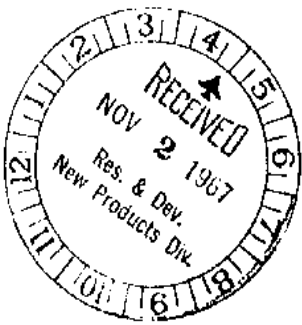


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Comment

The tobacco industry is between the well-known Scylla and Charybdis. On the one side, the FTC has changed its views as to whether tar and nicotine is or is not a health claim, and it is expected that by year-end it will report its findings as to the nicotine and tar content of all brands on the market. The tobacco industry, which is conducting tests on its own, will probably report on or about the same time. Other agencies now suggest that nicotine is a hazard wherein the initial Health, Education & Welfare report was rather negative on this score.

On the other side, various legislators have suggested rewarding those companies who have low tar-nicotine content cigarettes through lower taxes and the requirement that such numbers be printed on the labels of every pack and carton. Anyone bold enough to suggest that smoking is not, or may not be, a causative agent in producing cancer, etc., is harrassed. For instance, every person testifying for the cigarette companies at the recent Senate Commerce Committee hearings received a letter and questionnaire imputing that they were "paid off" to make such testimony. This is an obvious effort to discourage competent men from giving the other side of the story - certainly improper procedures in a free society. Various government agencies have also suggested that the label "Caution: Cigarette Smoking May Be Hazardous To Your Health" is not working, i.e., people are continuing to smoke. It should be noted that this was not the purpose of the labeling act, but rather it was to allow people free choice - if, despite the label,



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they wished to smoke - that was their decision. Now like spoiled children, the zealots are stamping their feet in anger and frustration because people still wish to smoke, and they are attempting to impose their mores on an unwilling public.

In fact, there is increasing evidence to counter these arguments. For instance, a report recently published by the World Health Organization on lung cancer in Israel found no statistical association between lung cancer and smoking. This again points up that so far the anti-tobacco forces have only bent statistics to their own use and have no scientific data. For, as syndicated columnist, James J. Kilpatrick, said in a recent article dated September 28, 1967, in the Newark Evening News, "With the same validity, on the basis of the Public Health Service statistics, a critic can assure you that pack-a-day smokers spend fewer days in bed than persons who have never smoked; that the pack-a-day man is likely to have less hypertension, less arthritis, and better hearing than the never-smoked man. Amazingly, men who are presently smoking even have a lower incidence of upper respiratory conditions than the persons who have never smoked. And believe it if you will, from Table 21 of the PHS report: Heavy smokers over 65 - the two-pack-a-day volcanoes - spend 8.5 days sick in bed each year, while their counterparts, men over 65 who have never smoked at all, are sick in bed for nearly two weeks. What do you make of that?"

In another study initiated by the U.S. Public Health Service on American Tobacco Co. employees, it was pointed out that "Over a 14 1/4-year period, mortality among American Tobacco employees from all causes, from cancer, from lung cancer, and from cardiovascular disease has been 21% to 30% lower than the general population rate. It will be noted that their respiratory cancer rate is as much below average as is mortality from other

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causes. Of these employees 65% were regular cigarette smokers, as compared with 37 % of the U.S. adult population. These data were not based on estimate or sampling; smoking habits were determined by applying pre-tested measuring instruments to virtually all the individuals under study (98.1%)."

The FCC has also gotten into the act through a recent ruling without prior hearings (unprecedented) in which it chose to require that television give equal time to opponents of cigarette smoking if cigarette advertising were to be carried - a new form of blackmail as prime time (which must be allotted to these opponents) probably runs about \$10,000 a second. The broadcasters have instituted suit against the FCC, but in the meantime are forced to give time to anti-smoking forces. This, of course, opens the door to everyone that disagrees with any product being advertised. Thus, if this ruling is upheld, it would not be surprising to see such groups as the WCTU asking for time to offset beer commercials, or Mr. Nader rebutting General Motors' Monza ads. As a recent Barron's article suggests, "Smoking may be a minor issue, but contempt for due process of law looms large. Cigarette advertising, however disagreeable, constitutes an exercise in freedom of speech. Big Brother doesn't take over all at once, he closes in step by step. Here's a chance to draw the line." HEAR! HEAR!

In our statistics we have estimated consumption to be up some 2%. Our withdrawal estimate is 532 billion, up 1.8% from the 522.5 billion of last year. However, one discrepancy should be noted - non-taxable sales to the armed forces. In the September issue of the U.S.D.A. Tobacco Situation, it is pointed out that unit volume in this area which had stabilized around 14 billion units for about a decade rose to 17.2 billion in 1965, 18.7 billion in 1966, and an estimated 22 billion in 1967. This, we believe, relates

to the Viet Nam build-up and we feel that several billion units which would otherwise be counted as domestic sales are going to our increased military establishment abroad. If this were to be factored in, we believe the total increase in withdrawals would have been close to the 2% area in 1967. Filters have continued their growth, increasing 8% this year versus 8.8% the prior year, and are now running at a rate of over 75% of unit volume.

Philip Morris is the obvious gainer in this market, growing 8 times faster than the market and twice as fast as any of its competitors. Both Marlboro brands and Benson & Hedges brands turned in one of the best gains in the industry. At current rates, it looks as if Philip Morris could overtake Brown & Williamson in the not too distant future, unless Brown & Williamson were to return to its former growth rate. In fact, if one were to include overseas sales (licensing, export and manufactured), Philip Morris' total units would probably exceed 100 billion, indicating they were just behind American Tobacco in total volume. The British American Tobacco group which owns Brown & Williamson is the largest international company.

The proliferation of brands continues with 70 brands covered in our current report, versus 53 last year. Of even more import has been the 100 millimeter brands (99MM - 101MM) which are probably running at a rate in a range of 12-15% currently, although they only accounted for 10% for the year. In this grouping, Reynold's Winston, American's Pall Mall and Philip Morris' Benson & Hedges appear to be successful, though in most cases it is too soon to tell. In another category Lorillard's True has leveled off at about a 2% share and increased unit volume more than any other cigarette having a meaningful volume in 1966, certainly an excellent performance for a cigarette now just over a year old.

ESTIMATED DOMESTIC CIGARETTE CONSUMPTION
BY BRAND AND COMPANY

(Billions of Units)

	<u>Year 1966</u>	<u>Year 1967</u>	<u>% Change (a)</u>
<u>R. J. REYNOLDS</u>			
Winston	74.60	69.50	- 6.8
Winston 100's	-	10.25	-
Winston Menthol 100's	-	2.50	-
Salem	45.70	41.00	-10.3
Salem 100's	-	2.50	-
Camel	3.20	3.90	+21.9
Tempo	1.40	.88	-
Total Filter	124.90	130.53	+ 4.5
Camel	45.42	40.20	-11.5
Total Domestic	170.32	170.73	+ 0.2
% Filters	73.3%	76.5%	
% Market	32.5%	31.9%	
<u>AMERICAN TOBACCO</u>			
Tareyton	19.15	18.00	- 6.0
Tareyton 100's	-	3.00	-
Pall Mall	7.20	11.50	+59.7
Pall Mall Menthol	1.50	2.10	+40.0
Lucky Strike	3.80	2.10	-44.7
Lucky Strike 100's	-	1.00	-
Lucky Strike Menthol	.70	.80	-
Carlton	.75	1.00	-
Bull Durham	-	.80	-
Montclair	1.30	.80	-
Half & Half	1.15	.70	-
Waterford	.55	-	-
Total Filter	36.10	41.80	+15.8
Pall Mall	65.00	58.00	-10.8
Lucky Strike	25.40	22.00	-13.4
Tareyton (king)	1.40	1.20	-14.3
Total Domestic	127.90	123.00	- 3.8
% Filters	28.2%	34.0%	
% Market	24.4%	23.0%	

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ESTIMATED DOMESTIC CIGARETTE CONSUMPTION BY BRAND AND COMPANY

(Billions of Units)

	<u>Year 1966</u>	<u>Year 1967</u>	<u>% Change (a)</u>
<u>BROWN & WILLIAMSON</u>			
Kool	23.41	25.81	+10.3
Kool 100's	-	.84	-
Viceroy	20.59	19.39	- 5.8
Viceroy 100's	-	.58	-
Raleigh*	14.36	14.47	+ 0.8
Relair*	8.76	8.83	+ 0.8
Wings ¹	-	.10	-
Life	.13	.09	-
Dover Longs	-	.09	-
du Maurier	.11	.09	-
Capri	-	.03	-
Total Filter	67.36	70.32	+ 4.4
Raleigh (king)*	3.88	3.66	- 5.7
Kool (regular)	2.68	2.46	- 8.2
Wings ¹	.17	.01	-
Total Domestic	74.09	76.45	+ 3.2
% Filters	90.9%	92.0%	
% Market	14.1%	14.3%	
<u>PHILIP MORRIS</u>			
Marlboro	29.70	31.00	+ 4.4
Marlboro 100's	-	2.20	-
Marlboro Green	1.70	1.17	-
Benson & Hedges 100's	-	8.99	-
Benson & Hedges Menthol	-	3.01	-
Benson & Hedges Premium	2.20	.50	-
Parliament	9.80	8.72	-11.0
Philip Morris	3.70	2.78	-24.9
Philip Morris Menthol	1.50	.75	-
Alpine	3.15	2.36	-25.1
Galaxy*	.65	.38	-
Total Filter	52.40	61.86	+18.1
Philip Morris (king)	3.30	3.00	- 9.1
Philip Morris (regular)	1.60	1.30	-18.8
Total Domestic	57.30	66.16	+15.5
% Filters	91.4%	93.5%	
% Market	10.9%	12.4%	

1 - Wings changed from non-filter to filter in first quarter 1967.

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PRELIMINARY ESTIMATED DOMESTIC CIGARETTE CONSUMPTION BY BRAND AND COMPANY (Billions of Units)

	Year 1966	Year 1967	% Change (a)
P. LORILLARD			
Kent	30.40	28.52	- 6.2
Kent 100's	-	1.84	-
True	2.54	5.33	+109.8
True Menthol	-	2.66	-
Newport	8.60	7.86	- 8.6
Old Gold*	4.30	4.13	- 4.0
Spring 100's	1.42	1.15	- 19.0
Danville	.05	-	-
Total Filter	47.31	51.49	+ 8.8
Old Gold (king)*	.72	.62	-
Old Gold (regular)*	.45	.38	-
York (king)* ¹	.30	.12	-
Total Domestic	48.78	52.61	+ 7.9
% Filters	97.0%	97.9%	-
% Market	9.3%	9.8%	-
LIGGETT & MYERS			
L & M	20.00	17.00	- 15.0
L & M 100's	-	1.00	-
L & M Menthol 100's	-	2.00	-
Lark	9.00	8.59	- 4.6
Chesterfield	1.90	2.52	+ 32.6
Chesterfield Menthol	-	.53	-
Chesterfield 101's	-	1.00	-
Oasis	.28	.28	-
Duke	.12	.06	-
Total Filter	31.30	32.98	+ 5.4
Chesterfield (king)	9.00	8.48	- 5.8
Chesterfield (regular)	5.20	4.22	- 18.8
Fatima	.10	.06	-
Total Domestic	45.60	45.74	+ 0.3
% Filters	68.6%	72.1%	-
% Market	8.7%	8.5%	-
All Others	.80	.80	-
TOTAL	524.79	535.49	+ 2.0
Change in Inventory	- 2.26	- 3.49	-
GRAND TOTAL	522.53 (b)	532.00 (c)	+ 1.8

(a) - Percentage change not computed for brands selling under 1 billion units in 1966.

(b) - Totals are estimates of U.S.D.A.

(c) - Author's estimate.

* - Couponed cigarettes.

¹ - York changed from non-filter to filter in second quarter 1967.

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PRELIMINARY ESTIMATED DOMESTIC CIGARETTE CONSUMPTION BY TYPE AND BRAND

(Billions of Units)

	YEAR					
	-----1966-----			-----1967-----		
<u>Plain Filters</u>	<u>Units</u>	<u>%</u>	<u>% of Total Market</u>	<u>Units</u>	<u>%</u>	<u>% of Total Market</u>
Winston	74.60	32.8	14.2	69.50	28.1	13.0
Marlboro	29.70	13.1	5.7	31.00	12.5	5.8
Kent	30.40	13.4	5.8	28.52	11.5	5.3
Viceroy	20.59	9.1	3.9	19.39	7.8	3.6
L & M	20.00	8.8	3.8	17.00	6.9	3.2
Raleigh	14.36	6.3	2.8	14.47	5.8	2.7
Pall Mall 100's	7.20	3.2	1.4	11.50	4.7	2.2
Winston 100's	-	-	-	10.25	4.1	1.9
Benson & Hedges 100's	-	-	-	8.99	3.6	1.7
Parliament	9.80	4.3	1.9	8.72	3.5	1.6
True	2.54	1.1	0.5	5.33	2.2	1.0
Old Gold	4.30	1.9	0.8	4.13	1.7	0.8
Camel	3.20	1.4	0.6	3.90	1.6	0.7
Chesterfield	1.90	0.8	0.4	2.52	1.0	0.5
Marlboro 100's	-	-	-	2.20	0.9	0.4
Lucky Strike	3.80	1.7	0.7	2.10	0.8	0.4
Kent 100's	-	-	-	1.84	0.8	0.3
Lucky Strike 100's	-	-	-	1.00	0.4	0.2
L & M 100's	-	-	-	1.00	0.4	0.2
Chesterfield 101's	-	-	-	1.00	0.4	0.2
Bull Durham	-	-	-	.80	0.3	0.2
Half & Half	1.15	0.5	0.2	.70	0.3	0.1
Viceroy 100's	-	-	-	.58	0.2	0.1
Benson & Hedges	2.20	1.0	0.4	.50	0.2	0.1
Wings	-	-	-	.10	0.1	-
Life	.13	0.1	-	.09	-	-
du Maurier	.11	-	-	.09	-	-
Dover Longs	-	-	-	.09	-	-
Duke	.12	0.1	-	.06	-	-
Capri	-	-	-	.03	-	-
Waterford	.55	0.2	0.1	-	-	-
Danville	.05	-	-	-	-	-
All others	.40	0.2	0.1	.40	0.2	0.1
Total	227.10	100%	43.3%	247.80	100%	46.3%

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PRELIMINARY ESTIMATED DOMESTIC CIGARETTE CONSUMPTION BY TYPE AND BRAND

(Billions of Units)

	YEAR					
	-----1966-----			-----1967-----		
	Units	%	Market	Units	%	Market
<u>Mentholated Filters</u>						
Salem	45.70	46.6	8.7	41.00	38.3	7.7
Kool	23.41	23.9	4.5	25.81	24.1	4.8
Belair	8.76	8.9	1.7	8.83	8.3	1.7
Newport	8.60	8.8	1.6	7.86	7.4	1.5
Benson & Hedges	-	-	-	3.01	2.8	0.6
True Menthol	-	-	-	2.66	2.5	0.5
Winston Menthol 100's	-	-	-	2.50	2.3	0.5
Salem 100's	-	-	-	2.50	2.3	0.5
Alpine	3.15	3.2	0.6	2.36	2.2	0.4
Pall Mall Menthol	1.50	1.5	0.3	2.10	2.0	0.4
L & M Menthol 100's	-	-	-	2.00	1.9	0.4
Marlboro Green	1.70	1.7	0.3	1.17	1.1	0.2
Spring 100's	1.42	1.5	0.3	1.15	1.1	0.2
Kool 100's	-	-	-	.84	0.8	0.2
Lucky Strike Menthol	.70	0.7	0.1	.80	0.7	0.1
Montclair	1.30	1.3	0.3	.80	0.7	0.1
Philip Morris Menthol	1.50	1.6	0.3	.75	0.7	0.1
Chesterfield	-	-	-	.53	0.5	0.1
Oasis	.28	0.3	-	.28	0.3	-
Total	98.02	100%	18.7%	106.95	100%	20.0%
<u>Charcoal Filters</u>						
Tareyton	19.15	55.3	3.7	18.00	52.0	3.4
Lark	9.00	26.0	1.7	8.59	24.8	1.6
Tareyton 100's	-	-	-	3.00	8.7	0.5
Philip Morris	3.70	10.7	0.7	2.78	8.0	0.5
Carlton	.75	2.2	0.1	1.00	2.9	0.2
Tempo	1.40	4.0	0.3	.88	2.5	0.1
Galaxy	.65	1.8	0.1	.38	1.1	0.1
Total	34.65	100%	6.6%	34.63	100%	6.4%

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PRELIMINARY ESTIMATED DOMESTIC CIGARETTE CONSUMPTION BY TYPE AND BRAND

(Billions of Units)

	YEAR					
	-----1966-----			-----1967-----		
	Units	%	% of Total Market	Units	%	% of Total Market
<u>Regular</u>						
Camel	45.42	56.2	8.7	40.20	56.9	7.5
Lucky Strike	29.40	31.4	4.8	27.00	31.2	4.1
Chesterfield	5.20	6.4	1.0	4.22	6.0	0.8
Kool	2.68	3.3	0.5	2.46	3.5	0.5
Philip Morris	1.60	2.0	0.3	1.30	1.8	0.2
Old Gold	.45	0.6	0.1	.38	0.5	0.1
Fatima	.10	0.1	-	.06	0.1	-
Total	80.85	100%	15.4%	70.62	100%	13.2%
<u>King</u>						
Pall Mall	65.00	77.2	12.4	58.00	76.8	10.8
Chesterfield	9.00	10.7	1.7	8.48	11.2	1.6
Raleigh	3.88	4.6	0.7	3.66	4.9	0.7
Philip Morris	3.30	3.9	0.6	3.00	4.0	0.6
Tareyton	1.40	1.7	0.3	1.20	1.6	0.2
Old Gold	.72	0.9	0.1	.62	0.8	0.1
York	.30	0.3	0.1	.12	0.2	-
Wings	.17	0.2	-	.01	-	-
All others	.40	0.5	0.1	.40	0.5	0.1
Total	84.17	100%	16.0%	75.49	100%	14.1%
GRAND TOTAL	524.79		100%	535.49		100%

COMPARISON OF YEAR 1967 WITH YEAR 1966

	1966	%	1967	%	% Change
Plain Filter	227.10	43.3	247.80	46.3	+ 9.1
Mentholated Filter	98.02	18.7	106.95	20.0	+ 9.1
Charcoal Filter	34.65	6.6	34.63	6.4	- 0.1
Total Filter	359.77	68.6	389.38	72.7	+ 8.2
Regular	80.85	15.4	70.62	13.2	-12.7
King	84.17	16.0	75.49	14.1	-10.3
Total	524.79	100%	535.49	100%	+ 2.0

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PRELIMINARY ESTIMATED DOMESTIC CIGARETTE CONSUMPTION BY BRAND AND TYPE

(Billions of Units)

YEAR - 1967

	Total	Plain Filter	Mentholated Filter	Charcoal Filter	Regular	King
Winston	82.75	79.75	2.50			
Full Mall	71.60	11.50	2.10			58.00
Camel	44.10	3.90			40.20	
Salem	43.50		43.50			
Marlboro	34.37	33.20	1.17			
Kent	30.36	30.36				
Kool	29.11		26.65			
Lucky Strike	25.90	3.10	.80		2.46	
Tareyton	22.20				22.00	
L & M	20.00	18.00	2.00	21.00		1.20
Viceroy	19.97	19.97				
Raleigh	18.13	14.47				
Chesterfield	16.75	3.52	.53			3.66
Benson & Hedges	12.50	9.49	3.01		4.22	8.48
Belair	8.83		8.83			
Parliament	8.72	8.72				
Lark	8.59					
True	7.99	5.33	2.66	8.59		
Newport	7.86		7.86			
Philip Morris	7.83		.75			
Old Gold	5.13	4.13		2.78	1.30	3.00
Alpine	2.36		2.36		.38	.62
Spring	1.15		1.15			
Carlton	1.00			1.00		
Tempo	.88			.88		
Bull Durham	.80	.80				
Montclair	.80		.80			
Half & Half	.70	.70				
Galaxy	.38			.38		
Oasis	.28		.28			
York	.12					
Wings	.11	.10				.12
Life	.09	.09				.01
du Maurier	.09	.09				
Dover Longs	.09	.09				
Duke	.06	.06				
Fatima	.06					
Capri	.03	.03			.06	
All others	.80	.40				.40
Total	535.49	247.80	106.95	34.63	70.62	71.49
%	100%	46.3%	20.0%	6.4%	13.2%	14.1%

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PRELIMINARY ESTIMATED DOMESTIC CIGARETTE CONSUMPTION BY BRAND AND TYPE

(Billions of Units)

YEAR - 1966

	Total	Plain Filter	Mentholated Filter	Charcoal Filter	Regular	King
Winston	74.60	74.60				
Pall Mall	73.70	7.20	1.50			65.00
Camel	48.62	3.20			45.42	
Salem	45.70		45.70			
Marlboro	31.40	29.70	1.70			
Kent	30.40	30.40				
Lucky Strike	29.90	3.80	.70		25.40	
Kool	26.09		23.41		2.68	
Viceroy	20.59	20.59				
Tareyton	20.55			19.15		1.40
L & M	20.00	20.00				
Raleigh	18.24	14.36				3.88
Chesterfield	16.10	1.90			5.20	9.00
Philip Morris	10.10		1.50	3.70	1.60	3.30
Parliament	9.80	9.80				
Lark	9.00			9.00		
Belair	8.76		8.76			
Newport	8.60		8.60			
Old Gold	5.47	4.30			.45	.72
Alpine	3.15		3.15			
True	2.54	2.54				
Benson & Hedges	2.20	2.20				
Spring	1.42		1.42			
Tempo	1.40			1.40		
Montclair	1.30		1.30			
Half & Half	1.15	1.15				
Carlton	.75			.75		
Galaxy	.65			.65		
Waterford	.55	.55				
York	.30					.30
Oasis	.28		.28			
Wings	.17					.17
Life	.13	.13				
Duke	.12	.12				
du Maurier	.11	.11				
Fatima	.10				.10	
Danville	.05	.05				
All others	.80	.40				.40
Total	524.79	227.10	98.02	34.65	80.85	84.17
%	100%	43.3%	18.7%	6.6%	15.4%	16.0%

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