at Napier, in the Dominion of New Zealand. Its nominal capital is £200,000. The subscribed capital is £124,341, and the paid-up capital amounts to £50,901.

The New Zealand Tobacco Co., of which it is the successor, planted out leaf for its own use at Clive Grange, and later the present company also had 60 acres under cultivation at Riverhead. The subsequent policy of the company has been to have small farmers grow leaf under contract to the concern. Mr. Husheer, in evidence dealing with this matter, states: "You understand, of course, that we could have gone on as we had done in the beginning, growing our own supplies; but the quantities consumed by us became so large that we thought it better not to place all the eggs in one basket, but to allow other growers to help us in producing the raw material."

Since the adoption of this policy the leaf requirements of the Napier company have been produced under contract in the Motueka-Nelson district. The Committee has carefully considered the domestic leaf-buying activities of the manufacturing concerns in the country, and must state that on many occasions the National Company has bought leaf to help misguided farmers out of their financial difficulties.

We find also that the growers who have contracted to supply leaf to this company are treated fairly by the directors. The seed is supplied by the company free of charge; an instructor is provided to give instruction to the growers on all phases of cultivation, harvesting, and curing; manure is supplied by the company at cost, free of interest; eleven planting-out machines have been provided at the cost of the company; bales are supplied to the growers by the company at the cost of transport from the factory to the farm.

The representatives of the growers in the Motueka-Nelson district are to be congratulated on the concise and methodical way in which they presented their evidence, and the statistical information read by them has been most helpful to the Committee in coming to its findings. Colonel C. B. Brereton in his evidence stated: "I may say that no trouble has been experienced at any time with the National Tobacco Co. relative to the purchase of the leaf grown, the prices varying according to the quality of the leaf produced. This company provides an instructor whose advice we have always found to be excellent and most reliable, and if his instructions are carefully followed the results are absolutely sure, and a good type of leaf always eventuates."

F. A. S. Mays in evidence stated: "We have no trouble with this (National) company, who buy the leaf we produce and pay according to the quality. The services of an instructor are provided, and if his advice is followed a good-quality leaf is produced."

As many of the National growers quoted in evidence reports which they received from the Napier factory buyer, it is only fitting that several such should be quoted: "Your bale has arrived here in splendid condition. We are particularly impressed with the large size of leaf and its fine texture; also, the colours are all satisfactory. Such tobacco is a pleasure to handle, and we are glad we can pay you a high price—namely, 2s. per pound."

Again: "Your two bales have arrived here in good condition, quite sound except for some mould along the stems. In other respects the consignment represents a first-class manufacturing type, and we are particularly impressed with the large size of leaf and its fine texture; also the colours are quite to our liking, and we have therefore fixed a good price—namely, 1s. 11d. per pound."

In this connection it has to be noted that no reports of any sort are forwarded client growers by the W. D. and H. O. Wills (N.Z.), Ltd., or the Dominion Tobacco Co., Ltd.

The witnesses appearing before the Committee representing ten growing districts expressed their absolute satisfaction with the manner in which the National Tobacco Co. has treated them.

The operations of the company in the past four years have been as under : Season 1927—340,500 lb., at 1s. 10d. per pound ; season 1928—640,630 lb., at 1s. 11d. per pound ; season 1929—561,000 lb., at 1s. 9d. per pound ; first crop, 1929—30—256,294 lb., at 1s. 10d. per pound.

Individual members who are also members of your Committee have during the sittings of the Committee visited the works and factory of the National Tobacco Co. at Port Ahuriri, Napier, and made a complete inspection of the works, the process of manufacture, the bond stores, the staff appointments, and the packing departments, and desire to express the opinion that the works are ideally conducted, and that it is an enterprise for which the management deserves great commendation, especially because of the excellent staff treatment obtaining there.

The report of the Department of Labour on the factory conditions is as follows :—

“ The factory conditions are exceedingly good ; dining and rest rooms are provided and maintained in a thoroughly clean manner. The female workers are particularly well catered for. The factory itself is hygienic in every way, and, generally speaking, the workers therein are provided with every facility for the safe and congenial performance of their work.

“ All employees have three weeks’ annual holiday at the Christmas period without deduction from wages. The workers express every satisfaction at the treatment they receive, and I should say from observation that they are happy and contented over their work, and because of such give their employer their best and loyal service.

“ Wage rates for females : Commence at £1 10s., rising by increments given according to merit to £3.

“ Wage rates for males : Seniors, £4 to £5 ; juniors, £2 to £3.”

The importations of foreign leaf by this company are dealt with in another section of the report.

The worth of the industry as carried on by the National Tobacco Co., Ltd., to the Dominion is :—

|   | £      | s. | d. |
|---|--------|----|----|
| Amount paid to Customs, financial year ended 31st March, 1930 .. .. .       | 95,363 | 14 | 9  |
| Income-tax last year .. .. .  | 13,000 | 0  | 0  |
| New Zealand Railways (railage) .. .. .                                      | 4,700  | 0  | 0  |
| New Zealand shipping companies (freights) .. .. .                           | 5,900  | 0  | 0  |
| New Zealand sawmillers for packing-cases made of New Zealand timber .. .. . | 3,100  | 0  | 0  |
| New Zealand tin-manufacturers, for tins, canisters, &c. .. .. .             | 27,800 | 0  | 0  |
| New Zealand printers, for labels, containers, showcards, &c. .. .. .        | 4,800  | 0  | 0  |
| Other requisites from New Zealand manufacturers .. .. .                     | 5,200  | 0  | 0  |
| New-Zealand grown leaf (approximate) .. .. .                                | 50,000 | 0  | 0  |
| Wages and salaries .. .. .  | 30,000 | 0  | 0  |

#### OPERATIONS IN NEW ZEALAND OF MESSRS. W. D. AND H. O. WILLS (N.Z.), LTD., AND ASSOCIATED COMPANIES.

Messrs. W. D. and H. O. Wills (N.Z.), Ltd., is a private company registered at Wellington with a nominal and subscribed capital of £830,000. 829,988 shares in this concern are held by the British American Tobacco Co., Ltd., of London. Registered at Wellington as a private company, the nominal and subscribed capital of the Imperial Tobacco Co. of New Zealand, Ltd., is £350,100, and 350,000 of such shares are held by the British American Tobacco Co., Ltd., London. The Dominion Tobacco Co., Ltd., is also registered as a private company at Wellington, and has a nominal and subscribed capital of £25,000. Messrs. W. D. and H. O. Wills (N.Z.), Ltd., hold 24,900 shares. H. E. Partridge Co. (1927), Ltd., is a private company with a nominal and subscribed capital of £100, and each of the five shareholders in this concern is a shareholder in either Messrs. W. D. and H. O. Wills (N.Z.), Ltd., the Imperial Tobacco Co. (N.Z.), Ltd., or the Dominion Tobacco Co., Ltd.

The leaf operations of these companies have been conducted by Messrs. W. D. and H. O. Wills (N.Z.), Ltd., and have been confined to the Nelson Provincial District. Their first purchase consisted of the major portion of the crop grown by the Motueka Tobacco-growers’ Association in 1927, and totalled 13,000 lb. weight, of which 700 lb. was shipped by this concern to London to test the Home market.

In the following three seasons Messrs. W. D. and H. O. Wills (N.Z.), Ltd., continued to operate in the same district. Their leaf-buying was as under :—

|                                  | lb.     | Average Price paid per Pound. |     |
|----------------------------------|---------|-------------------------------|-----|
|                                  |         | s.                            | d.  |
| 1928 crop—                       |         |                               |     |
| Air-cured .. .. .                | 51,163  | 1                             | 7·6 |
| Flue-cured .. .. .               | 105,071 | 2                             | 4·8 |
| 1929 crop—                       |         |                               |     |
| Air-cured .. .. .                | 18,568  | 1                             | 5·1 |
| Flue-cured .. .. .               | 244,216 | 2                             | 1·8 |
| 1930 crop—                       |         |                               |     |
| Flue-cured .. .. .               | 234,240 | 2                             | 1·7 |
| Burley .. .. .                   | 5,277   | 1                             | 5·4 |
| Green River .. .. .              | 5,603   | 1                             | 3·6 |
| Air-cured from 1929 crop .. .. . | 512     | 1                             | 4·0 |
| Total, 1930 crop .. .. .         | 245,632 |                               |     |

Messrs. W. D. and H. O. Wills (N.Z.), Ltd., appointed Messrs. E. Buxton and Co. their agents. Finance was offered by the company to the growers to erect kilns and bulking-sheds; also, provision was made to meet expenses of growing, harvesting, curing, grading of leaf, &c. In the contract free instruction was offered by the experts, and the following covenant was entered into regarding purchase :—

That the company will purchase from the grower all tobacco-leaf delivered as aforesaid which shall in the opinion of the company's expert be suitable for manufacturing purposes, at a price to be fixed by him, not being less than the following minimum prices :—

(a) For flue-cured up to Government export standard, not less than two shillings and threepence (2s. 3d.) per pound.

(b) For sun- and air-cured leaf up to Government export standard, not less than one shilling and fourpence (1s. 4d.) per pound.

Provided that if in the opinion of the company's expert the whole or any part or parts of the tobacco-leaf so delivered shall not be in good order and condition, or shall be below the average quality and condition of the season's crop of tobacco-leaf, the company shall only be bound to pay for any such deficient tobacco-leaf the price fixed therefor by the company's expert, whose decision thereon shall be final.

These contracts were issued for a three-year term in the case of flue-cured leaf, and for a period of one year in respect of air-cured leaf. An area of 200 acres was contracted for, and financial assistance given some twenty growers to erect their appointments. In the following season (1928-29) the company extended its growing operations, and some 400 acres were contracted for, and additional finance was made to growers, bringing the number of kilns up to sixty-nine. These new contracts were granted for a two-year period, and the repayment of the advance for the erection of kilns and other buildings was spread over a two-year period. All conditions existing in the previous contracts were included in these two-year contracts also.

The position of the growers as stated by one of their witnesses has been as follows: "I may mention that during each year of my contract a different instructor has been engaged by the company, and therefore we have made progress under certain drawbacks." The change in instructors has resulted in not only different methods being followed in the cultivation of the leaf, but also in the method of curing, grading, and purchase of leaf.

Method of instruction: The growers are emphatic that the methods of instruction tendered them by Mr. Whittaker, the first instructor, and Mr. Lough and Mr. Gilmour, who have been instructing during the past two seasons, are totally different and opposite. The American instructors told the farmers to top the plant reasonably low and to take out all the suckers; that these suckers should be removed immediately, and that if they remained on the plant for more than five days they would detrimentally affect the plant. Mr. Lough's idea was, on the other hand, to let the plant grow well into the air and leave as much lateral growth on as possible. The growers have pointed out that such latter method, among other things, certainly gives them a lighter yield, and therefore return, per acre. In view of its importance to the growers, it is interesting to note the remarks contained in Bulletin No. 54 of the Department of Agriculture, South Africa :—

"Correct topping and suckering is another factor which is altogether overlooked by many tobacco-farmers. Experiments carried out at Germantown, Ohio, U.S.A., showed a difference in money value of from £7 to £9 between no topping and suckering and the best system of topping and suckering.

"It is common in the Union to find tobacco-fields resembling flower-gardens, in that the flowers are not removed from the plants, but simply left untouched until they have developed into big flower-heads. This is a great evil, as all the plant-food which should have been utilized by the leaves to provide the necessary body and quality is thus absorbed by the flowers and seed. The same principle applies when tobacco is not suckered at the right stage."

Mr. S. F. Brame stated in evidence before your Committee, and Mr. R. L. Gracie did also, that the method that was followed last season in the Motueka-Nelson district is not followed in America.

The growers point out in evidence that, while the minimum prices fixed both in the three-yearly and two-yearly contracts were not less than 2s. 3d. per pound for flue-cured leaf up to Government export standard, in one year only has that minimum figure been adhered to. The figures supplied by Messrs. W. D. and H. O. Wills (N.Z.), Ltd., show the average price to be: 1928 crop, flue-cured, 2s. 4-8d. per pound; 1929 crop, flue-cured, 2s. 1-8d. per pound; 1930 crop, flue-cured, 2s. 1-7d. per pound.

As the contracts referred to above determined with the close of the past growing-season, new arrangements have had to be entered into between the growers and the company. When your Committee commenced its proceedings no new contracts had been signed, but these have since been executed. The company this year is contracting for a one-year period only, and has contracted on a poundage in lieu of an acreage basis. Despite the fact that 234,240 lb. of flue-dried and a total poundage of 245,632 lb. was purchased by the company last season, the aggregate for the present season has been fixed at a maximum of 150,000 lb. weight. In other words, the company had some 200 acres under contract in 1927-28, 400 acres in 1928-29, and will have approximately 200 acres in for the 1930-31 crop. There is no provision in the contract that an instructor will be provided the growers as heretofore, but in evidence Mr. Gracie stated that, while no mention was made in the contract, it was the intention of the concern to provide free instruction and not depart from the previous plan in that matter.

The purchasing covenant in the contract is quite different from that of the previous years. It reads,—

8. That the company will purchase from the grower for the season 1930-31 pounds weight of graded tobacco-leaf, delivered as aforesaid, at the prices hereafter set out, but subject to the conditions as to the proportion of the kinds and grades also hereinafter set out namely,—

(a) For light-bodied leaf not inferior in quality to the sample now held by the company and marked "Minimum light-bodied leaf," one shilling and eightpence (1s. 8d.) per pound weight, increasing in price according to quality to three shillings (3s.) per pound weight for best light-bodied leaf not inferior in quality to the sample now held by the company and marked "No. 1 light-bodied leaf."

- (b) For heavy-bodied leaf not inferior in quality to the sample now held by the company and marked "Minimum heavy-bodied leaf," one shilling and twopence (1s. 2d.) per pound weight, increasing in price according to quality to two shillings and sixpence (2s. 6d.) per pound weight for best heavy-bodied leaf not inferior in quality to the sample now held by the company and marked "No. 1 heavy-bodied leaf."
- (c) In making up the total leaf to be purchased by the company from the grower under this agreement, for every 2 lb. weight of heavy-bodied leaf to be purchased by the company according to sample the grower shall deliver and the company shall purchase 1 lb. weight of light-bodied leaf, and in the event of the grower not being able to deliver graded leaf according to sample in the proportion of 1 lb. weight of light-bodied leaf to every 2 lb. weight of heavy-bodied leaf the company may reject and refuse to purchase all heavy-bodied leaf in excess of the aforesaid proportion, notwithstanding that the same is up to sample and is not in excess of the total quantity hereby agreed to be purchased.
- (d) The company in purchasing the above proportion of heavy-bodied leaf shall not be bound to purchase more than thirty-five per cent. (35 per cent.) of the minimum grade or sample of heavy-bodied leaf of the total of such heavy-bodied leaf, delivered as aforesaid, and may reject all heavy-bodied leaf of the minimum grade or sample in excess of thirty-five per cent. (35 per cent.) of the total of the heavy-bodied leaf to be purchased as aforesaid, notwithstanding that the same is not in excess of the total heavy-bodied leaf to be purchased hereunder.

Some of the growers have expressed in evidence their grave doubts as to whether or not the terms of paragraph (c), insisting on 1 lb. weight of light-bodied leaf for every 2 lb. weight of heavy-bodied leaf can be carried out by the growers.

Mr. C. E. Lowe, Government Tobacco Instructor, and also Mr. W. H. Owen, who was one of the first to grow leaf for the company, in evidence have given it as their opinion that it will be impossible for the growers to comply with the terms of the contract regarding percentages of the heavy-bodied and light-bodied.

Mr. S. F. Brame told the Committee that in his opinion the leaf exhibits before the Committee were all light leaf. This brings us to a very interesting question—the difference in the type of leaf asked for by Mr. Whittaker when he commenced operations in the Nelson district, and that asked for to-day by the company. The evidence of the growers' representatives, that of Mr. Lowe, of Mr. Owen, and of Mr. Brame all goes to show that the standard has been altered. Expert evidence before the Committee seems to indicate also that the best leaf to the manufacturer is not the thin light-bodied lemon-coloured leaf.

Limitation of contracts: Your Committee has considered the petition of R. R. Hodgkinson and thirty-five other tobacco-growers of the Nelson-Motueka district who have been refused contracts by the company this season. The position of these growers is that they have loaded their properties with kilns, drying-sheds, and other appointments, encouraged so to do by the company. Mr. R. L. Gracie in evidence stated that "the reason for not offering contracts to these farmers is simply the fact that we found it possible to meet our estimated requirements for the 1930-31 season by placing contracts with farmers who had in previous years given more satisfactory results than the petitioners." This statement does not concur with the evidence tendered before the Committee on behalf of the growers, wherein it was shown that some of the growers were in possession of payment dockets showing that they had received some of the top prices during the past season. In the Riwaka district, among others, one farmer was refused a contract who possessed some of the best land there, and who in two seasons received £1,563 from the company for the leaf delivered. No contracts have been given to growers in the Moutere district this season, as the company alleges such area is unsuited for the growing of tobacco. The National Tobacco Co. takes supplies of leaf from this area, while expert evidence has been tendered that good results have been obtained there—in fact, one farm produced the largest financial return yet received in the Dominion per acre, it being over £240 for less than 1 acre in cultivation. It is understood by your Committee that the National Tobacco Company has since offered a contract to a number of the rejected growers.

#### MANUFACTURING COSTS OF NEW ZEALAND AND AMERICAN LEAF USED IN MANUFACTURE.

Messrs. W. D. and H. O. Wills in evidence gave the following return as to the cost of domestic leaf used in the manufacture of "Silver Fern" tobaccos:—

|  | £       |
|--|---------|
| " Price paid to grower .. .. .                             | 25,185  |
| " Buying and shipping and supervising .. .. .              | 4,546   |
| " Redrying—  |         |
| Loss in .. .. .  | 2,599   |
| Cost of .. .. .  | 1,283   |
| " Total .. .. .  | 33,613  |
| " Loss for stems and cost of stemming and blending .. .. . | 10,000  |
| " Factory costs—leaf .. .. .                               | 43-60d. |

"The biggest loss is on account of stems, which amounts to nearly one-third of the cost of the leaf up to that stage. The cost of American leaf used in the same tobaccos was on the 1st July 19-6d. per pound. That was the cost landed in New Zealand in the form of strips ready for manufacturing. With the addition of 2s. per pound duty on imported leaf the cost was exactly the same as that of the New Zealand leaf."

It is interesting to compare these figures with those tendered to the Australian Select Committee by Mr. Bentley, the director of the British Australasian Tobacco Co., Pty., Ltd.



## COMPARISON OF COSTS OF AMERICAN BRIGHT LEAF AND AUSTRALIAN BRIGHT LEAF.

|  | American<br>Price.<br>d. | Australian<br>Price.<br>d. |
|--|--------------------------|----------------------------|
| Average landed cost of American bright fillers redried .. ..   | 17-88                    | ..                         |
| Average price paid growers for Australian lemon and bright mahogany leaf, 1929 crop, not redried .. .. | ..                       | 36-93                      |
| Add average loss in weight caused through redrying—9 per cent. .. ..                                   | ..                       | 3-32                       |
| Add actual cost of buying, redrying, and boxing Australian leaf .. ..                                  | ..                       | 1-30                       |
| <hr/>  |                          |                            |
| Average cost of American bright and Australian bright leaf, both now redried .. ..                     | 17-88                    | 41-55                      |
| Add interest at 5 per cent. for two years .. ..  | 1-79                     | 4-15                       |
| <hr/>  |                          |                            |
| Average cost of leaf aged for two years and ready for stemming .. ..                                   | 19-67                    | 45-70                      |

Strips: The leaf has now to be converted into strips—*i.e.*, the midribs have to be removed by the process known as stemming. The stems are useless, and the remainder of the leaf, known as strips, has of necessity to bear the cost of the whole. The Australian leaf, on the whole, has a large and heavier stem than the American, the average yields of bright strips being as under: American, 80.55 per cent.; Australian, 77.42 per cent.

|  | American<br>Price.<br>d. | Australian<br>Price.<br>d. |
|--|--------------------------|----------------------------|
| The average cost of 1 lb. of strips is therefore .. .. | 24-42                    | 59-03                      |
| To which has to be added—                              |                          |                            |
| Leaf expense—storage, insurance, &c. .. ..             | 0-31                     | 1-03                       |
| Cost of stemming .. ..                                 | 2-72                     | 3-51                       |
| And in the case of American strips .. ..               | 36-0                     | ..                         |
| <hr/>  |                          |                            |
| Total cost of one pound of strips .. ..                | 63-45                    | 63-57                      |

The factory cost of the tobacco used in “Twelves” is as follows: Imported, 24.97d. per pound; local 49.5d. per pound.

The comparative figures, Australian and New Zealand, speak for themselves, and need no comment. One thing, however, is obvious—namely, that in both countries the governing factor in the price paid to the grower for his leaf is determined by the basic import duty on the imported foreign leaf.

The manner of importation of foreign leaf by these concerns is dealt with in a later section of the report.

Your Committee would like to emphasize that there is a manufacturing process whereby the stems or midrib is used. This is done by crushing the midrib and then rolling it and putting it through the machines at a much finer cut than the tobacco with which it is mixed. In some instances as much as 21 per cent. of crushed stems is being used. It is therefore obvious that any talk of loss of midrib should not be seriously regarded in production costing.

Members of your Committee paid a visit to the factory of the Dominion Tobacco Co. at Petone, and were conducted over the works by Mr. R. L. Gracie, factory superintendent. Mr. R. B. Smith, Mr. R. E. Ramsay, and Mr. Stott were also in attendance.

The report of the Department of Labour on the conditions of labour and the factory is as follows:—

## “W. D. and H. O. Wills, Ltd., Petone.

“The factory is modern, being a well-constructed ferro-concrete building with first-class window area, ensuring good lighting; the floor is satisfactory and the cubic space per person adequate; the sanitation is good, and dining-accommodation is provided and gas-stoves for heating purposes.

“A canteen system obtains with regard to the supply of food. The room is kept clean by a staff paid by the company. The welfare of the female workers is considered by the employment of a trained nurse with special quarters set apart for giving proper attention in cases of indisposition. A properly equipped hospital bed is provided. Dust-removing appliances are fitted, and rooms are fairly clear of dust and obnoxious odours. Female labour is utilized in machinery operations to a considerable extent, and I noticed females carrying out practically all tin-making operations—stamping out, crimping, and soldering. The employees in this establishment work under good conditions, and the factory is not defective in any of the requirements of the Factories Act—namely, construction generally, sanitation, ventilation, heating, dust-removing appliances, first-aid appliances, and dining-accommodation.

“ The rates of pay are as follows :—

“ Wages rates for females :—

| Age.            | Minimum. | Maximum. |
|-----------------|----------|----------|
| £ s. d.         | £ s. d.  |          |
| 15-16 .. .. .   | 1 0 0    | 1 7 6    |
| 16-17 .. .. .   | 1 5 0    | 1 12 6   |
| 17-18 .. .. .   | 1 10 0   | 1 17 6   |
| 18-19 .. .. .   | 1 15 0   | 2 2 6    |
| 19-20 .. .. .   | 2 0 0    | 2 7 6    |
| Over 20 .. .. . | 2 5 0    | 3 0 0    |

“ Wages rates for males :—

Under 17, £1 7s. 6d.; under 18, £1 13s. 6d.; under 19, £2 13s. 6d.; under 20, £3 3s. 6d.; under 21, £4 5s. If in charge of two or more, £4 15s.”

The following statement regarding income-tax, &c., was handed in by the company :—

A. PAYMENTS MADE IN THE DOMINION OF COMPANIES OPERATING AT PETONE FACTORY OF W. D. AND H. O. WILLS (N.Z.), LTD.

|  | £               |
|--|-----------------|
| 1. Income-tax paid, February, 1930 .. .. .   | 13,940          |
| <i>For Period of Twelve Months to 30th June, 1930.</i>   |                 |
| 2 and 3. Railage, freights, cartage, wharfage, and insurance paid on shipments of goods within New Zealand                             | 19,110          |
| 4. New Zealand sawmillers, for packing-cases, other than those made on premises. Timber used is largely from second-hand cases .. .. . | 2,998           |
| 5. New Zealand paper-mills, for packing-paper, &c. .. .. .   | 437             |
| 6. New Zealand tin-manufacturing, for tins, canisters, &c. .. .. .   | 10,746          |
| 7. New Zealand printers, for labels, containers, showcards, &c. .. .. .  | 36,075          |
| 8. Other requisites from New Zealand manufacturers .. .. .   | 3,500           |
| 9. New-Zealand-grown leaf purchased, 1930—245,632 lb. .. .. .  | 25,828          |
| 10. Wages and salaries .. .. .   | 102,870         |
|  | <u>£215,504</u> |

TOBACCO-GROWING COMPANIES IN NEW ZEALAND.

While the manufacturing companies all have as one of their objects the planting and growing of tobacco, their actual operations do not enter this sphere. The growing is done by small farmers on contract under supervision of instructors supplied by the two companies.

Following on the success attained by the small farmers in the Nelson Province, there has been a sudden flotation up of tobacco companies in the Auckland Province. These companies are :—

- (1) The New Zealand Tobacco Co., Ltd., which is a public company registered at Auckland with a nominal capital of £100,000, a subscribed capital of £75,000, and a paid-up capital of £72,732.
- (2) The Union Tobacco Co. of New Zealand, Ltd., a private company registered at Auckland with a nominal and subscribed capital of £1,000.
- (3) The Tauranga Tobacco and Citrus Co., Ltd., which is a public company registered at Auckland. Nominal capital, £20,000; subscribed capital, £19,930; paid-up capital, £4,090.
- (4) The Tobacco Development Co., Ltd., registered as a private company. Nominal and subscribed capital, £1,000. This company is in liquidation.
- (5) Tobacco-growers (N.Z.), Ltd., is registered at Auckland as a public company. Nominal capital, £25,000; subscribed capital, £18,001; paid-up capital, £16,460. This company has also issued debentures to the value of £5,500.
- (6) The Standard Tobacco Co., Ltd., is registered at Auckland as a public company. Nominal capital, £55,000; subscribed capital, £20,555; paid-up capital, £6,663.
- (7) Auckland Tobacco-growers, Ltd., registered as a public company at Auckland. Nominal capital, £150,000; subscribed capital, £13,007; paid-up capital, £13,007.
- (8) Empire Tobacco Corporation, Ltd., is registered as a public company at Auckland. Nominal capital, £250,000; subscribed capital, £146,000; paid-up capital, £146,000. This concern was originally a syndicate of fifty-two shares, and when the company was formed the holder of each share received 2,807 shares in the company.
- (9) Pacific Tobacco Industries (Australasia), Ltd. This is a public company registered at Auckland. Nominal capital, £90,000; subscribed capital, £23,220; paid-up capital, £5,805.
- (10) Tobacco-producers Trust, Ltd., is a private company registered at Auckland. Nominal and subscribed capital, £25,000.
- (11) United Tobacco Corporation, Tauranga, Ltd., is registered at Auckland as a public company. Nominal capital, £125,000; subscribed capital, £7,356; and paid-up capital, £1,839.

The Registrar of Companies in a report to the Committee states :—

“ Regarding the amount of public money invested in the Auckland Province, the position is that the subscribed capital of the eight public tobacco companies registered in Auckland is £349,769, of which £266,596 is paid up. One of the companies has issued debentures to the amount of £5,500 (110 of £50 each). It is not required by the Companies Act at present in force that issues of bonds

should be registered, and consequently I am unable to say what amount (if any) has been invested by the public by that means. All the share capital with which a private company is registered has to be subscribed for in the memorandum of association. Of the four private tobacco companies registered in Auckland the subscribed capitals total £26,700."

It will be noted that the methods of finance adopted by afforestation and flax companies has been introduced into the promotion of tobacco-growing concerns.

The Union Tobacco Co., which is a private company with a subscribed capital of £1,000, has issued a prospectus offering for public subscription 1,200 bonds in denominations of £30. Tobacco-growers (N.Z.), Ltd. has a bond issue on the market of 3,000 bonds in denominations of £50.

The Empire Tobacco Corporation, Ltd., has a bond issue of 90,000 bonds in denominations of £30. Tobacco-producers Trust, Ltd., which is a private company with a subscribed capital of £25,000, 24,995 of which were subscribed for in the memorandum of association by Brown Brothers, Ltd., of Auckland, has a bond issue of 4,000 in denominations of £30.

As bond issues have not to be registered, it is not possible to state the number of bonds that have actually been sold. The companies concerned have been written to by the Committee, asking for the issues up to the 30th September, but to date these have not been supplied.

On the 30th June last, according to a statement made before the Committee by C. M. H. Wills, solicitor, the position was :—

| Name of Company.                      | Bond Capital.<br>£ |
|---------------------------------------|--------------------|
| Tobacco-growers (N.Z.), Ltd. . . . .  | 23,900             |
| Tobacco-producers Trust, Ltd. . . . . | 2,880              |
| Empire Tobacco Co., Ltd. . . . .      | 28,000             |

In a number of the prospectuses reference is made to the success of the growing operations in the Nelson Province, and much prominence is given to addresses delivered throughout the Auckland Province by the Government Tobacco Instructor, Mr. C. E. Lowe, as reported in the daily press. Especially to such statements as "The Nelson growers are receiving as much as £100 per acre from their labour." In one of the prospectuses there also appears a report by a Government official, dated the 13th August, 1928, which states, "In my opinion, this should prove in every way suitable for tobacco-culture."

According to evidence tendered, the New Zealand Tobacco Co. had under cultivation last season approximately 195 acres, and cured 120,000 lb. weight of leaf; the Tobacco-growers (N.Z.), Ltd., planted approximately 100 acres, and have on hand 4 tons of leaf; the Tauranga Tobacco and Citrus Co. planted 7½ acres, and have on hand 6,000 lb. of leaf for market.

The growing operations for this season are: New Zealand Tobacco Co., 300 acres; Tauranga Tobacco and Citrus Co., 20 acres; Standard Tobacco Co., 50 acres.

If the acreage held by the several companies were fully planted, there would be some 6,520 acres under cultivation in the Auckland District. Up till the present not one of the companies in this area has succeeded in finding a market for any of its leaf.

Individual members of the Committee have visited the plantations of the New Zealand Tobacco Co. and were struck with the appointments erected by the company. Money has not been spared in providing up-to-date and modern batteries of flue-curing barns, bulking-down shed, &c. A modern hostelry has been erected for the staff of Maori girls. Members were impressed with the excellent way in which the staff is provided for. Reports have been obtained from the Native Affairs Committee and from the Labour Department supporting the view of Committee members in this matter.

NOTE.—Since the report was drafted information has been received from the following tobacco-growing companies in respect to bond issues, and giving the total number of bonds sold, period ended 30th September, 1930 :—

|  | Number. | Value.<br>£ |
|--|---------|-------------|
| Tobacco-growers (N.Z.), Ltd. . . . .     | 608     | 30,400      |
| Empire Tobacco Corporation, Ltd. . . . . | 688     | 20,640      |
| Tobacco-producers Trust, Ltd. . . . .    | 156     | 4,680       |

#### OPERATIONS OF DEPARTMENT OF AGRICULTURE REGARDING TOBACCO-GROWING.

The Department of Agriculture became actively interested in tobacco-culture in May, 1926, when a meeting was held at Motueka, the outcome of which was the formation of a tobacco-growers' association. As a result of the formation of this body, the Government, in September, 1926, decided to offer a limited guarantee on tobacco produced for export. The conditions of the guarantee were as follows :—

##### *Conditions of Government Guarantee in connection with the Export of Tobacco-leaf.*

1. The guarantee shall be limited to tobacco-leaf approved for export by the Department of Agriculture, and coming within one or other of the following classes :—

- (1) Selected kiln-dried leaf of the colours known to the trade as yellow or lemon; and
- (2) Other selected leaf, kiln-dried or shed-dried, of any colour not darker than that known to the trade as mahogany.

2. The guarantee is offered in respect of tobacco-leaf grown in New Zealand and exported during 1927, 1928, and 1929, and will not be extended thereafter. The gross liability of the Government shall not exceed £3,500 in any one year.

3. The Government guarantees to the grower an average gross market price of 2s. 3d. per pound on the open market in London on all leaf of Class 1, and similarly 1s. 4d. per pound on all leaf of Class 2.

4. Leaf of Class 1 shall form not less than one-third of the total weight of leaf exported in any one year.

5. No leaf shall be accepted for export that has not been raised from previously approved seed.

6. All matters relative to the culture, treatment, and preparation of tobacco-leaf for export shall be carried out in accordance with the subjoined instructions and any additional instructions that may be issued by the Department of Agriculture from time to time, and the Government reserves the right to withhold the privileges of the guarantee from any grower who materially departs from or fails to comply with any instructions so issued.

7. All tobacco-leaf intended for export under the guarantee shall be delivered by the grower in approved containers to a central packing-house appointed by the Department, whereat such leaf shall be graded and conditioned, and packed in accordance with the requirements of the Department.

8. The Government retains the right to add to or to amend the foregoing conditions from time to time, if found necessary, for the purpose of protecting the spirit of the guarantee, or for the purpose of establishing the tobacco export trade on a satisfactory basis.

Mr. C. E. Lowe was engaged by the Department as Instructor in Tobacco-culture, and his services were made available to the growers participating in the scheme. The result of the year's operations was that thirty members of the association grew under the guarantee, a kiln was erected, other necessary premises were acquired, and from 8 to 10 tons of tobacco-leaf was cured. Messrs. Wills and Co. purchased 13,000 lb. of this, while other individual association members sold their leaf to the National Tobacco Co. No leaf was therefore exported by the growers, and the guarantee was not called upon. On the entry of the W. D. and H. O. Wills (N.Z.), Ltd., Co. the activities of the Government Tobacco Instructor were then centred round the Hokianga and Rotorua districts. Certain growers in the Sandy Bay and Takaka districts obtained leaf through the Department, but, unfortunately for themselves, did not receive adequate instruction from the Department's expert.

The operations of the Department in the northern districts may be divided into (a) instruction to Maori growers, and (b) instruction and activities among European growers.

As to the operations among the Maori people, the results achieved through the Department's guidance are set out in the following report furnished by the Director-General of Agriculture :—

"Associations were formed in both areas. The Hokianga association included forty-eight growers, and the Rotorua association twenty-five growers. Reasonably satisfactory progress was made in both areas. The production of tobacco-leaf in Hokianga was 16,515 lb., and at Rotorua 7,417 lb.

"Those interested in the scheme were warned by the management of the risk of growing tobacco without first having made provision for the disposal of the resultant crop. It was, however, a deep-rooted conviction on the part of those interested in the tobacco-growing project in those areas that one or another of the local companies would purchase the leaf at the end of the season, provided it was of a satisfactory standard.

"One kiln was erected in Hokianga and seven in the Rotorua district, but, unfortunately, with the exception of a small quantity of yellow leaf, practically the whole was of a mahogany colour, suitable for pipe purposes only.

"At the end of the season considerable difficulty arose as to the disposing of the tobacco. The National Tobacco Co. eventually purchased at moderate prices the Rotorua leaf, but the Hokianga crop was unsaleable within New Zealand. Consequently the Hokianga association faced a very awkward problem, for neither the association nor its members individually had sufficient capital to handle the tobacco from an export point of view.

"In view of this, arrangements were made for the Government to advance 8d. per pound against the Hokianga leaf, out of which transportation, conditioning, packing, and shipping charges were to be deducted, and the surplus paid to the individual grower. Under this arrangement the Hokianga tobacco was transferred to Petone, graded, and treated from a moisture point of view, packed, and made ready for export. A total quantity of 13,426 lb., packed in forty-two bales, was shipped to London and offered for sale under the supervision of the High Commissioner's Office. This quantity included 9,876 lb. which was the property of the Hokianga association. The remainder (6,639 lb.) was baled and held in storage in the storeroom of the Department of Agriculture, Wellington, free of charge, pending disposal in the interests of the owners. This leaf is still in storage, while the London shipment was until recently unsold in London.

"The leaf shipped to London was of good pipe-tobacco type, but on account of it being a comparatively small parcel the High Commissioner, although he has tried all interested merchants, has been unable to secure a purchaser. Recent advice from the High Commissioner's Office is to the effect that he proposes endeavouring to dispose of the consignment on the Continent, but no advice as to his success or otherwise in this direction is yet to hand.

"The Natives of both Hokianga and Rotorua took up the work of tobacco-growing with enthusiasm, and displayed commendable intelligence in connection with its production, but with their limited knowledge it was unavoidable that there would be some shortcomings in their first season's attempt. Although still interested in the question of tobacco-culture, they were prevailed upon in both districts, in view of their first unsuccessful experience, to discontinue their attempts to raise tobacco commercially until the tobacco position within the Dominion was more stabilized. In view of this, no tobacco was raised during the past season at Hokianga, and only a small quantity at Rotorua.

Regarding (b), the Committee has had evidence from the growers at Te Atatu, in which it is stated that at a meeting held at Henderson in 1928, during the course of a lecture, the Government Instructor stated that "the Government price was 2s. 3d. per pound for flue-dried and 1s. 4d. for brown leaf," and that they grew under Government supervision; that the visits of the Instructor were infrequent;

that when he inspected the crop of some of the growers he stated that the leaf was of too good a quality to air-dry and required a kiln. To this end the growers arranged the necessary finance, and cured their leaf without expert supervision or instruction. They have not received any price from the Government other than an advance, with recourse, of 8d., and arrangements were made to ship certain quantities to Great Britain. Those who erected the kiln received £46 15s. 4d. for 3,568 lb. of leaf, which cost £269 5s. 8d. to produce. Another grower received for air-dried leaf, 556 lb., £6 8s. 6d., which cost £74 18s. 2d. to produce; and another received 7s. 3d. for 185 lb. of leaf costing £36 0s. 5d. to produce. Certain small quantities of these aggregate poundages are held in Wellington, not being regarded as fit for export.

The position in regard to the Marlborough district was stated before the Committee by Mr. E. Bartlett, secretary to the Growers' Association: "We were advised to grow tobacco, and grow it in large quantities, by Mr. Lowe, the Chief Instructor. He told us that New Zealand tobacco was equal to the best Virginian; that Wills had constructed an edifice covering floor-space of eight acres; that they would be exporting the tobacco by the million pounds' worth. He told us that we could not go wrong, and that, providing we produced the goods, the manufacturers would be tumbling over one another to buy it."

Lack of constant instruction was also complained of by this witness. No leaf was exported, but after much negotiation part of the crop was purchased by the National Tobacco Co.

The total travelling-allowance paid to the Government Instructor from the 1st September, 1929, to the 30th June, 1930, was £444. The total travelling-expenses other than travelling-allowance paid in respect of that officer during the same period was £517, and, according to the same departmental statement, "The only tobacco-leaf marketed during that period by farmers not growing under contract to either the National Tobacco Co. or Messrs. W. D. and H. O. Wills, Ltd., was that raised in the Rotorua district. I am advised by the National Tobacco Co. that full particulars regarding their purchase of this leaf have been forwarded direct to the Tobacco Committee."

Regarding this particular transaction, the full details of the attitude of the company in the matter and the inferior quality of the leaf will be found in the minutes of evidence.

#### POSSIBILITIES OF AN EXPORT MARKET FOR NEW ZEALAND LEAF.

The possibility of establishing a market overseas for the consumption of New Zealand leaf engaged the careful consideration of your Committee. The consideration of such a future market naturally falls under two heads—(1) the market in the United Kingdom; (2) the Australian market.

The evidence tendered by the representatives of the Auckland tobacco-growing companies demonstrate clearly that, as far as such companies are concerned, they have no present domestic market, nor have they been able to establish up till now a market overseas.

The Ninth Report of the Imperial Economic Committee dealing with Tobacco, and the recent deliberations of the Empire Marketing Board, have been under the review of your Committee. The Marketing Board, at a meeting held in February of this year, considered the following proposals of the Economic Committee:—

- (a) The possibility, at comparative small expenditure, of initiating investigations into the nature of aroma in tobacco-leaf, and the quality of the leaf on which it depends. This should be of assistance to research workers overseas.
- (b) Might summon later a small conference of those engaged in various lines of tobacco research in the United Kingdom and in the chief Empire producing countries, to interchange experience, establish contact, and to correlate the main lines of future action.
- (c) Might endeavour to arrange its advertising programme so as to direct the attention of the public in the near future to the existence and improvement in quality of Empire leaf. Time is of importance, as much depends on establishing the Empire cigarette (now chiefly the "Rhodian") in public favour.
- (d) Might obtain from manufacturers lists of brands which they advertise as "Empire" tobaccos, cigarettes, or cigars, containing more than a certain minimum of Empire tobacco. It might be made known that the Empire Marketing Board have these lists and would communicate them to inquirers.
- (e) Might establish a Tobacco Information Committee, with the special duty of supplying the Empire producing countries with information regarding the progress of the consumption of Empire tobaccos in pipes, cigarettes, and cigars in the United Kingdom, and on the probable developments from time to time in Empire countries.

After due consideration of the above, the following resolutions were arrived at by the Empire Marketing Board:—

(a) That the matter of aroma was one of the greatest importance, and should be subject to research. It was agreed that the best possible avenue for such research was in the producing countries, and not in London, for the principal reason that there was no data on which to work at this end, and also that difficulties existed in carrying out investigations after the product had undergone various climatic and other changes during transit. On that account representatives were requested to communicate the resolution to their Governments, with the suggestion that methods of research—more particularly in relation to the quality of the leaf—be considered, and that the methods proposed be submitted, together with estimated cost, for consideration of the Tobacco Investigating Committee.

Reverting to the letter of the High Commissioner to the Prime Minister with respect to tobacco-culture, we find the following additional resolutions were passed:—

(b) It was resolved that the suggested conference should not be held in London, and that Governments interested should consider the advisability of (1) being represented by their experts in South Africa, where certain research stations are operating; or (2) the appointment of an independent expert to visit the various tobacco-growing countries and advise on the numerous points relating to culture, &c.

(c) The meeting expressed the view that the methods at present adopted by the Empire Marketing Board were adequate, it being pointed out that the recommendation of the Imperial Economic Committee was made some two years ago, and before the Empire Marketing Board commenced to function as it was doing at present.

(d) It was explained that the Empire Marketing Board was already in touch with manufacturers in this connection, and was at present actively engaged in an endeavour to induce manufacturers in this country to utilize a certain minimum percentage of Empire tobaccos.

(e) The meeting agreed to set up the suggested Committee, trade representatives of various Governments to act. The first meeting of the advisory Committee is to be held on the 2nd May to consider the form in which statistics should be submitted, and I will advise you immediately this is decided.

The resolutions above quoted demonstrate most clearly that in London there is a desire to absorb, if possible, Empire tobacco-leaf. The necessity for such a policy is well set forth in a memorandum to the Empire Marketing Board by the High Commissioner for Southern Rhodesia:—

“A matter for serious concern to Southern Rhodesia, as, indeed, it must be to all tobacco-growing countries of the British Empire, is the fact that the imports of tobacco from America to the United Kingdom during the last five years have increased by over 25 per cent., and in one year alone—namely, 1928–29—such imports increased nearly 20 per cent., whereas during the same year imports from all other countries, including the dominions and colonies of the British Empire, decreased by nearly 30 per cent. 205,279,535 lb. of American tobacco were imported into the United Kingdom during 1929—a record.”

While discussing the matter of export it is perhaps in place to refer to a comment on the above proposition by the High Commissioner for New Zealand in March last:—

“It is observed that some two and a half million pounds of tobacco of all grades is imported annually into the Dominion, and it would consequently be of interest to learn whether it is the intention of local interests to make an endeavour to secure the bulk of this trade, or is it the intention of those interested to carry on as at present and to concentrate on export? Obviously, there is a good local market, and, whilst it is admitted that certain grades will have to be imported for blending, it would appear that the time is opportune to take the fullest possible advantage of any sums which may be available for research purposes.”

Considered opinions tendered to your Committee indicate that New Zealand leaf of first quality ranks second only to the best Virginian. Such expert opinions thus place our leaf on a high Empire standard. It is interesting to note that inquiries have recently been made from the Commonwealth regarding supplies of our domestic leaf, but it must be stated that up till now such negotiations have not assumed a commercial scale.

#### EXPERIMENTAL WORK IN NEW ZEALAND.

The evidence before your Committee establishes the fact that little worth-while experimental work has been carried on in the Dominion. Such experimental work was carried out in his earlier manufacturing days by Mr. Husheer, and it seems likely to suppose that experimental work would have saved much capital at present invested in certain tobacco-growing propositions. Even the work carried out by Messrs. W. D. and H. O. Wills (N.Z.), Ltd., does not at all compare with the work that has since 1926 been carried out in the Commonwealth of Australia, in which the British Australasian Tobacco Pty. Co., Ltd., has been so interested.

#### TARIFF PROTECTION.

The local industry was to an extent protected under the Customs tariff of 1927, which was as follows:—

| Item No.           | Tariff Items.   | British Preferential Tariff.<br>Column No. 1. | General Tariff.<br>Column No. 2. |
|--------------------|---|---|----------------------------------|
| CLASS II.—TOBACCO. |   |   |                                  |
| 74                 | Cigarettes n.e.i. . . . .   | 25s. 6d. per 1,000                            | 25s. 6d. per 1,000.              |
| 75                 | Cigarettes, exceeding in weight 2½ lb. per 1,000 . . . . .  | 10s. 6d. per lb.                              | 10s. 6d. per lb.                 |
| 76                 | Cigars, including the weight of every band, wrapper, or attachment to any cigar . . . . .   | 12s. per lb.                                  | 12s. per lb.                     |
| 77                 | Snuff . . . . .   | 12s. per lb.                                  | 12s. per lb.                     |
| 78                 | Tobacco, fine cut, suitable for the manufacture of cigarettes . . . . .   | 10s. per lb.                                  | 10s. per lb.                     |
| 79                 | Tobacco, cut, n.e.i. . . . .  | 4s. 2d. per lb.                               | 4s. 2d. per lb.                  |
| 80                 | Tobacco n.e.i., including the weight of every label, tag, or other attachment . . . . .   | 4s. per lb.                                   | 4s. per lb.                      |
| 81                 | Tobacco, unmanufactured, entered to be manufactured in New Zealand in any licensed tobacco-factory, for manufacturing purposes only, into tobacco, cigars, cigarettes, or snuff . . . . . | 2s. per lb.                                   | 2s. per lb.                      |
| 82                 | Tobacco for sheep-wash, or for insecticide, after being rendered unfit for human consumption to the satisfaction of the Minister . . . . .  | Free  | Free.                            |

The excise duties payable on tobacco before the Customs question was considered by Parliament this session were as follows:—

| Goods.  |    |    |    |    |    | Rate of Duty.   |
|---|----|----|----|----|----|-----------------|
| Tobacco, cut  | .. | .. | .. | .. | .. | 1s. 8d. per lb. |
| Tobacco, fine cut, suitable for the manufacture of cigarettes | .. | .. | .. | .. | .. | 6s. 3d. per lb. |
| Other tobacco   | .. | .. | .. | .. | .. | 1s. 6d. per lb. |
| Cigars and snuff  | .. | .. | .. | .. | .. | 4s. per lb.     |
| Cigarettes—   |    |    |    |    |    |                 |
| If manufactured by machinery                                  | .. | .. | .. | .. | .. | 5s. 6d. per lb. |
| If manufactured by hand                                       | .. | .. | .. | .. | .. | 4s. per lb.     |

*Statement showing certain Particulars of the Imports of and the Rates of Duty collected on Tobacco, Cigarettes, and Cigars, the Quantity of Leaf Tobacco grown in New Zealand, and the Quantity of Tobacco and Cigarettes manufactured in New Zealand.*

- (1) Total quantity and value of unmanufactured tobacco-leaf imported into the Dominion during the years 1925-26 to 1929-30, inclusive.

| Year ended<br>31st March, | Quantity.<br>lb. | Value.<br>£ |
|---------------------------|------------------|-------------|
| 1926 .. .. .              | 346,378          | 52,234      |
| 1927 .. .. .              | 362,996          | 52,895      |
| 1928 .. .. .              | 588,811          | 77,836      |
| 1929 .. .. .              | 1,247,269        | 137,079     |
| 1930 .. .. .              | 1,621,135        | 190,597     |

The values shown represent the current domestic values in the countries of export, plus 10 per cent.

- (2) Total quantity of cigarettes imported during the years 1925-26 to 1929-30, inclusive.

| Year ended<br>31st March, | Quantity.<br>lb. |
|---------------------------|------------------|
| 1926 .. .. .              | 1,478,153        |
| 1927 .. .. .              | 1,401,373        |
| 1928 .. .. .              | 1,286,209        |
| 1929 .. .. .              | 1,292,547        |
| 1930 .. .. .              | 1,233,048        |

- (3) Total quantity of cigars imported into New Zealand during the years 1925-26 to 1929-30, inclusive.

| Year ended<br>31st March, | Quantity.<br>lb. |
|---------------------------|------------------|
| 1926 .. .. .              | 36,267           |
| 1927 .. .. .              | 25,637           |
| 1928 .. .. .              | 28,537           |
| 1929 .. .. .              | 29,312           |
| 1930 .. .. .              | 24,097           |

- (4) The average estimated values of all imported leaf tobacco at the oversea port of export during the past five financial years are as follows:—

| Year.           | Average per Pound. |
|-----------------|--------------------|
|                 | s. d.              |
| 1925-26 .. .. . | 2 9                |
| 1926-27 .. .. . | 2 8                |
| 1927-28 .. .. . | 2 5                |
| 1928-29 .. .. . | 2 0                |
| 1929-30 .. .. . | 2 2                |

- (5) The total quantity and value of tobacco manufactured in New Zealand for 1925-26 to 1929-30, inclusive.

The following figures show the total quantity of New-Zealand-made tobacco on which excise duty was paid during the financial years 1925-26 to 1929-30, inclusive. The Customs Department has no information regarding the value of the tobacco manufactured in New Zealand.

| Year ended<br>31st March, | Quantity.<br>lb. |
|---------------------------|------------------|
| 1926 .. .. .              | 143,389          |
| 1927 .. .. .              | 223,058          |
| 1928 .. .. .              | 662,200          |
| 1929 .. .. .              | 704,315          |
| 1930 .. .. .              | 1,060,881        |

- (6) The total quantity and value of cigarettes manufactured in New Zealand for 1925-26 to 1929-30, inclusive.

The following figures show the total quantity of New-Zealand-made cigarettes on which excise duty was paid during the financial years 1925-26 to 1929-30, inclusive. This Department has no information regarding the value of the cigarettes manufactured in New Zealand.

| Year ended<br>31st March, | Quantity.<br>lb. |
|---------------------------|------------------|
| 1926 .. .. .              | 257,776          |
| 1927 .. .. .              | 242,466          |
| 1928 .. .. .              | 304,575          |
| 1929 .. .. .              | 403,412          |
| 1930 .. .. .              | 656,311          |

(7) The total quantity of New Zealand leaf tobacco and the total quantity of imported leaf received by the tobacco-factories for use in the manufacture of cigarettes and tobacco, and the proportion of New Zealand leaf so received, were as under :—

| Year ended 31st March, | New Zealand<br>Leaf received. | Imported<br>Leaf. | Total Leaf<br>Tobacco. | Proportion of<br>New Zealand<br>Leaf. |
|------------------------|-------------------------------|-------------------|------------------------|---------------------------------------|
|                        | lb.                           | lb.               | lb.                    | Per Cent.                             |
| 1926 .. .. .           | 129,136                       | 346,378           | 475,514                | 27.2                                  |
| 1927 .. .. .           | 86,685                        | 362,996           | 449,681                | 19.3                                  |
| 1928 .. .. .           | 264,285                       | 588,811           | 853,096                | 31                                    |
| 1929 .. .. .           | 687,168                       | 1,247,269         | 1,934,437              | 35.5                                  |
| 1930 .. .. .           | 804,906                       | 1,621,135         | 2,426,041              | 33.2                                  |

TOTAL QUANTITIES OF FOREIGN LEAF IMPORTED, 1927-30.

By National Tobacco Co., Ltd.

| Period.   | Weight.   | Average Price.                             |
|---|-----------|--|
|   | lb.       |  |
| 1st January, 1927, to 31st December, 1930 .. .. . | 1,248,000 | 27 cents f.o.b. Newport News and New York. |
| 1st January, 1930, to 31st March, 1930 .. .. .    | 210,000   | 26 cents f.o.b. American ports.            |
| 1st April, 1930, to 30th June, 1930 .. .. .       | 180,000   | 26 cents f.o.b. American ports.            |

By W. D. and H. O. Wills (N.Z.), Ltd., and Associated Companies.

| Year ended 31st March,                             | Weight.<br>lb. |
|--|----------------|
| 1927 .. .. .                                       | 222,402        |
| 1928 .. .. .                                       | 349,479        |
| 1929 .. .. .                                       | 625,042        |
| 1930 .. .. .                                       | 1,032,405      |
| Period 1st April, 1930, to 30th June, 1930 .. .. . | 430,307        |

From the above returns it will be noted that Messrs. W. D. and H. O. Wills do not quote the average price paid f.o.b. American ports for their imported leaf.

The general manager in a letter addressed to the Committee states in reply to a question asking for the prices paid for each grade and the quantities of each grade imported : “ We do not import this tobacco by grades, but in blends, and it is therefore not possible to give prices by American grades, but it may be classified in seven main qualities, for which the prices f.o.b. New York are as follows : Z, 49.1d.; Y, 39.3d.; X, 34.3d.; W, 39.1d.; V, 28.7d.; U, 25.8d.; T, 18.1d.”

As these figures were much in excess of what the Committee understood the usual prices f.o.b. American ports to be, the opinions of experts were sought on the particular question. The Chairman asked Mr. G. Husheer, managing director of the National Tobacco Co., this question :—

“ I shall put this question now : Would you say that the price of 4s. 1.1d. as given by a company importing into New Zealand would be an indication of the price usually paid by tobacco-manufacturers for American leaf ?—No; such a price is quite excessive. I have been in the tobacco trade for forty-five or fifty years and have travelled in almost every country capable of producing tobacco, and have never come across such a price, except for Sumatra tobacco or fine Turkish tobacco, but not for American.

“ Would there be any use for such tobacco to the manufacturer in New Zealand ?—No.

“ What opinion would you offer on this : Prices at port of export—Maximum price, 4s. 1.1d.; minimum price, 18.6d.?—I can only repeat what I have said. I can land here in New Zealand good sound coloury leaf at 1s. per pound—not very coloury, but semi-brights. I can land semi-brights at 1s. per pound.”

Mr. R. L. Gracie was examined on these figures, and did not correct them in any way, as his evidence shows :—

“ The Chairman.] In Mr. Smith’s letter the price is stated at 18.6d. at the American port of export for the last grade you import ?—Yes.

“ And for the highest grade 49.1d. at the American port of export ?—Yes.

“ What do you use that for ?—Mostly cigarettes.



"We have had the evidence of Mr. Husheer, and he has stated that after fifty years of experience in the tobacco business he could not think of any leaf that would cost 49-1d. at port of export in America?—Well, I have seen leaf at over a dollar a pound in America before you start redrying the strips, or blending, or anything.

"Would that be as sold by the grower?—Yes. And it was nothing unusual to pay 75 cents a pound.

"*Mr. Barnard.*] That high-class tobacco at 75 cents: would that be used specially for cigarette purposes?—Yes, high-class cigarette purposes. Sometimes it is used in high-class wrappers.

"*The Chairman.*] Have you known tobacco to be as costly as 4s. 1-1d.?—More than that. A dollar a pound is 4s. 2d.: I have seen it sold for a dollar a pound green.

"That leaf you have had a look at was landed in New Zealand for 1s.?—That is very cheap."

According to Mr. S. F. Brame, the figures forwarded to the Committee by Mr. Smith do not represent the true f.o.b. price, nor could much weight be attached to such prices ex New York:—

"*The Chairman.*] Would you say that blending is a process of manufacture?—It has already gone through it.

"Would you say that stripping was a process of manufacture?—Yes, it is the first thing in manufacture.

"Regarding blends, do you know if there is much blending done in New Zealand?—I think the National Company do so.

"What about the other people?—They did not do any when I was with them.

"Where was it done?—In Richmond, Virginia. I say five hundred cases, not two cases, would weigh the same.

"This is the statement of the managing director of W. D. and H. O. Wills: 'As to question 4, we do not import this tobacco by grades, but in blends, and it is therefore not possible to give prices by American grades, but it may be classified in seven main qualities, for which the prices f.o.b. New York are as follow . . . . How much tobacco is exported from New York?—A small quantity. The exports from Virginia now are more than from any other place.

"Can you tell the Committee from which port most of the manufactured leaf comes?—From Newport News, I think. That would be the nearest shipping-point. Why should they have to ship it to New York and ship it down again?

"You say the price at Newport News would be the best possible price to this country?—Yes; it is wherever the warehouse is, and most of the tobacco companies have their own warehouses. Some might be in Newport News and some in Port Smith, but they would be mostly together. Some have warehouses in one place and some in another, but Newport News is where the majority of them ship from. They used to ship from New York, but the railway company got to them and offered them better rates.

"The statement from W. D. and H. O. Wills goes on, 'Z, 49-1d.' and says, 'it may be classified in seven main qualities': would 49-1d. be a dear blend or a cheap blend?—It would be about four times what it would cost on the market to buy it.

"*Mr. Barnard.*] That is the blend for cigarette purposes?—Yes.

"*The Chairman.*] Do you know anything about the quality of the tobacco that goes into 'Varsity' cigarettes?—Yes.

"Would you pay 49-1d. for that?—No.

"What would you pay for it?—On the market, not more than 10d.

"The next one is 'Y, 39-3d.': would that be an exorbitant price also?—It looks like it.

"The other grades are: 'X, 34-3d.; W, 39-1d.; V, 28-7d.; U, 25-8d.; and T, 18-1d.' Regarding all these blends, what would you like to say as to the prices?—It would cost about 10d. to buy it and another 10d. to put it on c.i.f. anywhere in the States.

"That would be the best of them?—Yes; you could put it on the wharf in any of the States no matter where the ship was, and the freight would be added."

Mr. R. B. Smith, general manager, was re-examined on the figures presented by him:—

"*The Chairman.*] Regarding the purchase of leaf, what is the name of the company you have bought from outside New Zealand?—The British-American.

"You buy through that company; what company do you buy from?—We buy direct from the British-American.

"Are you quite certain about that?—They buy, so far as I know, from the Export Leaf Tobacco Co.

"Do you know whether they are a subsidiary company of the British-American?—Probably they are.

"Regarding the price you pay for leaf, how is it you pay such big prices? The lowest quoted in your letter is 1s. 6d. at the port of export?—Yes.

"How is it another company in New Zealand can buy that leaf for 10d.?—I do not know. I take it they are buying an inferior leaf.

"We have had the leaf here, and Mr. Gracie gave the price for it as 2s. 1d., Mr. Lowe's price was 1s. 6d., and it was bought for 10d.?—I do not know how he gets it so cheap. He is buying very well.

"Would it not be possible that your company in America is charging you more than the market value of the leaf?—Not on that leaf.

"What do you use your 49d. leaf for?—That goes into cigarettes.

"What cigarettes?—That would go into 'Players' so far as I know; but there is more than the market value in that.

“Why?—That is part of the buying arrangement.

“How can there be more than the market value in it?—The British-American charges more than the market value.

“You realize what that means, do you not—that the New Zealand Government is not getting taxation from your company, through this arrangement, that it otherwise should get, if the British-American is charging you more than the market value?—I do not think so.

“It is quite obvious?—It is not more than the market value of the leaf as blended.

“If it is coming in as blended, it is coming in ‘in the process of manufacture’?—Yes, I think blending might be regarded as a process of manufacture.”

It will be seen that the managing director of the W. D. and H. O. Wills admits that “the British-American charges more than the market value.” It, therefore, is clear that if only the market price were charged by the American Leaf Export Co. the profit of the companies operating in the Dominion would be larger. Taxation can be avoided because the duty on imported American tobacco-leaf is not on an *ad valorem* basis.

To ascertain what the exact position is, the Customs Department were asked to check the figures submitted by the managing director, and the departmental reply is: “Messrs. W. D. and H. O. Wills (N.Z.), Ltd., have classed their tobacco in price classes (Z, Y, X, &c.), and the figures represent the average prices f.o.b. Richmond, except in the case of Class Z (49·1d.), which is the average price f.o.b. Liverpool for two special lines. The figures have been checked with the invoices and found to be correctly taken therefrom. Being averages, it seems to me that without details as to the quantity and price of each blend of grades imported the figures do not convey any useful information. The tobacco is, in general, shipped for New Zealand at Newport News, but is occasionally shipped from New York.”

The Official U.S.A. Year-book of Agriculture for 1930 shows the average production price received by the growers to be—

| Kind of Leaf Tobacco.             | Average Price per Pound. |        |
|-----------------------------------|--------------------------|--------|
|                                   | 1928.                    | 1929.  |
|                                   | Cents.                   | Cents. |
| Flue-cured .. .. .                | 17·7                     | 18·2   |
| Fire-cured .. .. .                | 14·0                     | 12·9   |
| Air-cured, light—                 |                          |        |
| Burley .. .. .                    | 30·4                     | 22·3   |
| All types .. .. .                 | 30·2                     | 22·4   |
| Air-cured, dark .. .. .           | 11·7                     | 11·4   |
| All types of leaf tobacco .. .. . | 20·2                     | 19·0   |

The latest available statistics showing the total leaf export of the United States proved interesting to your Committee:—

(Extract from the Annual Report on the Foreign Commerce of the United States of America for 1928, pages 59–61.)

EXPORTS FROM UNITED STATES OF AMERICA OF LEAF TOBACCO, YEAR 1928.

| Bright flue-cured—<br>Exported to— | lb.         | Dollars.    | Average per Pound |
|------------------------------------|-------------|-------------|-------------------|
|                                    |             |             | Cents.            |
| New Zealand .. .. .                | 1,736,663   | 865,874     | 50                |
| United Kingdom .. .. .             | 162,329,271 | 69,341,572  | 43                |
| Irish Free State .. .. .           | 2,777,645   | 1,184,552   | 42                |
| South Africa .. .. .               | 17,771      | 12,600      | 71                |
| Australia .. .. .                  | 20,049,992  | 7,124,438   | 35                |
| Total to all countries .. .. .     | 434,897,569 | 128,948,044 | 30                |
| Burley—                            |             |             |                   |
| New Zealand .. .. .                | ..          | ..          | ..                |
| United Kingdom .. .. .             | 832,628     | 287,262     | ..                |
| Irish Free State .. .. .           | 975         | 312         | ..                |
| South Africa .. .. .               | ..          | ..          | ..                |
| Australia .. .. .                  | 301,055     | 115,780     | ..                |
| Total to all countries .. .. .     | 6,543,962   | 1,197,705   | ..                |
| Dark-fired Kentucky and Tennessee— |             |             |                   |
| New Zealand .. .. .                | 3,145       | 377         | 11·98             |
| United Kingdom .. .. .             | 6,547,419   | 1,620,654   | ..                |
| Irish Free State .. .. .           | 534,415     | 94,414      | ..                |
| South Africa .. .. .               | ..          | ..          | ..                |
| Australia .. .. .                  | 2,728       | 2,151       | ..                |
| Total to all countries .. .. .     | 84,014,115  | 13,241,917  | ..                |
| Dark Virginia—                     |             |             |                   |
| New Zealand .. .. .                | 222,149     | 56,156      | 25·2              |
| United Kingdom .. .. .             | 1,234,499   | 334,307     | ..                |
| Irish Free State .. .. .           | 223,326     | 82,214      | ..                |
| South Africa .. .. .               | ..          | ..          | ..                |
| Australia .. .. .                  | 779,854     | 308,126     | ..                |
| Total to all countries .. .. .     | 18,695,382  | 3,846,793   | ..                |

|   |    |    |    |    |    | lb.        | Dollars.  |
|---|----|----|----|----|----|------------|-----------|
| Maryland and Ohio export—                 |    |    |    |    |    |            |           |
| New Zealand                               | .. | .. | .. | .. | .. | ..         | ..        |
| United Kingdom                            | .. | .. | .. | .. | .. | 88,739     | 39,094    |
| Irish Free State                          | .. | .. | .. | .. | .. | 1,750      | 900       |
| South Africa                              | .. | .. | .. | .. | .. | ..         | ..        |
| Australia                                 | .. | .. | .. | .. | .. | ..         | ..        |
| Total to all countries                    | .. | .. | .. | .. | .. | 10,947,216 | 2,069,126 |
| Green River—                              |    |    |    |    |    |            |           |
| New Zealand                               | .. | .. | .. | .. | .. | ..         | ..        |
| United Kingdom                            | .. | .. | .. | .. | .. | 2,401,465  | 679,291   |
| Irish Free State                          | .. | .. | .. | .. | .. | 444,311    | 60,219    |
| South Africa                              | .. | .. | .. | .. | .. | 11,564     | 2,071     |
| Australia                                 | .. | .. | .. | .. | .. | ..         | ..        |
| Total to all countries                    | .. | .. | .. | .. | .. | 8,367,724  | 1,368,053 |
| One-sucker leaf tobacco—                  |    |    |    |    |    |            |           |
| New Zealand                               | .. | .. | .. | .. | .. | ..         | ..        |
| United Kingdom                            | .. | .. | .. | .. | .. | ..         | ..        |
| Irish Free State                          | .. | .. | .. | .. | .. | ..         | ..        |
| South Africa                              | .. | .. | .. | .. | .. | ..         | ..        |
| Australia                                 | .. | .. | .. | .. | .. | ..         | ..        |
| Total to all countries                    | .. | .. | .. | .. | .. | 3,227,424  | 539,183   |
| Black fat, water baler, and Dark African— |    |    |    |    |    |            |           |
| New Zealand                               | .. | .. | .. | .. | .. | ..         | ..        |
| United Kingdom                            | .. | .. | .. | .. | .. | 12,118     | 2,899     |
| Irish Free State                          | .. | .. | .. | .. | .. | ..         | ..        |
| South Africa                              | .. | .. | .. | .. | .. | ..         | ..        |
| Australia                                 | .. | .. | .. | .. | .. | ..         | ..        |
| Total to all countries                    | .. | .. | .. | .. | .. | 1,500,139  | 286,885   |
| Cigar leaf—                               |    |    |    |    |    |            |           |
| New Zealand                               | .. | .. | .. | .. | .. | ..         | ..        |
| United Kingdom                            | .. | .. | .. | .. | .. | 6,222      | 3,672     |
| Irish Free State                          | .. | .. | .. | .. | .. | ..         | ..        |
| South Africa                              | .. | .. | .. | .. | .. | ..         | ..        |
| Australia                                 | .. | .. | .. | .. | .. | 28,761     | 3,838     |
| Total to all countries                    | .. | .. | .. | .. | .. | 662,008    | 574,125   |
| Other leaf tobacco—                       |    |    |    |    |    |            |           |
| New Zealand                               | .. | .. | .. | .. | .. | 30,685     | 1,500     |
| United Kingdom                            | .. | .. | .. | .. | .. | 219,080    | 73,152    |
| Irish Free State                          | .. | .. | .. | .. | .. | 1,573      | 800       |
| South Africa                              | .. | .. | .. | .. | .. | ..         | ..        |
| Australia                                 | .. | .. | .. | .. | .. | 4,934      | 1,100     |
| Total to all countries                    | .. | .. | .. | .. | .. | 6,556,475  | 2,060,809 |

Taking the highest class of leaf—bright flue-cured—it will be observed that, while the average price to “all countries” was 30 cents, that to New Zealand was 50 cents, or 15 cents higher than the average price to Australia.

Tobacco is imported into the Dominion under the several items—

78. Tobacco, fine cut, suitable for the manufacture of cigarettes.

79. Tobacco, cut, n.e.i.

80. Tobacco n.e.i., including the weight of every label, tag, or other attachment.

81. Tobacco, unmanufactured, entered to be manufactured in New Zealand in any licensed tobacco-factory, for manufacturing purposes only, into tobacco, cigars, cigarettes, or snuff.

82. Tobacco for sheep-wash, or for insecticide, after being rendered unfit for human consumption to the satisfaction of the Minister.

The relative definitions in section 2 of the Tobacco Act, 1908, are as follows:—

“‘Manufacture,’ ‘manufacturing,’ or ‘manufactured’ includes the processes of cutting, pressing, grinding, crushing, or rubbing any raw or leaf tobacco, or otherwise preparing raw or leaf tobacco or manufactured or partially manufactured tobacco, and of making cigarettes by machinery, whether from duty-paid or from non-duty-paid tobacco, and of putting up for use or consumption in any way any scraps, waste, clippings, stems, or deposits of tobacco resulting from any process of handling tobacco.” The concluding paragraph of this definition as amended by the Finance Act (No. 2), 1921, reads: “but does not include the making by hand outside a bonded tobacco-factory of cigarettes made from duty-paid fine-cut tobacco suitable for the manufacture of cigarettes.”

“‘Manufactured tobacco’ means tobacco that has been manufactured or prepared by any means or in any shape for smoking or for any other purpose.

“‘Raw tobacco’ means unmanufactured tobacco or the leaves and stems of the tobacco-plant before they have passed through any process of manufacture.

“‘Tobacco’ includes cigars, snuff, and cigarettes.”

From the evidence it is proved that tobacco-leaf has been imported into New Zealand with the midrib removed. In other words, it has been brought into the country in strips, and not as “the leaves and stems of the tobacco-plant before they have passed through any process of manufacture.”

Messrs. W. D. and H. O. Wills (N.Z.), Ltd., on this point say:—

“As to the position of strips with reference to Customs duty, no distinction has ever been made on this point in New Zealand. In our opinion, and, we believe, also in the opinion of the Customs authorities, strips and blended leaf cannot be regarded as manufactured tobacco, and have never been thus regarded in any country so far as we are aware. The proportion of strips imported is falling as is shown by the following figures:—

|                                      |       | Strips.   | Leaf.     |
|--------------------------------------|-------|-----------|-----------|
|                                      |       | Per Cent. | Per Cent. |
| Twelve months ending September, 1929 | .. .. | 78·8      | 21·2      |
| Eleven months ending August, 1930    | .. .. | 41·5      | 58·5”     |

It is unfortunate that the Tobacco Act does not contain a concise definition of "unmanufactured tobacco." In England and in Australia leaf coming in in strips is regarded as unmanufactured leaf, but there is an additional impost in the United Kingdom of 2d. per pound as against the duty paid on unmanufactured leaf coming in unstripped. Since 1908 there has been a distinction in the Federal tariff in respect of "unstemmed tobacco, unmanufactured, entered to be locally manufactured," and "stemmed or partly stemmed, or in strips." The latter has been charged 6d. per pound higher duty.

From the minutes of evidence attached hereto it will also be seen that tobacco has been coming in in grades. Experts admitted to the Committee that blending is a paramount factor in cigarette-manufacture, and it appears that a cigarette contains many blends—much more so than cut tobaccos. It is abundantly clear from the wide difference in the price of leaf f.o.b. American ports, the prices paid by the National Company, and the statements submitted by the Customs Department, the report of Messrs. W. R. Thompson, D. F. Ratief, and D. E. A. Gutsche, entitled "Tobacco-growing in the United States," and issued by the African authorities, that the prices quoted "in blends" represent blending for manufacture abroad.

Your Committee naturally was interested to know the proportion of New Zealand leaf used by the manufacturing companies. The National Tobacco Co., Ltd., according to the evidence tendered and adduced, is not only a larger buyer of domestic leaf than the British-American companies, but also uses a much larger percentage of New Zealand leaf in the manufacture of their smoking-mixtures than their competitors. In reply to a question by Mr. Barnard as to what proportion of New Zealand leaf was used in their brands containing a blend of local tobacco, Mr. Smith replied: "Well, might I, without giving the exact figures, say that it is less than 30 per cent. in the case of 'Silver Fern' mild, less than 60 per cent. in the case of 'Silver Fern' cut plug, and less than 25 per cent. in the case of 'Twelves.'" And at a subsequent meeting Mr. Smith disclosed to the Committee, confidentially, the ratio of local leaf to foreign in "Twelves."

Mr. G. Husheer, managing director of the National Tobacco Co., in evidence, stated: "The proportion of foreign leaf used by us in the blending of our product varies according to the character of the crops every year, but it ranges from 25 to 40 per cent.," and that "the average of imported leaf of the various brands is about 30 per cent."

It was also disclosed in evidence before your Committee that the Dominion Tobacco Co. has adopted the national emblem for their "Silver Fern" brand, and also for their "Twelves" cigarettes. It does not appear fair to either the local grower or the general public that a smoking mixture containing a low domestic-leaf ratio in the blend should be described as "a blend containing the choicest selected New-Zealand-grown leaf"; nor, again, should such brands be described as "the Dominion tobacco" in trade signs and advertisements, when the more correct association of the word "Dominion" is with the Dominion Tobacco Co., Ltd., as the manufacturers, and not with the proportion of Dominion-grown leaf used in such smoking mixture.

"To produce a cigarette containing any large proportion of New Zealand leaf is, in our opinion, completely impossible at present," was the considered opinion tendered on behalf of the British-American companies by Mr. R. B. Smith, managing director. The popularity of the products of the National Tobacco Co. was admitted by W. D. and H. O. Wills (N.Z.), Ltd., to the Committee. There is a demand from the New Zealand public for New-Zealand-manufactured tobacco-leaf, and it is a commonplace that much of the New Zealand tobacco is to-day made up into cigarettes by individual smokers.

From the minutes of evidence it will be seen that, according to statements made before the Committee by the Secretary of the Stores Control Board, and also by the Department of Industries and Commerce, Messrs. W. D. and H. O. Wills (N.Z.), Ltd., this year submitted a tender to supply the Mental Hospitals Department and the Prisons Department with 100 per cent. New Zealand tobacco in 5 lb. packets. The amount of the tender was for approximately 8 tons.

#### INCIDENCE OF CUSTOMS ACTS AMENDMENT ACT, 1930.

As a result of the recent alteration in the law effected by the passing of the Customs Acts Amendment Act, 1930, the duties that are now levied are as follows:—

##### 1. IMPORT DUTIES.

| Item No.           | Tariff Items.   | British Preferential Tariff.<br>Column No. 1. | General Tariff.<br>Column No. 2. |
|--------------------|---|---|----------------------------------|
| CLASS II.—TOBACCO. |   |   |                                  |
| 74                 | Cigarettes n.e.i. . . . .   | 33s. 9d. per 1,000                            | 33s. 9d. per 1,000.              |
| 75                 | Cigarettes exceeding in weight 2½ lb. per 1,000 . . . . .   | 13s. 9d. per lb.                              | 13s. 9d. per lb.                 |
| 76                 | Cigars, including the weight of every band, wrapper, or attachment to any cigar . . . . .   | 15s. per lb.                                  | 15s. per lb.                     |
| 77                 | Snuff . . . . .   | 15s. per lb.                                  | 15s. per lb.                     |
| 78                 | Tobacco, fine cut, suitable for the manufacture of cigarettes . . . . .   | 13s. 3d. per lb.                              | 13s. 3d. per lb.                 |
| 81                 | Tobacco, unmanufactured, entered to be manufactured in New Zealand in any licensed tobacco-factory, for manufacturing purposes only, into tobacco, cigars, cigarettes, or snuff . . . . . | 3s. per lb.                                   | 3s. per lb.                      |

##### 2. EXCISE DUTIES.

|     |  |   |
|-----|--|---|
| (a) | On tobacco (cut) . . . . .   | One shilling and eightpence the pound.  |
| (b) | On tobacco, fine cut, suitable for the manufacture of cigarettes . . . . . | Nine shillings and ninepence the pound. |
| (c) | On other tobacco . . . . .   | One shilling and sixpence the pound.    |
| (d) | On cigars and snuff . . . . .  | Five shillings and sixpence the pound.  |
| (e) | On cigarettes—   |   |
|     | (i) If manufactured by machinery . . . . .                                 | Ten shillings the pound.                |
|     | (ii) If made by hand . . . . .   | Eight shillings and sixpence the pound. |

The above duties do not, however, wholly operate. Section 23 of the amending measure, *inter alia*, provides—

(1) Where any manufactured tobacco has been manufactured wholly or partly from imported unmanufactured tobacco, the aggregate of the Customs duties (exclusive of primage duty or surtax) payable on such unmanufactured tobacco, and the excise duties payable on such manufactured tobacco, shall not exceed the following amounts, namely :—

- (a) In the case of tobacco (cut) . . . . . Three shillings and eightpence the pound.
- (b) In the case of tobacco, fine cut, suitable for the manufacture of cigarettes . . . . . Eleven shillings and ninepence the pound.
- (c) In the case of other tobacco . . . . . Three shillings and sixpence the pound.
- (d) In the case of cigars or snuff . . . . . Seven shillings and sixpence the pound.
- (e) In the case of cigarettes—
  - (i) Manufactured by machinery . . . . . Twelve shillings the pound.
  - (ii) Made by hand . . . . . Ten shillings and sixpence the pound.

(2) For the purposes of this section the decision of the Minister that any particular manufactured tobacco has been wholly or partly manufactured in New Zealand from imported unmanufactured tobacco shall be final and conclusive.

The incidence of these duties was fully explained to the Committee by Doctor G. Craig, Comptroller of Customs :—

“ I will take that as the basis if you like. Now, gentlemen, I do not wish to be very complex in regard to this matter. I will first of all go into the question of cut tobacco as an illustration of the position, and then, later on, I will say something about cigarettes. Cigars are really unimportant. Prior to the 22nd July of this year the duty on manufactured cut tobacco was 4s. 2d. per pound, plus 2 per cent. primage *ad valorem*, and on the unmanufactured leaf tobacco it was 2s. per pound, plus 2 per cent. primage. The excise duty in force prior to the 22nd July on cut tobacco was 1s. 8d. per pound. So that, at that time, on manufactured tobacco made in New Zealand from imported leaf they had to pay a total duty of 3s. 8d. per pound, as against 4s. 3d. That was a protection of 6d. per pound for manufactured cut tobacco made from imported leaf tobacco. Now under the Customs Acts Amendment Act of 1930, passed on the 18th of this month, the duty on imported manufactured tobacco is 4s. 2d. per pound, plus a surtax of 5 per cent., or one-twentieth. Then, on imported leaf tobacco the duty is 3s. per pound, plus a surtax of one-twentieth of the duty. The duty on tobacco (cut) is 1s. 8d. per pound, with a proviso that in no case shall the aggregate of the import duty, exclusive of surtax, and plus excise duty, exceed 3s. 8d. per pound. That means that the manufacturer of tobacco from imported unmanufactured leaf still gets the protection he got under the old tariff. I will now give you some figures showing the effect of these duties on tobacco made from different proportions of New Zealand leaf. I will give you those figures now, but I will also have them prepared in the form of a statement, which I will send to you later on. Under the old tariff, the one in force prior to the 22nd July of this year, if 10 per cent. of New Zealand leaf were used the total duty payable would be 3s. 5-6d. I may say that I have omitted the primage and surtax in these calculations altogether. That means that the manufacturer of that tobacco got a concession of 8-4d. That is the difference between 3s. 5-6d. and 4s. 2d. Under the Act as now passed the total duty payable is the minimum—namely, 3s. 8d.: that is, he only gets a protection of 6d. per pound, in lieu of 8-4d. previously. But if he used 20 per cent. of New Zealand leaf he previously got 10-8d. concession, and now he gets 6d.; if he used 30 per cent. of New Zealand leaf he got 1s. 1d. concession, and now he gets still 6d.; and so on up to 33½ per cent. the only protection he gets is 6d. When he used 40 per cent. of New Zealand leaf the concession used to be 1s. 3-6d.; now it is 8-4d. Then, getting on to the lines usually made in New Zealand, apart from the lines of wholly imported leaf: 50 per cent. of New Zealand leaf used, concession of 1s. 6d., now 1s.; 60 per cent. of New Zealand leaf used, concession 1s. 8-4d., now 1s. 3-6d.; 70 per cent. of New Zealand leaf used, concession 1s. 10-8d., now 1s. 7-2d.; 80 per cent. of New Zealand leaf used, concession 2s. 1-2d., now 1s. 10-8d.; 90 per cent. of New Zealand leaf used, concession 2s. 3-6d.; now 2s. 2-4d. Then for 100 per cent. of New Zealand leaf he did get, and he does get now, 2s. 6d. per pound.”

The table referred to by Doctor Craig in his statement to the Committee tabulates the incidence of the duties in relation to the ratio of domestic leaf used as under :—

*Statement showing Duties (Customs and Excise, exclusive of Primage and Surtax) on Cut Tobacco manufactured in New Zealand and entered therein for Home Consumption prior to and after the Recent Alterations made by the Customs Acts Amendment Act, 1930.*

#### OLD RATES.

Duty on imported leaf, 2s. per pound. Excise duty on manufactured cut tobacco, 1s. 8d. per pound.

| Percentage of New Zealand Leaf in the Manufactured Tobacco                         |       | 100   | 90     | 80    | 70     | 60    | 50    | 40     | 30    | 20     | 10    | All imported. |
|--|-------|-------|--------|-------|--------|-------|-------|--------|-------|--------|-------|---------------|
|  | s. d. | s. d. | s. d.  | s. d. | s. d.  | s. d. | s. d. | s. d.  | s. d. | s. d.  | s. d. | s. d.         |
| Duty on raw leaf   | ..    | ..    | 2 4    | 4 8   | 7 2    | 9 6   | 1 0   | 1 2-4  | 1 4-8 | 1 7-2  | 1 9-6 | 2 0           |
| Excise duty  | ..    | 1 8   | 1 8    | 1 8   | 1 8    | 1 8   | 1 8   | 1 8    | 1 8   | 1 8    | 1 8   | 1 8           |
|  |       | 1 8   | 1 10-4 | 2 0-8 | 2 3-2  | 2 5-6 | 2 8   | 2 10-4 | 3 0-8 | 3 3-2  | 3 5-6 | 3 8           |
| Difference in duty in favour of locally manufactured tobacco over imported tobacco |       | 2 6   | 2 3-6  | 2 1-2 | 1 10-8 | 1 8-4 | 1 6   | 1 3-6  | 1 1-2 | 0 10-8 | 0 8-4 | 0 6           |

## NEW RATES.

Duty on imported leaf, 3s. per pound. Excise duty on manufactured cut tobacco, 1s. 8d. per pound.

| Percentage of New Zealand Leaf in the Manufactured Tobacco                         | 100         | 90             | 80             | 70              | 60             | 50           | 40             | 30             | 20             | 10             | All imported. |
|--|-------------|----------------|----------------|-----------------|----------------|--------------|----------------|----------------|----------------|----------------|---------------|
| Duty on raw leaf ..  | s. d.<br>.. | s. d.<br>0 3-6 | s. d.<br>0 7-2 | s. d.<br>0 10-8 | s. d.<br>1 2-4 | s. d.<br>1 6 | s. d.<br>1 9-6 | s. d.<br>2 1-2 | s. d.<br>2 4-8 | s. d.<br>2 8-4 | s. d.<br>3 0  |
| Excise duty ..   | 1 8         | 1 8            | 1 8            | 1 8             | 1 8            | 1 8          | 1 8            | 1 8            | 1 8            | 1 8            | 1 8           |
|  | 1 8         | 1 11-6         | 2 3-2          | 2 6-8           | 2 10-4         | 3 2          | 3 5-6          | *3 9-2         | *4 0-8         | *4 4-4         | *4 8          |
| Difference in duty in favour of locally manufactured tobacco over imported tobacco | 2 6         | 2 2-4          | 1 10-8         | 1 7-2           | 1 3-6          | 1 0          | 0 8-4          | 0 6            | 0 6            | 0 6            | 0 6           |

\* Maximum amount payable, 3s. 8d.

A reference to the minutes of evidence will show that there were many conflicting opinions offered as to the exact incidence of the present scheme. We refer particularly to the evidence of Mr. F. O. Hamilton, director of Messrs. Buxton and Co., of Nelson; the statement prepared by Professor Belshaw, of the Auckland University College, and handed in by Dr. Horton; and the opinion of Mr. G. Husheer, managing director, National Tobacco Co., Ltd., Napier.

The system is not a simple one, and, as the Customs Department admitted, it would be difficult to put into operation, necessitating most careful supervision at the factories, and certainly would prove costly in administration. Further than that, because of the limitation imposed by section 23 of the Act, which limitation was imposed to give the company prepared to manufacture in New Zealand from 100 per cent. foreign leaf a preference of 6d. per pound over the firm who were prepared to import only manufactured tobacco, it is clear that a preference is not enjoyed by the producers of local leaf, for there is no benefit to the manufacturer by his use of New Zealand leaf unless he uses a greater proportion than 33½ per cent. The manufacturer using 30 per cent. local leaf would have to pay just as much in combined Customs and excise duties as the manufacturer who used 100 per cent. foreign leaf.

It is clear to the Committee that difficulties can arise in the matter of claims for drawback of import duty paid on imported unmanufactured leaf on refuse stalks, clippings, and waste. The Australian regulations require that waste from imported leaf tobacco shall be kept separately from those of Australian leaf tobacco. Where this is impracticable—as, for instance, with regard to refuse after admixture—the material shall be apportioned *pro rata* to the quantities of imported and Australian leaf put into operation, and refund paid thereon accordingly. The Customs Department informed the Committee that this system is followed in New Zealand under strict supervision. New Zealand leaf arrives in factory unstripped: much of the foreign leaf has been arriving stripped. Again, in one factory the American leaf arriving with the midrib in it stripped 100 per cent.; the stems are then crushed and cut to a fine cut and used as filler in manufacture. Drawback is only claimable on foreign leaf. It would require very costly supervision to say what was and what was not foreign waste. If, again, the *pro rata* basis were followed, some New Zealand leaf has a heavier midrib than the imported. If imported strips were used in manufacture, there should be little loss in waste. Again, if the companies see fit to use the foreign midrib for manufacture, there should be a very small loss. Indeed, any such loss would not place the manufacturer at any real disadvantage in view of the higher duties paid in other countries for this imported leaf.

## EFFECT OF TARIFF PROTECTION ON OTHER EMPIRE COUNTRIES.

In its Ninth Report the Imperial Economic Committee gives the following *résumé* of what has been accomplished in other Empire countries as a result of tariff protection:—

“A preference on Empire tobacco was accorded in September, 1919, by the grant of a rebate of one-sixth of the full rate of import duty. In 1925 the rebate was increased to 50 per cent. to one-quarter of the full rate, or 2s. 0½d. a pound, and by the Finance Act of the following year the preference was stabilized at this figure for ten years from 1st July, 1926. This preference represents more than the value of the leaf itself in recent years. In Canada, where the local market for leaf has expanded slowly and the import of leaf from America has increased, the growth in production is the result of the grant of preference.

“In some of the newer countries, on the other hand, notably Rhodesia and Nyasaland, it is obvious that the effect of preference on production has been direct and phenomenal. The following table shows the increase in production consequent on the introduction of preference in those countries of the Empire in which there has been special development:—

|                         | Production, in Thousands of Lb., from Crop sown in |        | Increase, in Thousands of Lb. | Crop in 1926 as compared with that of 1918. |
|-------------------------|--|--------|-------------------------------|---|
|                         | 1918.  | 1926.  |                               |   |
| Southern Rhodesia .. .. | 620  | 19,175 | 18,555                        | 30 times.                                   |
| Northern Rhodesia .. .. | 445  | 2,071  | 1,626                         | 4½ times.                                   |
| Nyasaland .. ..         | 2,594  | 10,978 | 8,384                         | 4½ times.                                   |
| Canada .. ..            | 14,232   | 28,824 | 14,591                        | Twice.                                      |

"In Cyprus production has multiplied twenty-three times in the last six years, from 137,000 lb. in 1921 to 3,584,000 lb. (estimated) in 1927."

A recent number of the *Tobacco Trade Review* points out that by means of increased tariff protection the duty on foreign unstemmed tobacco has been successively raised from 10 cents to 28 cents and 40 cents, and on unstemmed to 60 cents, with the result that 44 per cent. of the tobacco consumed in Canada to-day is home-grown.

The Customs duties levied on foreign tobacco imported into the United States of America is 11s. 5d. per pound, plus an excise of 9d. per pound. There is only import duty payable on raw leaf imported in the United Kingdom, and it is at the rate of 8s. 10d., with a 2s. Empire preference. It will thus be seen that other countries afford the local-grown leaf a higher protection than do we in New Zealand.

The 1928 tobacco-leaf export figures quoted in this section clearly show that South Africa is independent of America for her leaf requirements. If one country within the Empire can accomplish this end, cannot New Zealand also; and more especially in view of the expert evidence we have regarding the quality of New Zealand leaf.

Mr. B. Sutherland appeared before the Committee as managing director of the Self-help Co-operative Stores, Ltd., Wellington, and stated that he had been refused tobacco-supplies by the National Tobacco Co. Mr. Husheer, managing director of the National Tobacco Co., Ltd., in evidence stated that his concern does not sell straight out to the merchants, but sends its tobacco on consignment, instructing the merchants to deal only with customers with whom the company wishes to deal; that the National Tobacco Co. provided the smoker with a cheaper article of the same grade, the grower of leaf with a higher price for the raw leaf, and the retailer with a larger margin of profit than other similar lines stocked.

Mr. Sutherland stated also in evidence that he was presenting to Parliament a petition dealing with price-fixation, and, as this matter comes within the prayer of such petition, your Committee has no comment to make on the question.

#### RECOMMENDATIONS OF THE COMMITTEE.

After a full consideration of the evidence tendered, your Committee desires to make the following recommendations, namely:—

1. That for the purpose of safeguarding the revenue of the Dominion the import duty on unmanufactured tobacco-leaf be at the rate of 3s. per pound or 260 per cent. *ad valorem*, whichever be the greater. Present invoices do not disclose a current domestic value different from the selling-price to purchaser with whom any local concern is dealing, but, should the present business practice be departed from, *ad valorem* to be calculated on the invoice price and not on the current domestic price or value, and in every case to include the usual 10 per cent. added value.

2. That the import duty on cut tobacco be fixed at the rate of 5s. 6d. the pound, in lieu of the existing duty of 4s. 2d. the pound; that the import duty on tobacco n.e.i., including the weight of every label, tag, or other attachment, be fixed at the rate of 5s. 4d. the pound; and that the aggregate amount of Customs and excise duties in respect of these two items to be abolished. The limitation of duty to remain in respect of the other items set out in section 23 of the Customs Acts Amendment Act, 1930.

3. That the Tobacco Act, 1908, be amended to include a definition of "fine-cut tobacco suitable for the manufacture of cigarettes," and that "fine-cut tobacco suitable for the manufacture of cigarettes" be any imported tobacco cut with forty or more cuts to the inch.

4. That the Tobacco Act, 1908, be further amended to include a definition of "unmanufactured tobacco," and that such definition define foreign leaf imported in strips as unmanufactured tobacco.

5. That there be in future no drawback payable on imported tobacco-leaf once such leaf has been drawn for factory manufacture; but that drawback shall remain payable on leaf damaged in transit or otherwise before it is drawn from bond, and thereby abolishing the existing refund claimable on stalks, refuse, clippings, or waste from any such imported tobacco-leaf.

6. That tobacco-culture should be removed from the control of the Director of the Division of Horticulture of the Department of Agriculture and placed under the supervision of a tobacco expert to be appointed by the Government and to be known as the Director of Tobacco-culture.

7. That to assist the Director of Tobacco-culture an Advisory Council be formed, consisting of four representatives of the tobacco-growing districts. The Director of Tobacco-culture to be the Chairman of the Council, which should have the right to invite to its meetings representatives of the manufacturers for the purposes of consultation on matters affecting the industry, and should have also the right to invite the Comptroller of Customs and the Secretary of the Department of Industries and Commerce to its meetings when matters affecting leaf export are being discussed.

8. That it be a direction to the Director of Tobacco-culture to obtain from abroad samples of export tobacco-leaf, such samples to be drawn in grades or blends, as the case may be, to enable the said Director to be in possession of first-hand knowledge of the quality of leaf against which the local grower may be expected to compete on either the local or the export market.

9. That full advantage should be taken by the Advisory Council of the offer recently made by the Empire Marketing Board, and that research experiments be undertaken without delay in respect of the quality, aroma, combustibility, and other characteristics of New Zealand tobacco-leaf.

10. That, in view of the expert opinions expressed before the Committee, the present Government export standards be withdrawn, and that the Director of Tobacco-culture be requested to set up a new standard of grades more in conformity with world standards.

11. That such new export standards should be taken as the minima standards for leaf-export, and that authority should be given the Director of Tobacco-culture investing him with power to prohibit the export of tobacco of any inferior grade or grades.

12. That arrangements be made from time to time by the Advisory Council through the Empire Marketing Board as an independent agent to test the export market in the United Kingdom with selected parcels of New Zealand leaf, such leaf to be drawn from different grades and several localities, and that every such parcel shall consist of 1,000 lb. weight of tobacco-leaf.

13. That arrangements be made from time to time in a similar manner through the New Zealand Trade Commissioner to test the Australian tobacco-leaf market.

14. That the Government be recommended to pay compensation to the Te Atatu growers, based on the sum of 2s. 3d. per pound for flue-cured and 1s. 4d. for air-cured leaf, in accordance with the representations made to these growers before they commenced to grow under the supervision of the Department of Agriculture by certain officers of that Department, and that such compensation should be paid on all leaf forwarded to Wellington by the Department.

15. That the usual shipping and other export marketing charges should be regarded as a proper offset against the net prices quoted in the former resolution, but that no expenditure incurred by the Department in the rehandling of this leaf at Wellington should be debited the growers: such expenses in the opinion of the Committee, should be met by the Department.

16. That, in view of the published statements appearing in several of the prospectuses of tobacco-growing companies recently registered, the Committee recommends that the Companies Act be amended in the direction of requiring any person, persons, or company to have and obtain the prior consent of the permanent head of the Department of State to the publication in any prospectus of any statement or statements made or reports written by any officer of such Department other than matter contained of official publications of the Department.

17. That in the opinion of the Committee the bond series of any tobacco-growing company registered in the Dominion issued for public subscription should be also registered under the Companies Act; and, further, that the law should be so amended to make this principle of registration generally apply to the bond series issued by any concern registered under that Act.

18. That, in view of all the evidence tendered it, the Committee feels that it must express a word of caution for the guidance of such of the general public as may be desirous of investing in any one of the many tobacco-growing companies that have been registered recently in New Zealand, and particularly to those investors in the Commonwealth of Australia, where at present bond series are being offered for public subscription.

19. That your Committee has carefully considered the prayer of the petition of W. J. Smith and 295 others, and, in view of the recommendations hereinbefore expressed for the protection of the tobacco-growing industry, has no recommendation to make thereon.

20. That your Committee has given careful consideration to the prayer of the petition of R. R. Hodgkinson and thirty-six others, and has granted such prayer by thoroughly investigating the premises of such petition.

21. That your Committee sympathizes with the said petitioners, and regrets that because of their good faith in the manufacturing company they have faced the expenditure of loading their properties with the necessary flue-curing appointments, and recommends that the position of these growers should be a matter for the immediate consideration of the Tobacco Advisory Council when the same is set up, and especially the circumstances of those farmers who have not since succeeded in obtaining a contract to grow for the National Tobacco Co. The Committee desires to add that it is satisfied that had a Tobacco Advisory Council been constituted at the commencement of the growing operations on a commercial scale in the Dominion these growers would not have been placed in the unfortunate position outlined in their petition.

22. That the Government be urged to come to an early decision in respect of the recommendations of the Committee, to enable the tobacco growing and manufacturing industries to be placed on a stable basis, especially in view of the fact that certain of these recommendations relate to tariff matters.

Material assistance to the local tobacco-growers is contained in these recommendations by the proposed tariff alterations, the definition of certain tobacco-revenue tariff items, and especially by the proposal that an expert tobacco official, to be known as the Director of Tobacco-culture, be appointed; while the creation of an Advisory Council will give the growers a voice in their industry, and will also bring together the several interests to further a common object.

The local manufacturing companies will be fostered by the adoption of these proposals, and the Committee anticipates that the preference proposed will result in greater manufacturing activity, especially in the absorption of New Zealand leaf.

From the report of the Committee the general public will, it is anticipated, be able to judge also the present and future prospects of the industry.

The Committee, finally, desires to place on record its cordial appreciation of the many services rendered members by Mr. H. K. Hawken, Clerk of the Committee, and also for the able way in which he executed his duties.

Minutes of evidence attached hereto.

GEO. C. BLACK, Chairman.

22nd Day of October, 1930.

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