

U.S Department of Agriculture
Agricultural Outlook Forum 2003
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OUTLOOK FOR TOBACCO
THE U.S. TOBACCO PROGRAM


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The U.S. Tobacco Program

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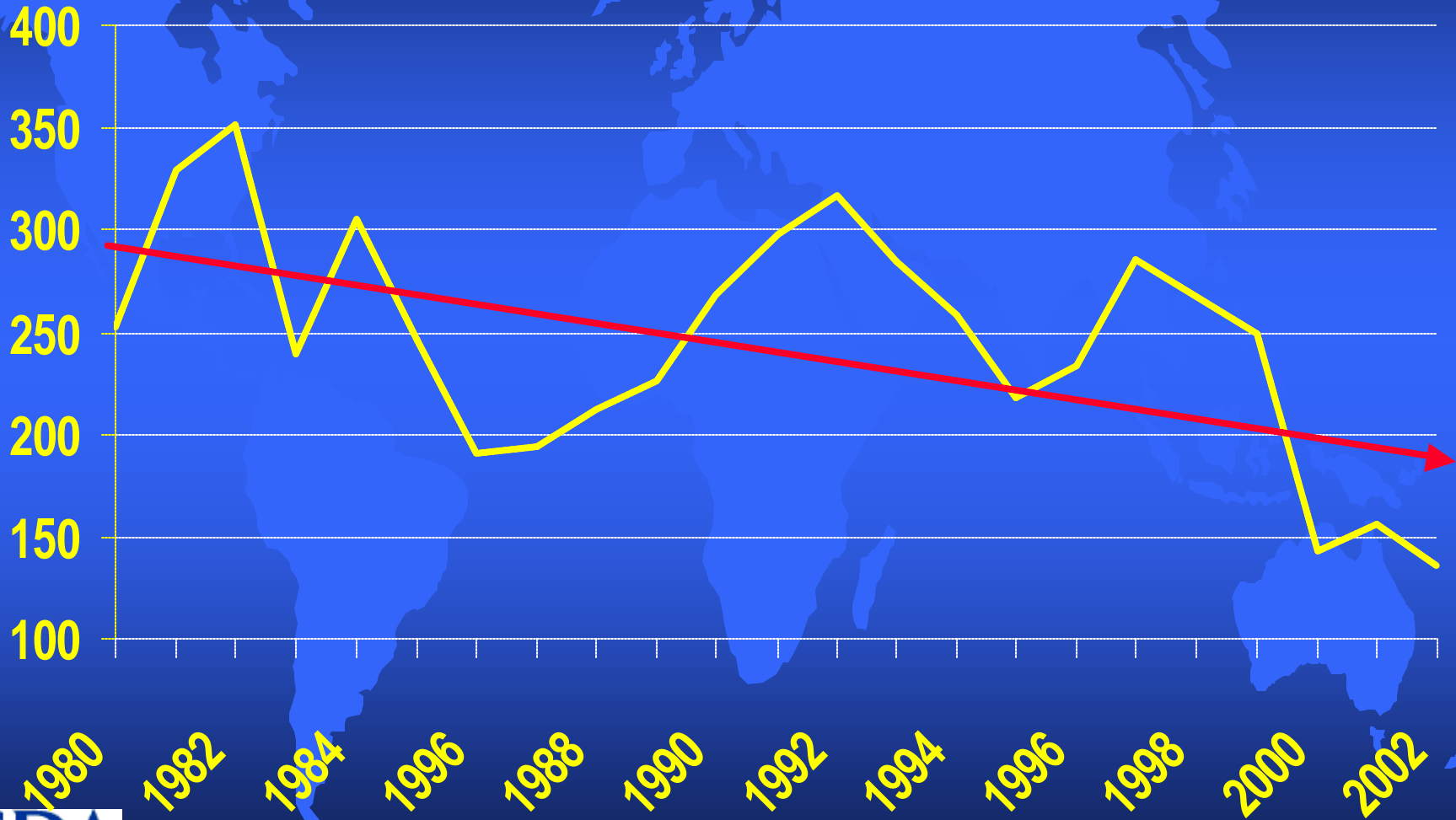
**Many in the U.S.
Preoccupied with
Termination of the U.S.
Tobacco Program.**

BUYOUT!

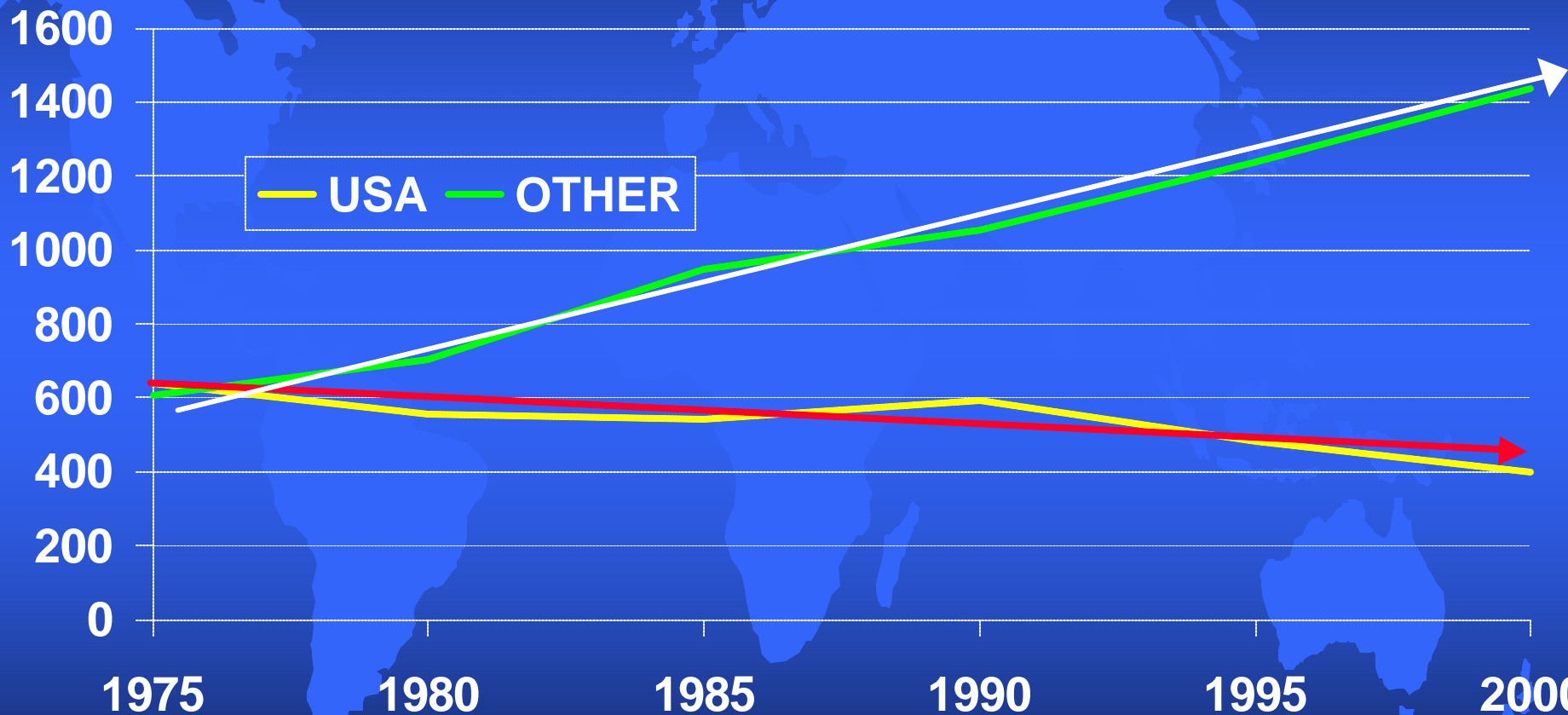


U.S. BURLEY PRODUCTION

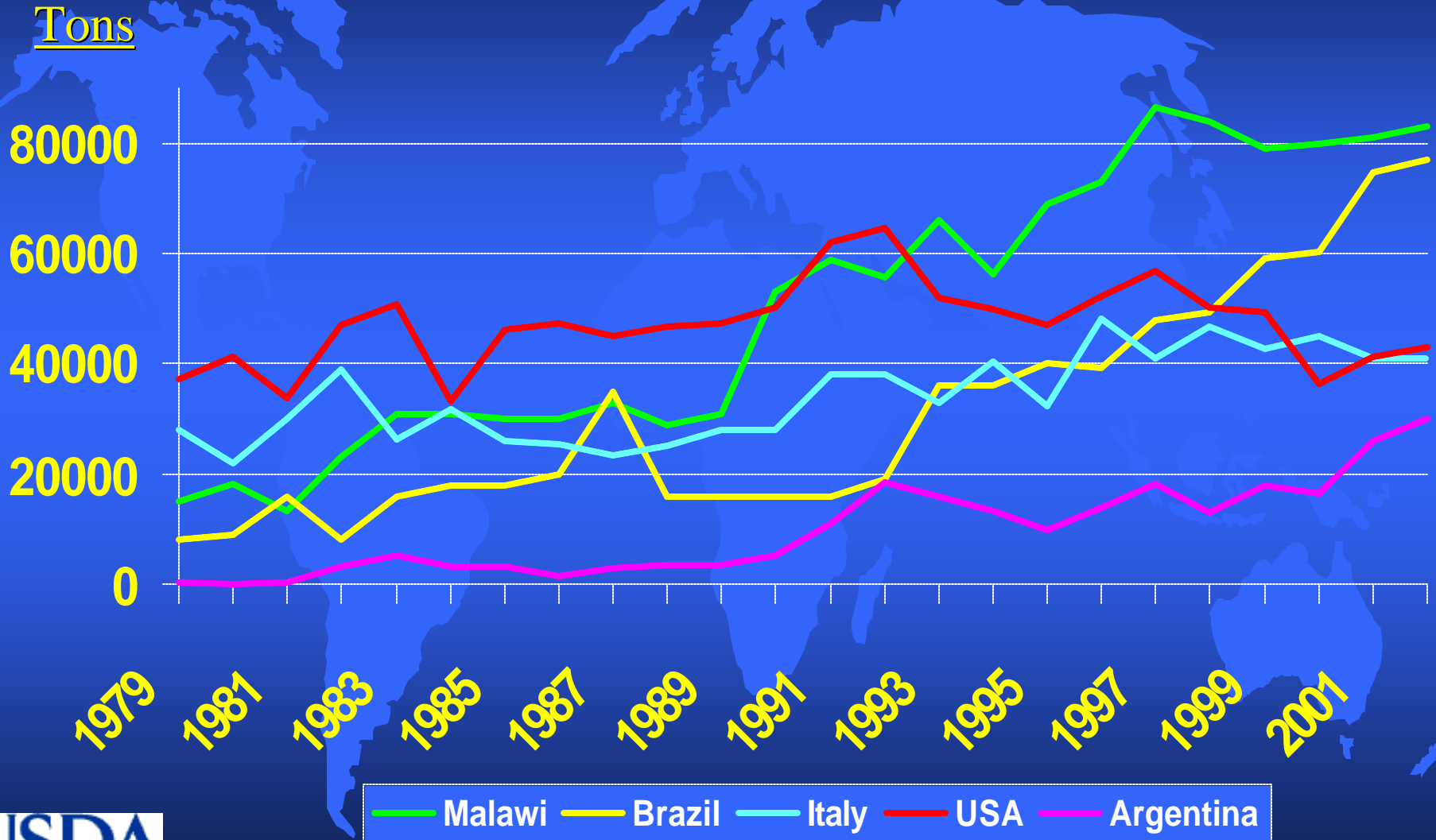
1,000 tons



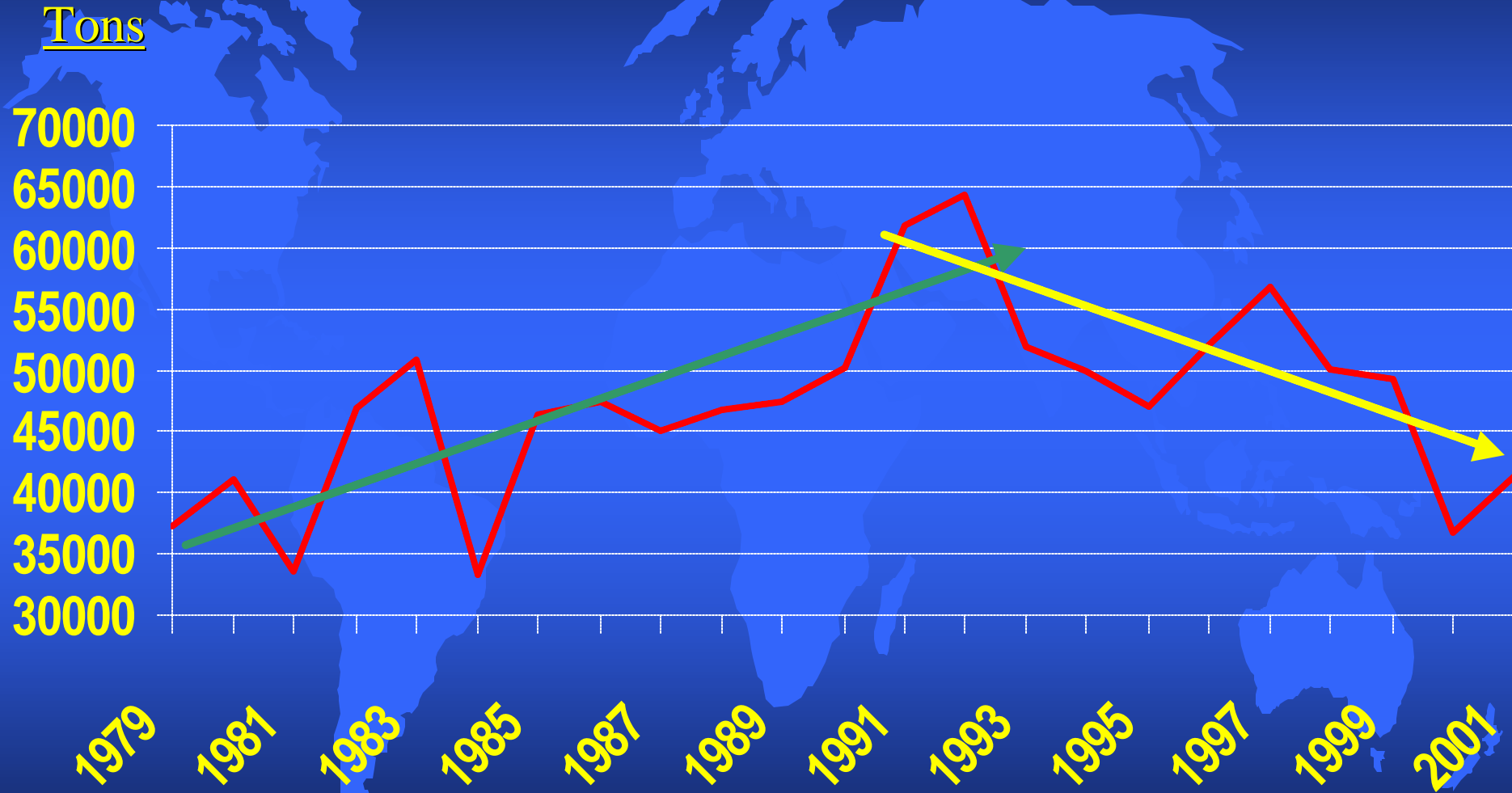
BURLEY PRODUCTION



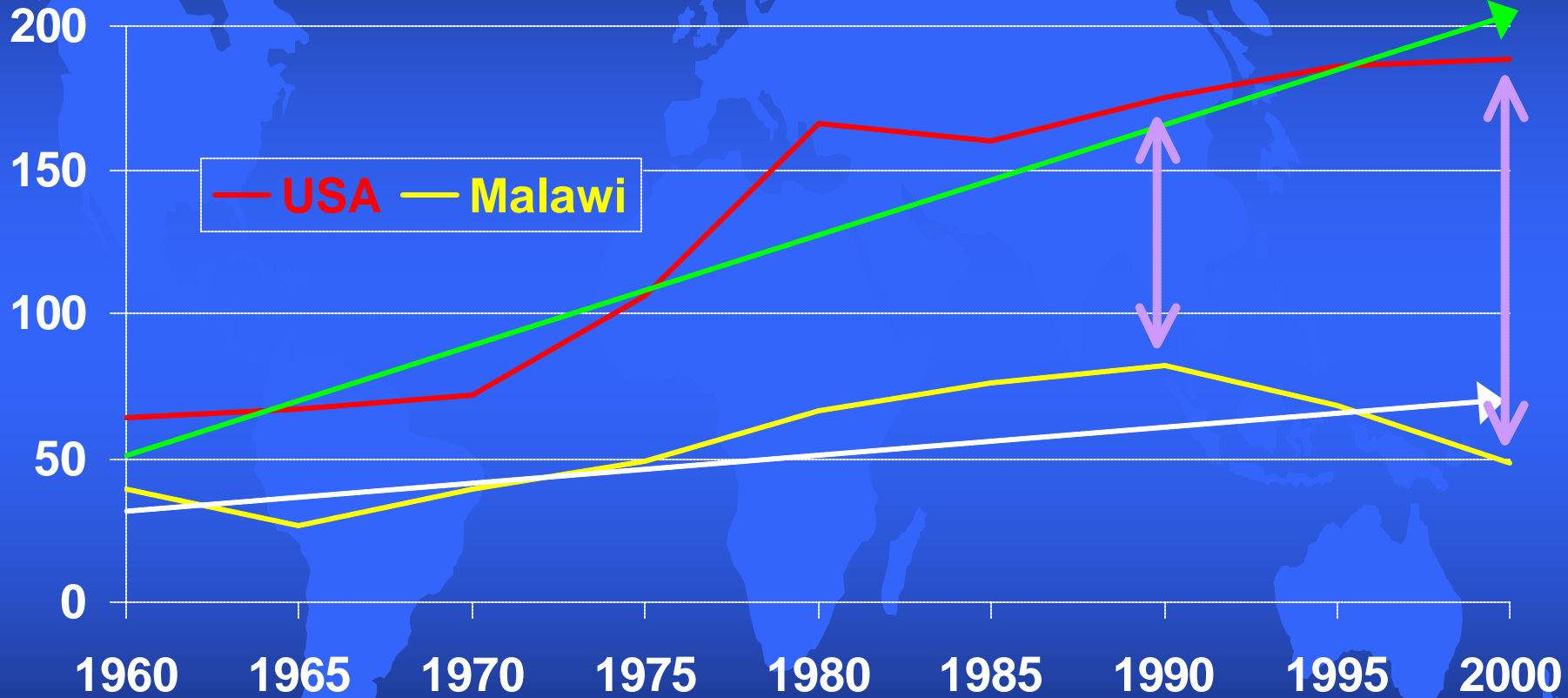
Burley Export Trends



Burley Export Trends

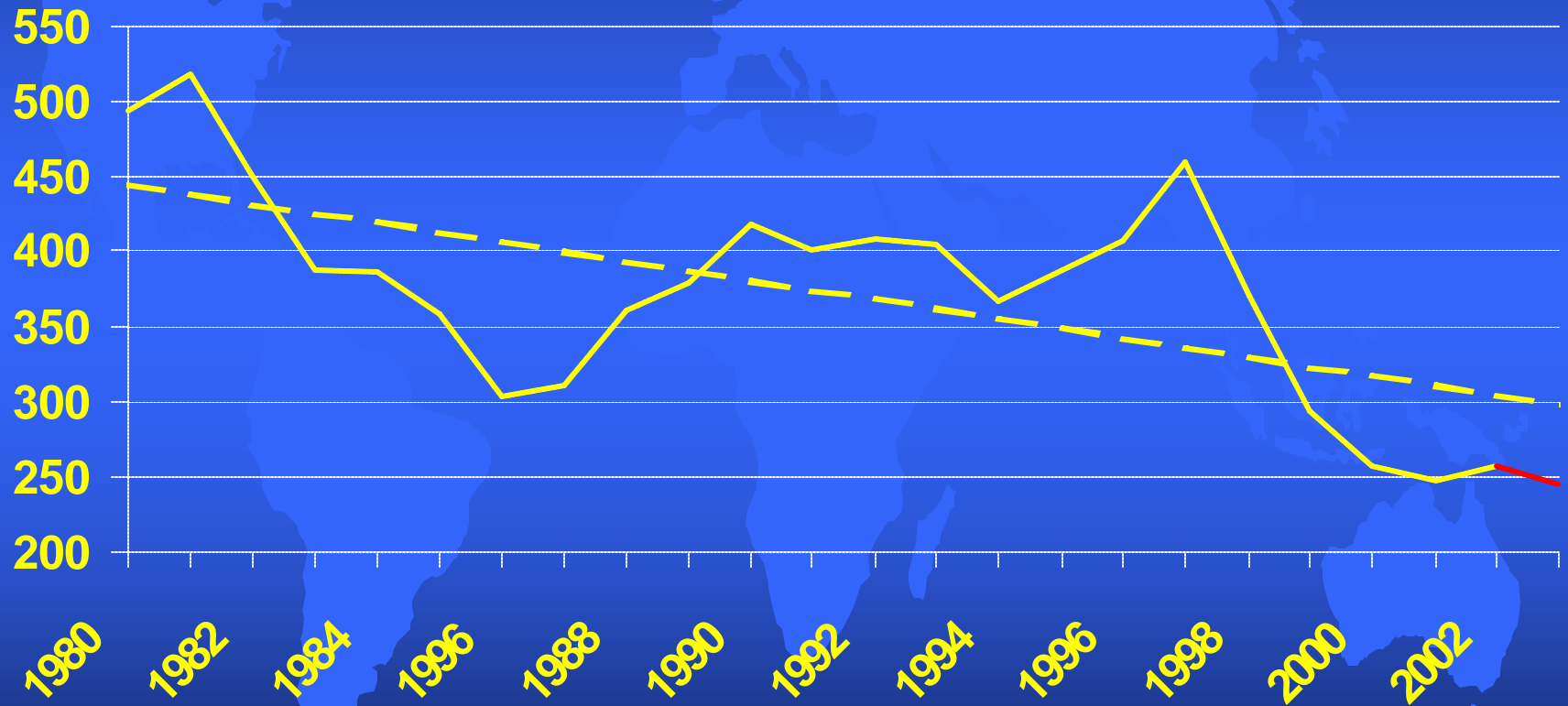


BURLEY GROWER PRICES



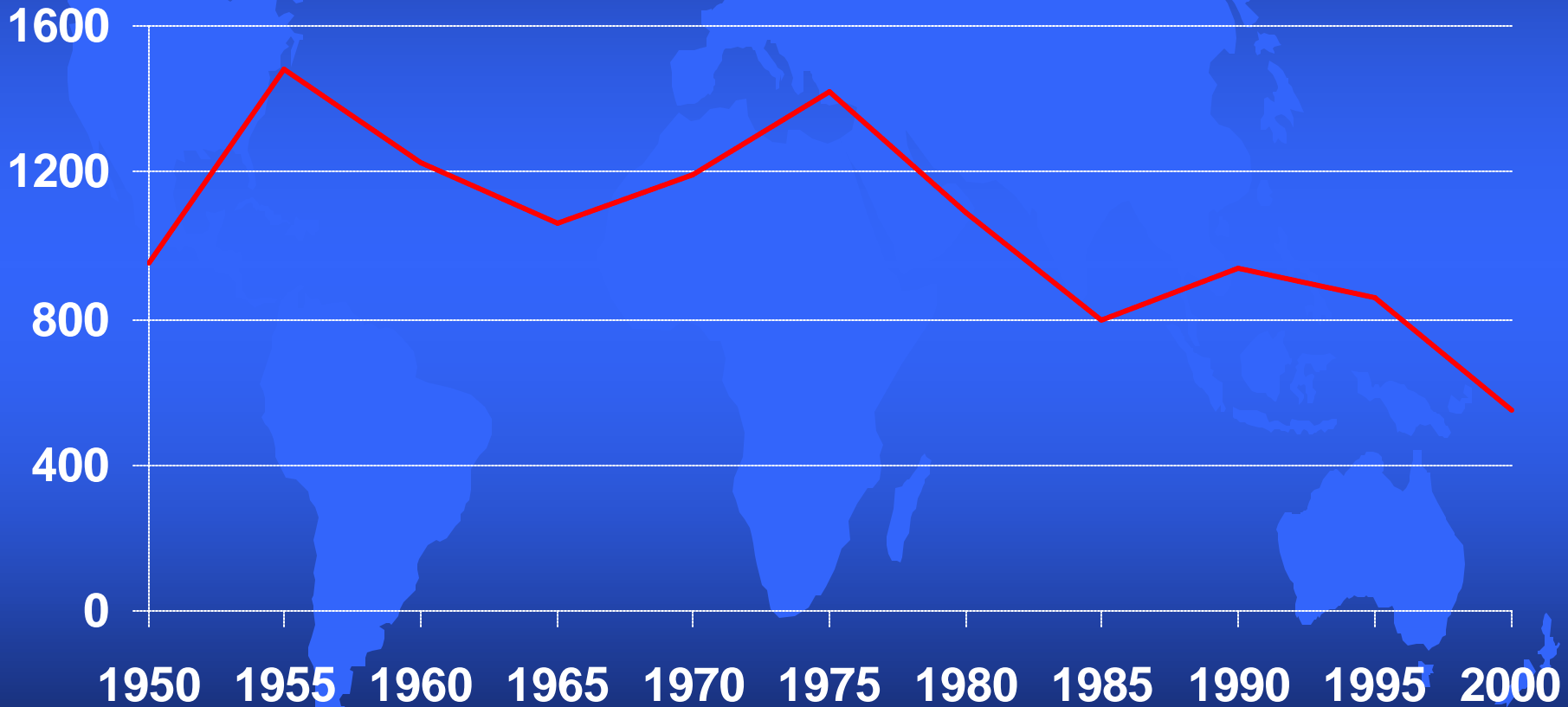
U.S. FLUE-CURED PRODUCTION

1,000 tons



FLUE-CURED PRODUCTION in the USA

Mil. Lbs



Flue-cured Export Trends

Tons

400000

350000

300000

250000

200000

150000

100000

50000

1979

1981

1983

1985

1987

1989

1991

1993

1995

1997

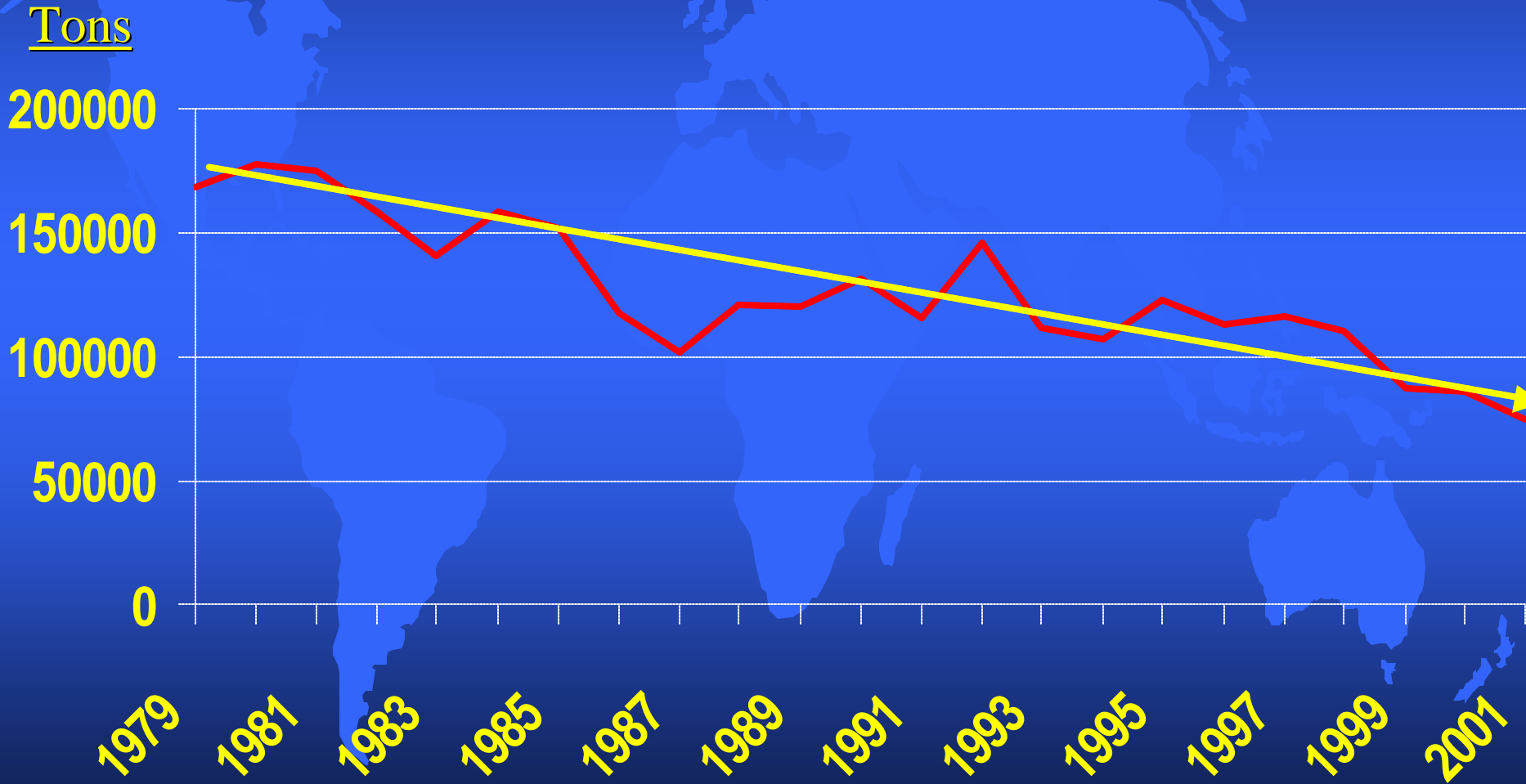
1999

2001

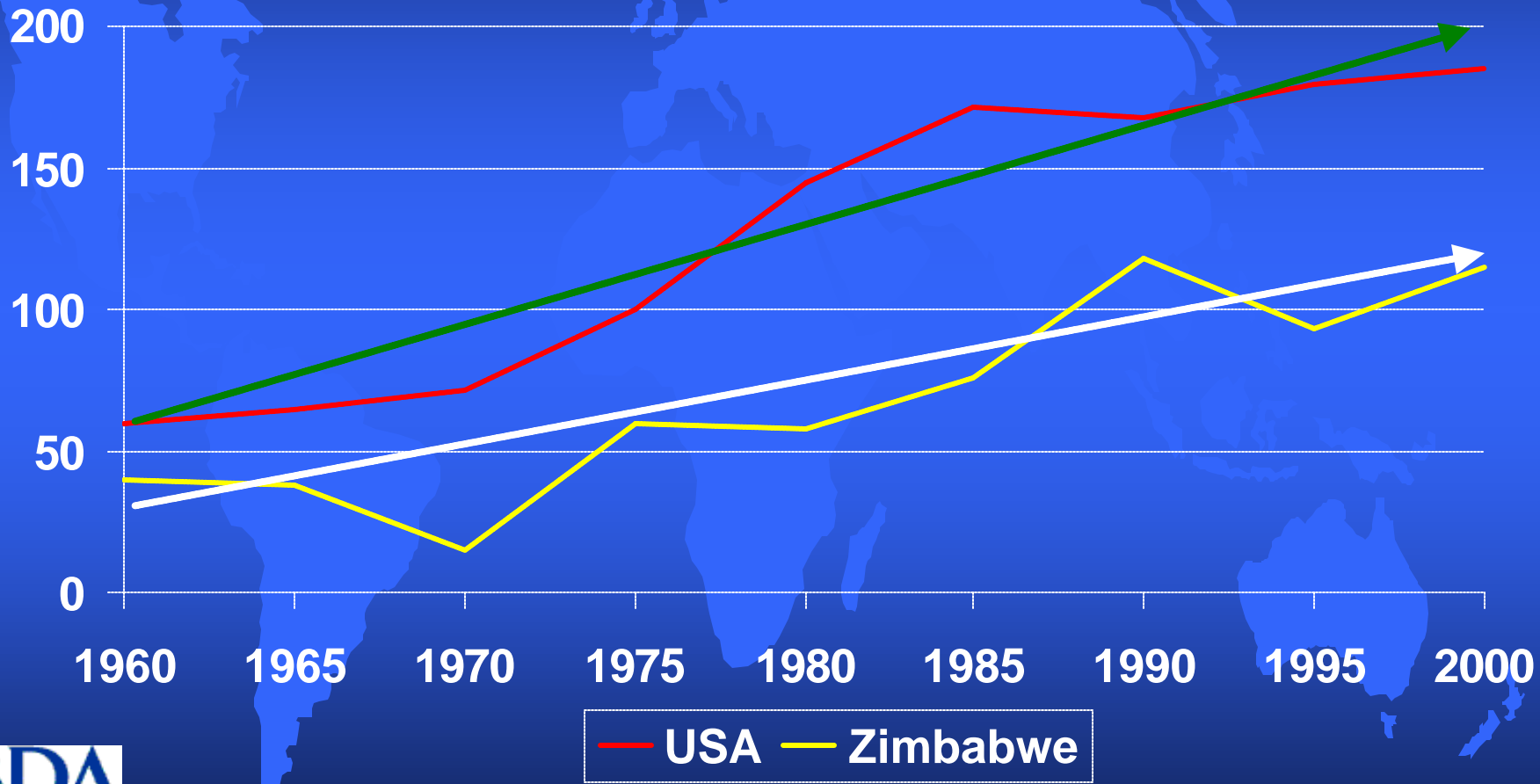
— Brazil — Zimbabwe — U.S. — China — Argentina



Flue-Cured Export Trends



FLUE-CURED GROWER PRICES



U.S. FLUE-CURED GROWER PRICES

Cents / lb.

240

180

120

60

0

1970

1975

1980

1985

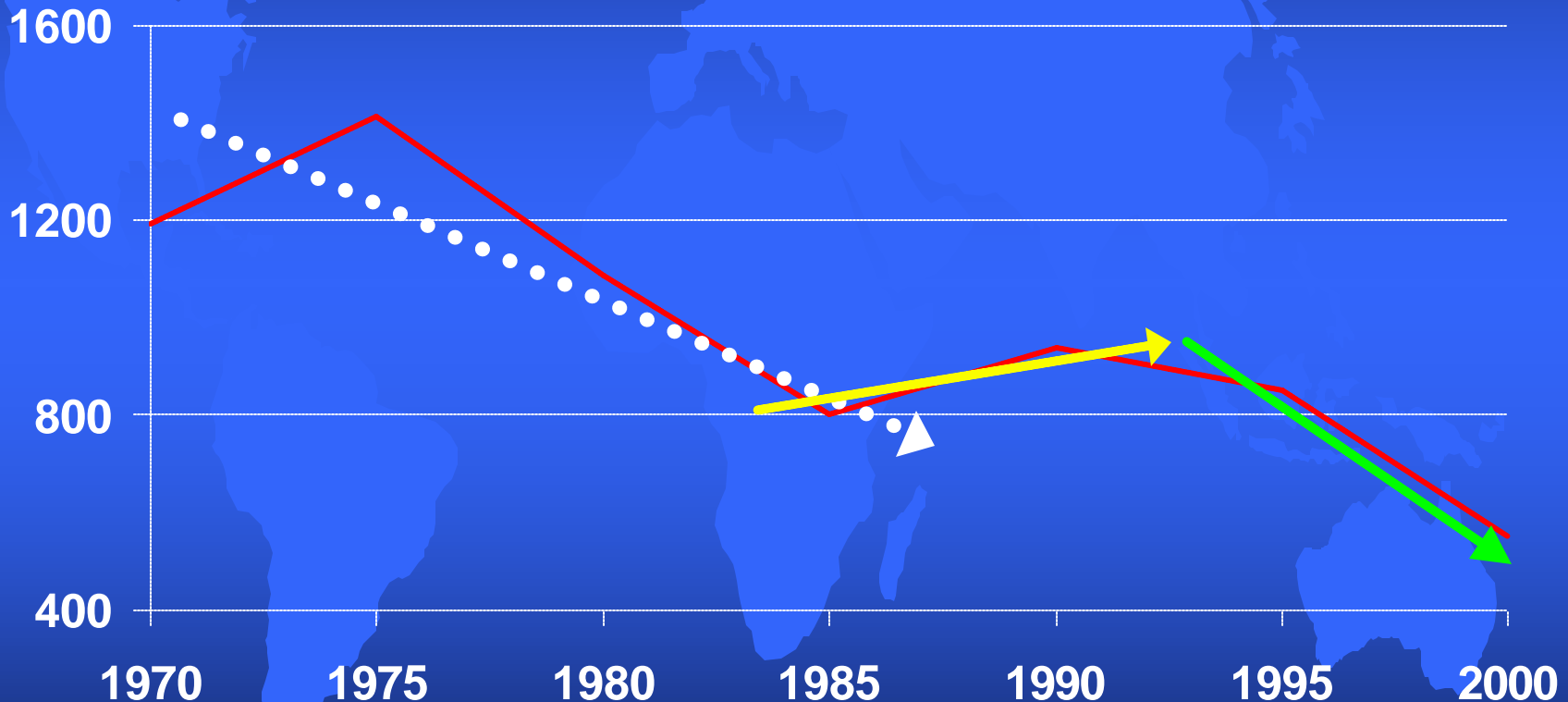
1990

1995

2000



FLUE-CURED PRODUCTION in the USA



U.S. FLUE-CURED GROWER PRICES

Cents / lb.

240

180

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0

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2000





U.S. Flue-cured and Burley Quotas are Composed of:

- ✓ **Manufacturers Purchase Intentions**
- ✓ **Three year Export Average**
- ✓ **Reserve Stocks Adjustment**

Purchase Intentions

Mil. Lbs.

600
550
500
450
400
350
300
250
200

— Burley — Flue-cured

1990

1992

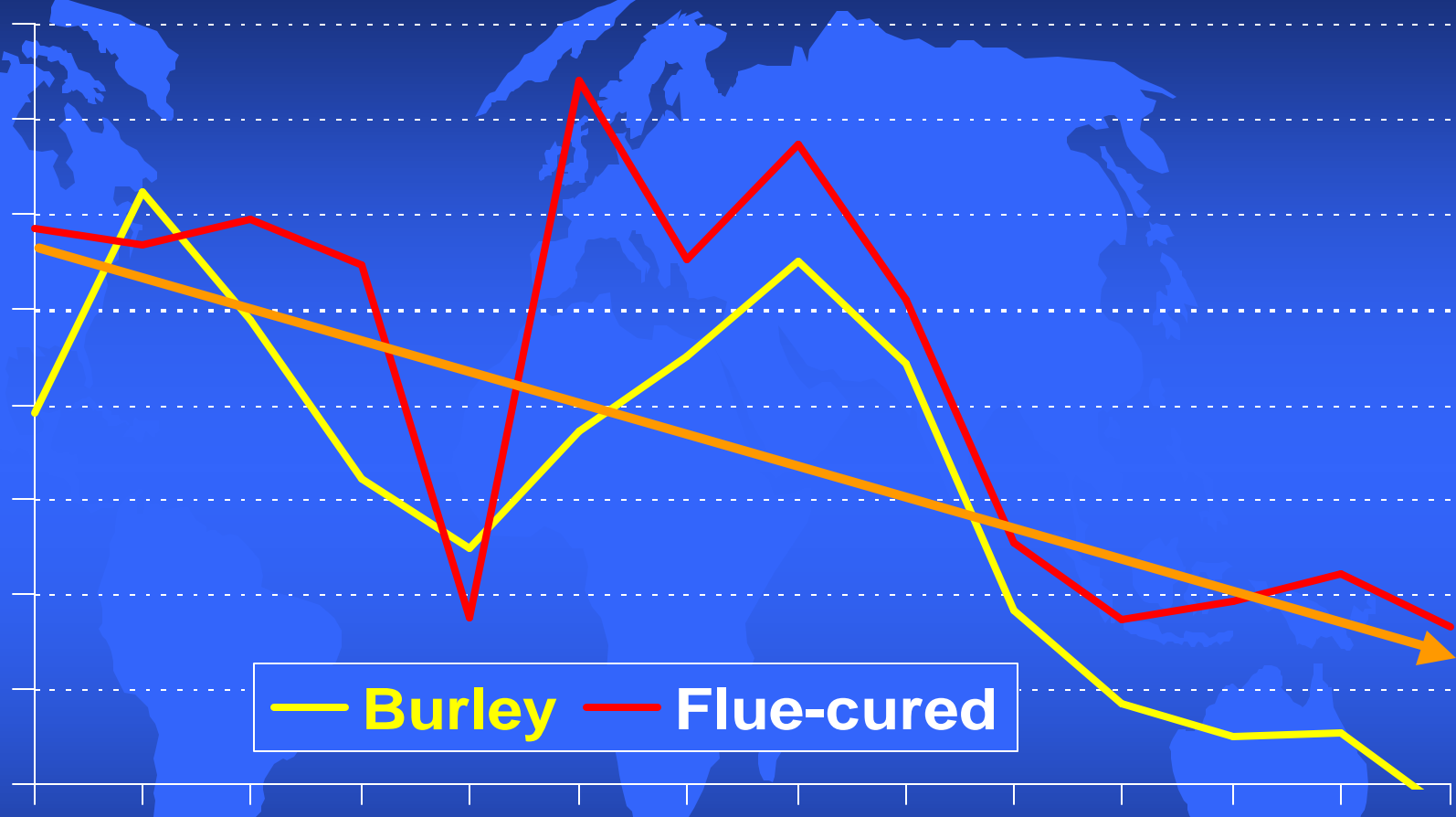
1994

1996

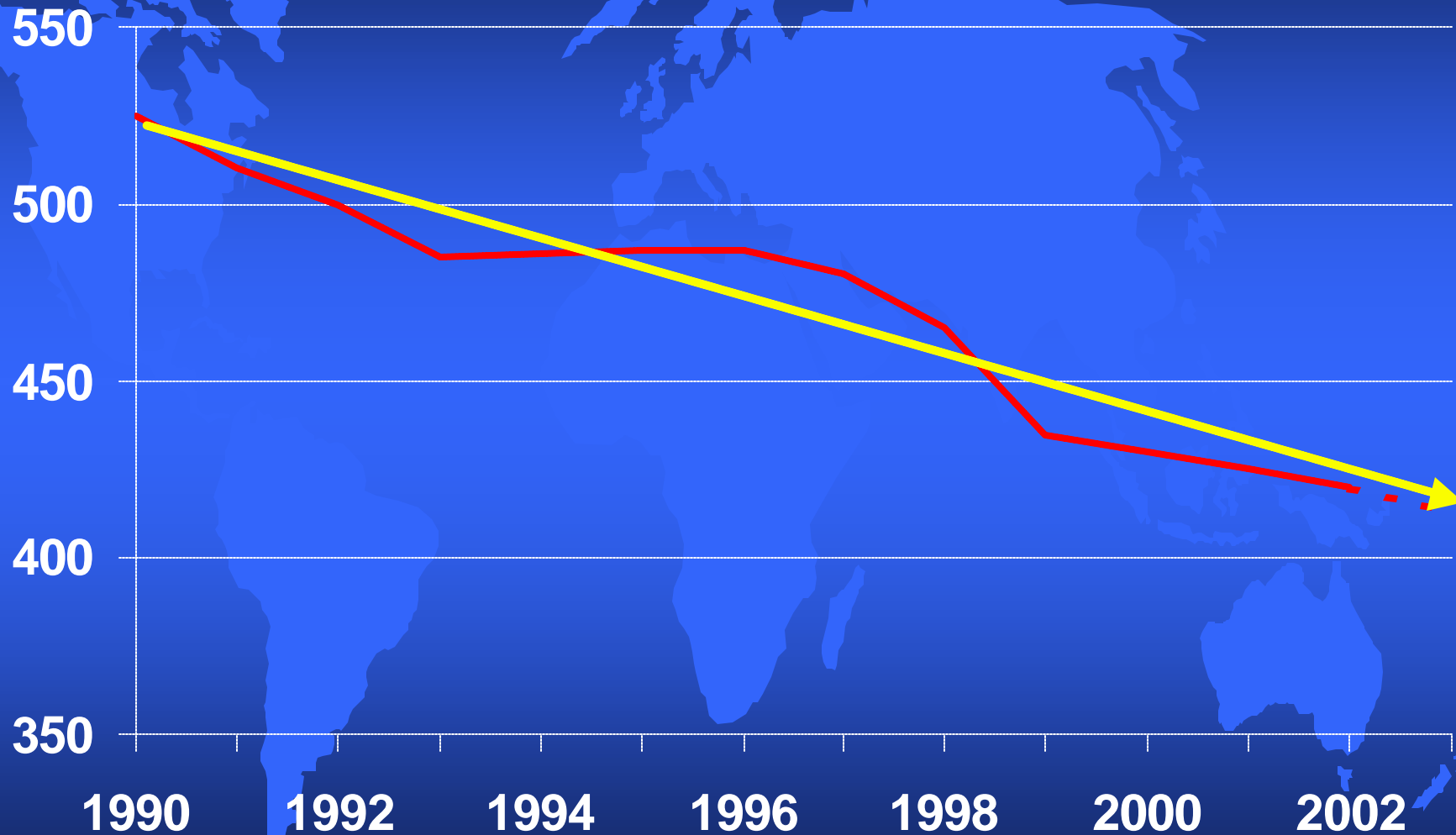
1998

2000

2002



U.S. Cigarette Consumption



U.S. Cigarette Exports

Bil.

260

220

180

140

100

1990

1992

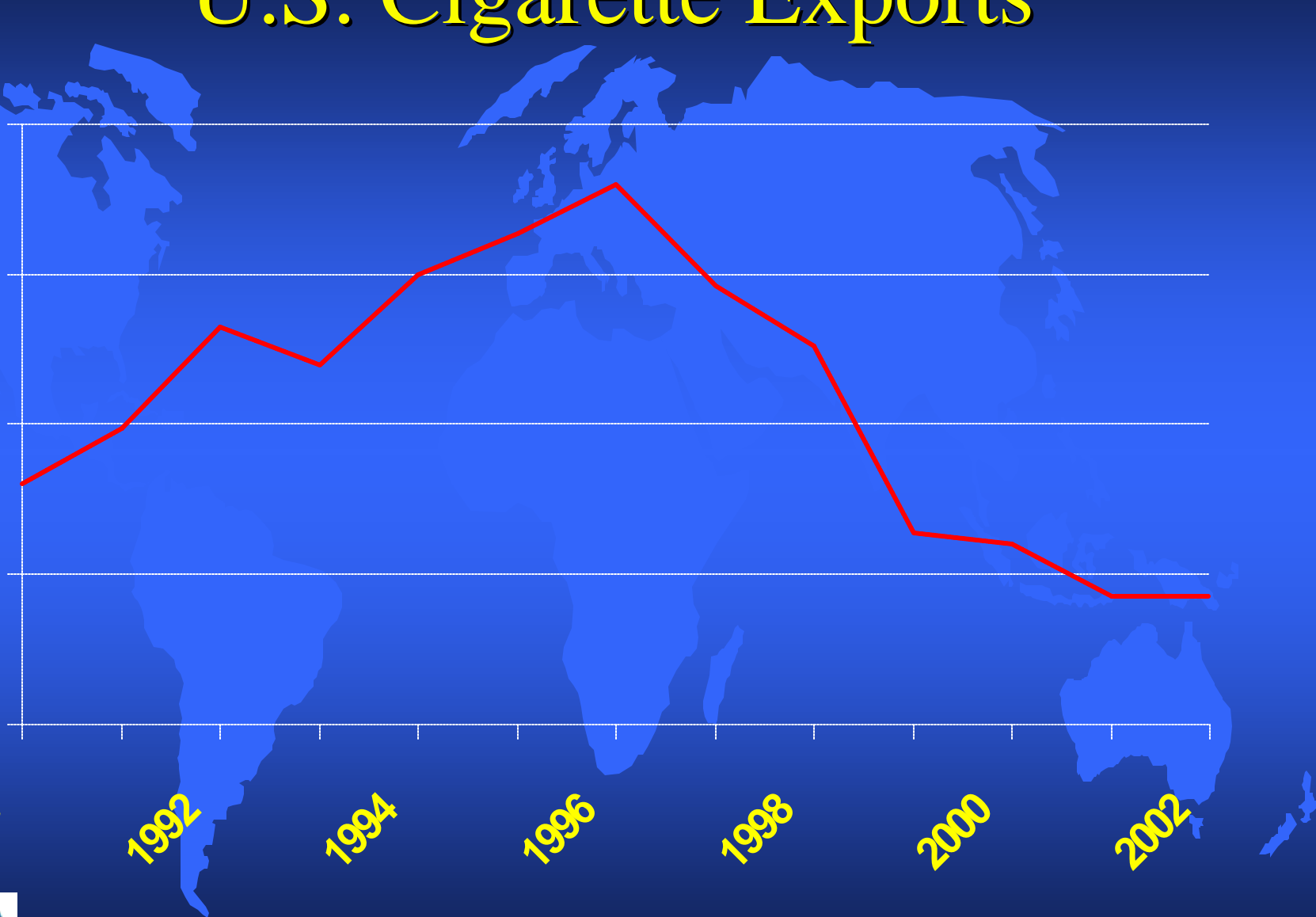
1994

1996

1998

2000

2002



Three Year Average Exports

Mil. Lbs.

450
400
350
300
250
200
150
100

— Burley — Flue-cured

1990

1992

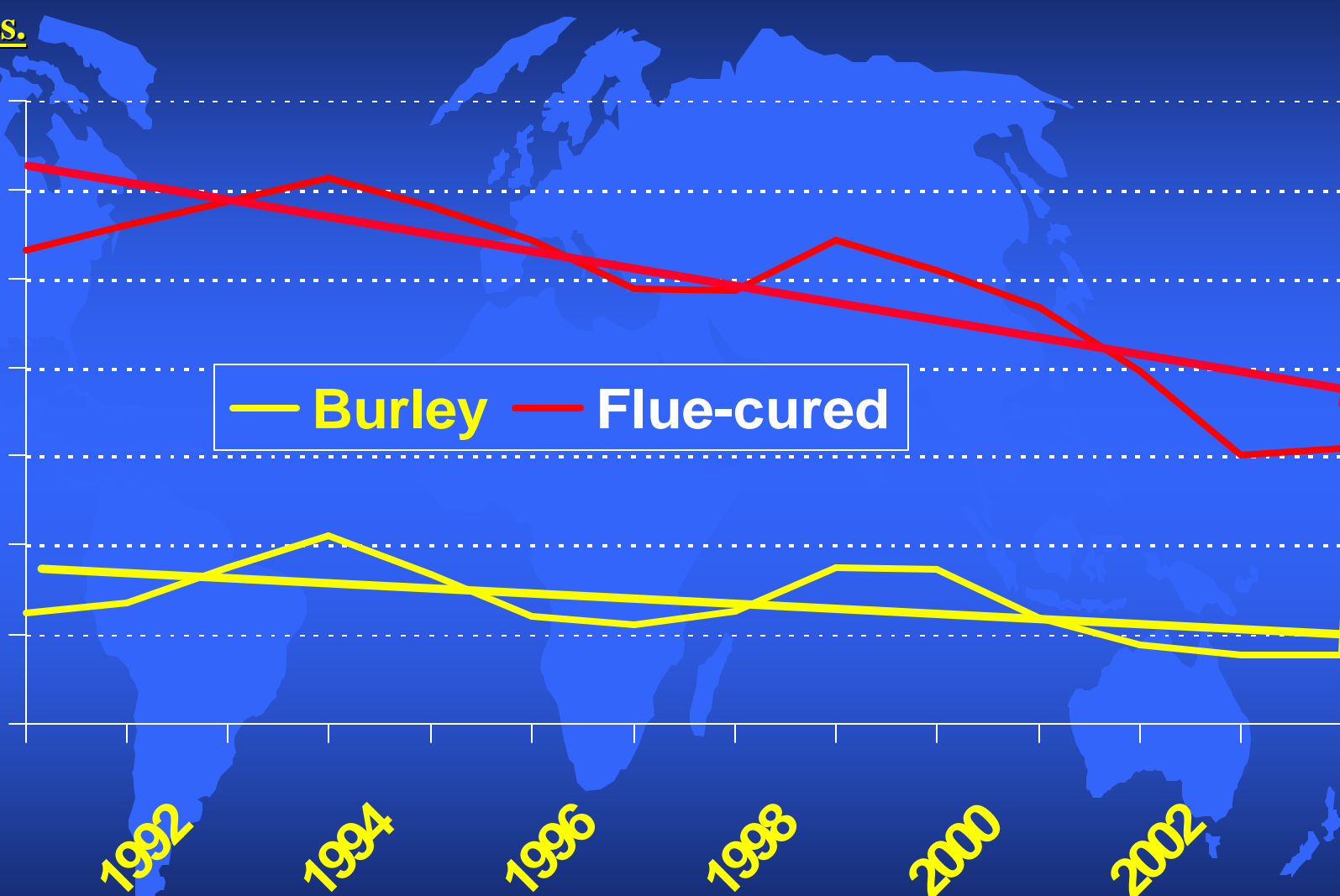
1994

1996

1998

2000

2002

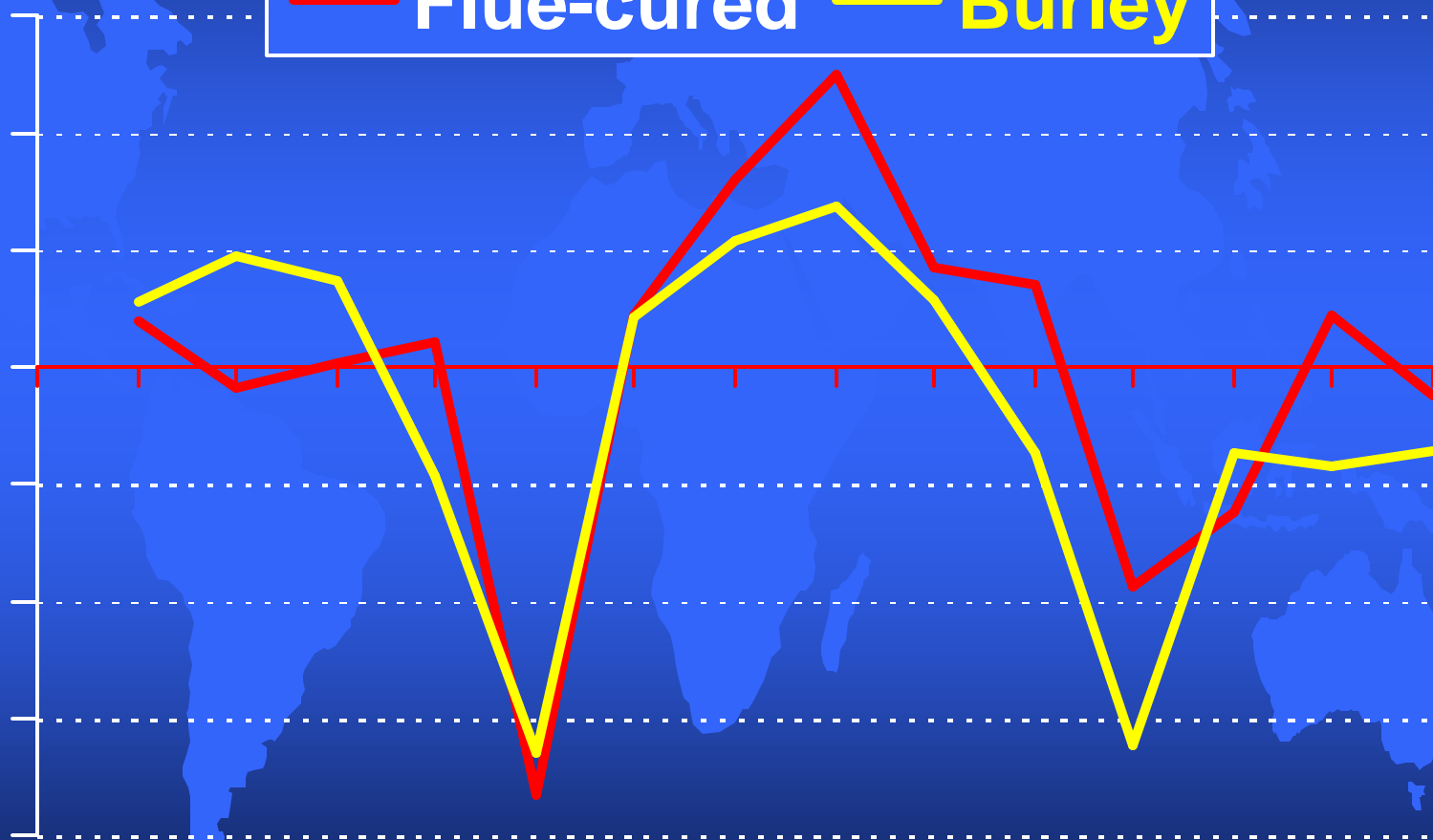


Stocks Adjustment

Mil. Lbs.

— Flue-cured — Burley

150
100
50
0
-50
-100
-150
-200



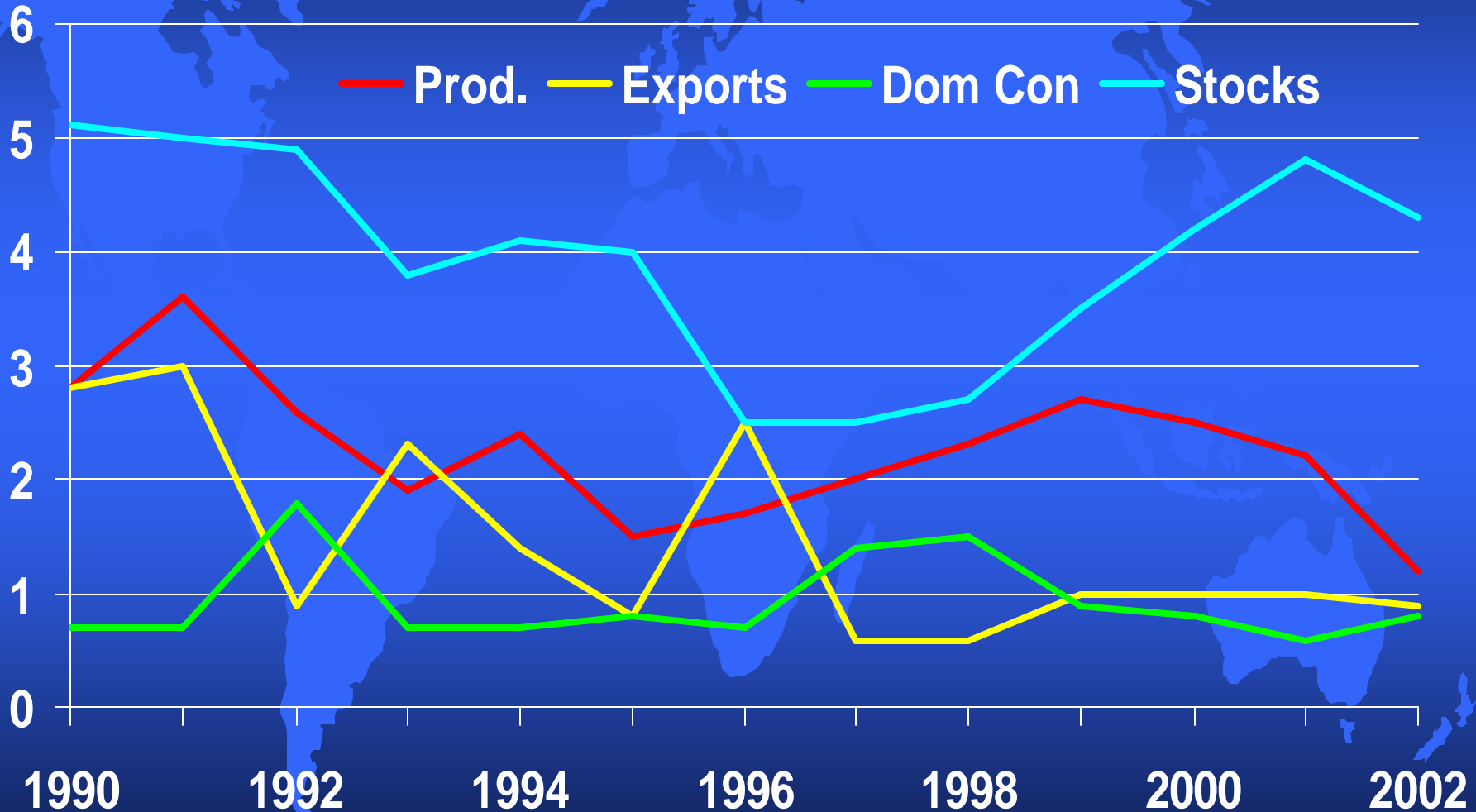
A world map in a light blue color is centered in the background of the slide. The map shows the outlines of continents and oceans.

Other Kinds of Tobacco



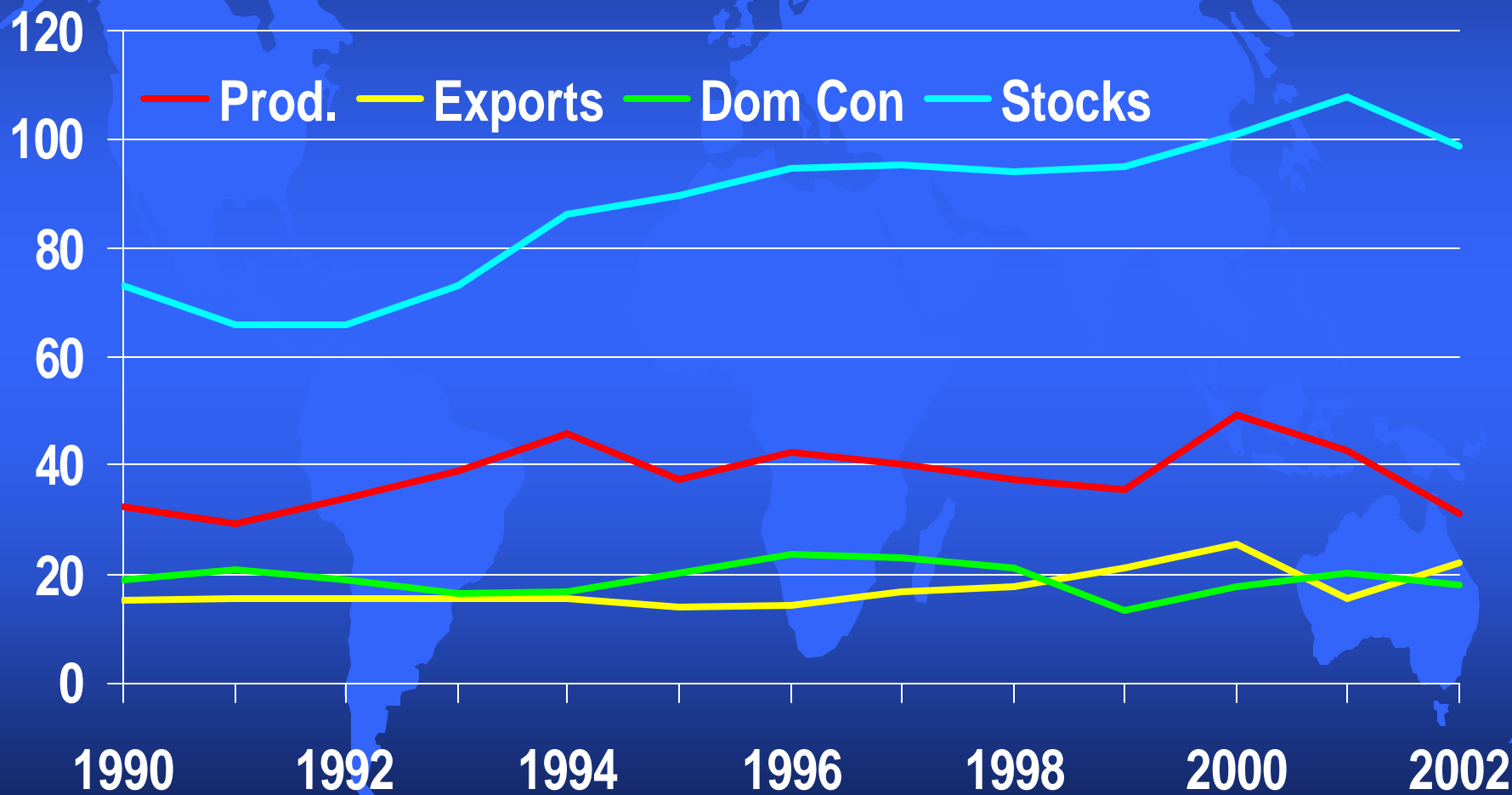
Virginia Fire-cured (21)

Mil. Lbs.



Ky. / Tenn. Fire-cured (22-23)

Mil. Lbs.



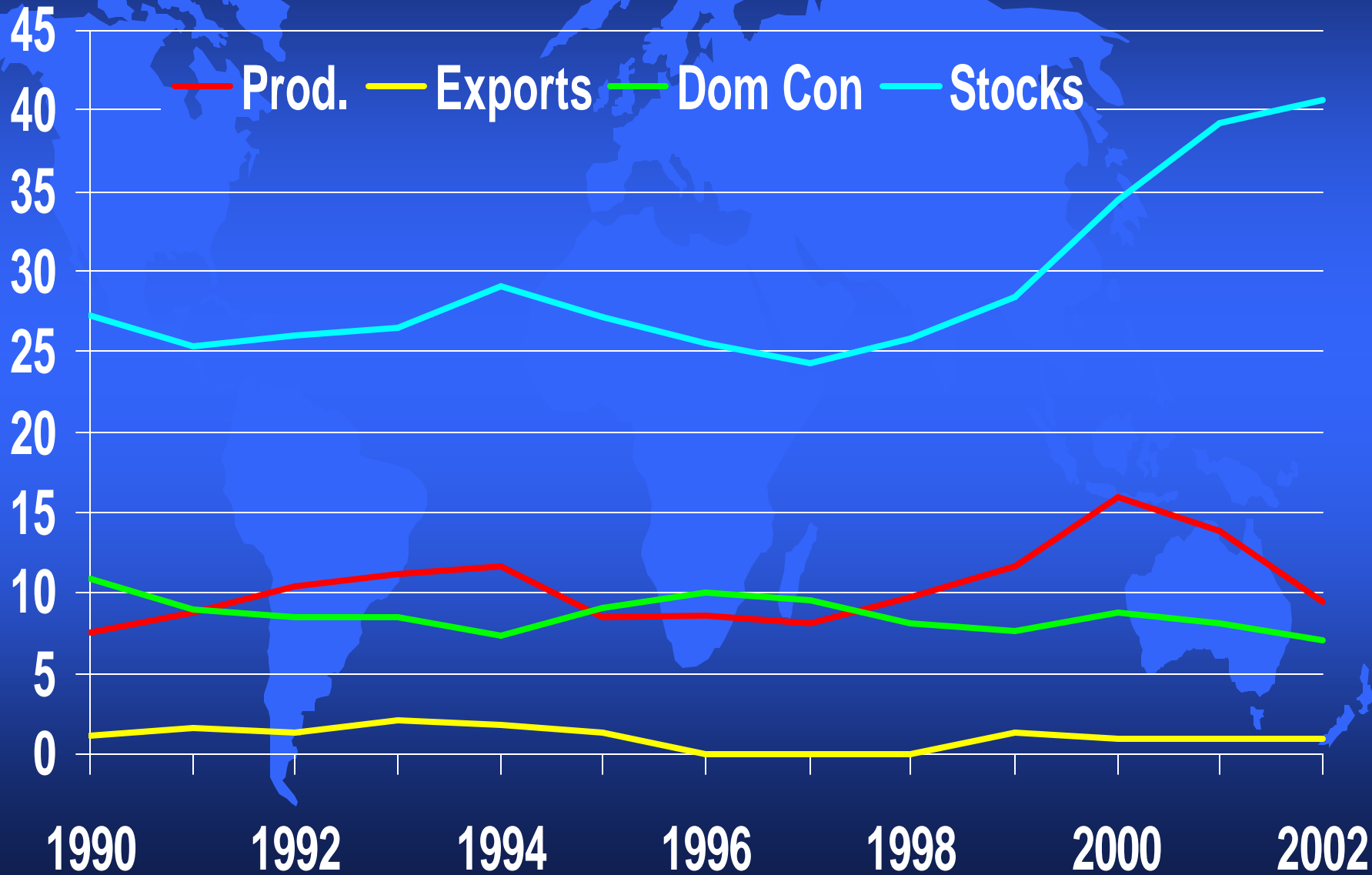
Ky. / Tenn. Fire-cured (22-23)

Lbs./Ac.



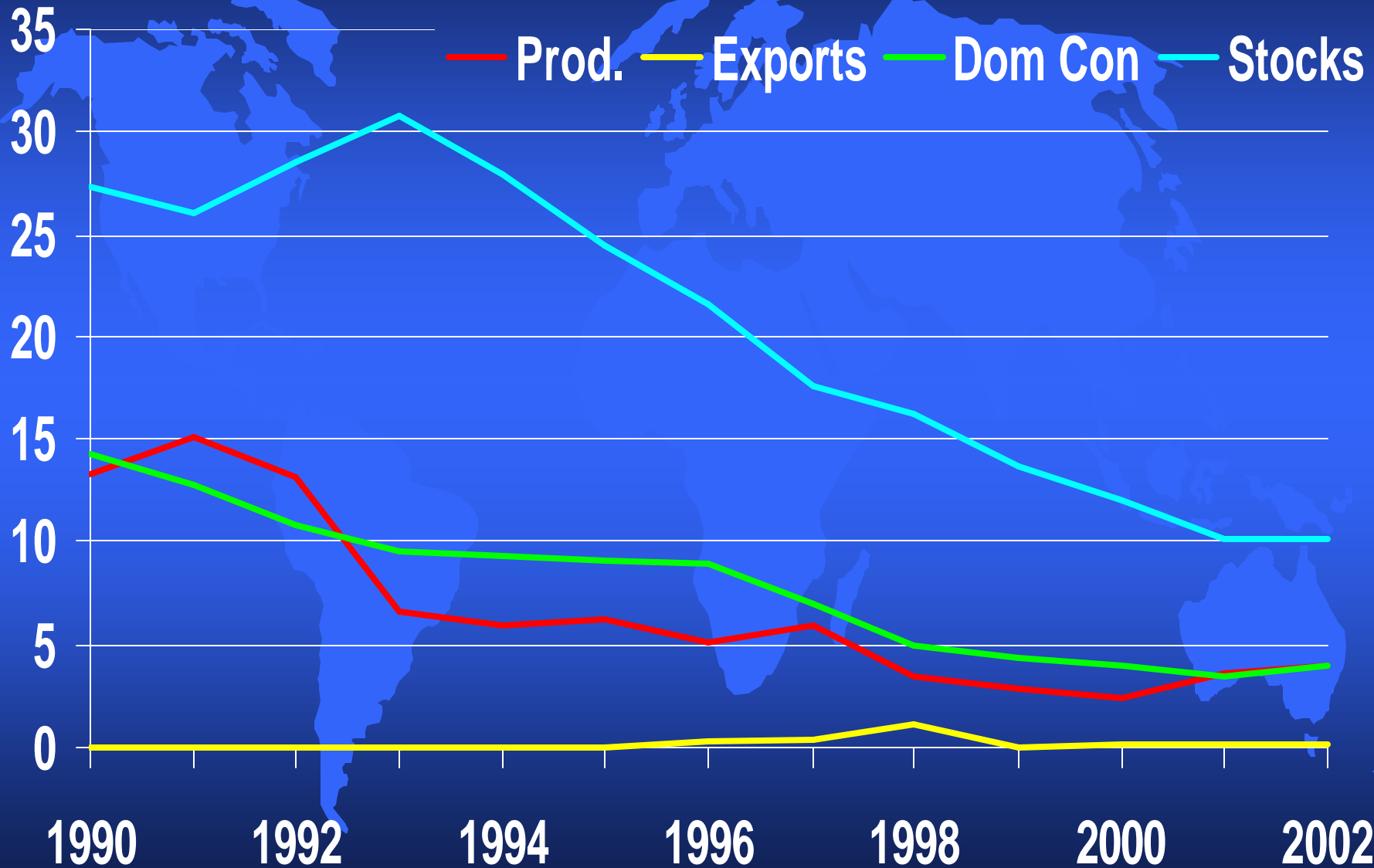
Dark Air Cured (35-36)

Mil. Lbs.



Wisc. Binder (54-55)

Mil. Lbs.



Trends in Consumption 2002

- **Cigarettes Unchanged**
- **Snuff up 3 percent**
- **Chewing tobacco down 5 percent**
- **Smoking tobacco up 19 percent**

Tobacco Developments in the U.S.

- Quota Buyout
- Congressional Action
- Nitrosanine Reduction
- GMO Tobacco Production
- Law Suits
- Foreign Competition
- Domestic Demand
- Contracting
- Alternative Auction System



CONCLUSIONS / OPINIONS

- U.S. is just another player.
- Become too small to control industry.
- Many lost opportunities.
- Problems identified but not addressed.
- Crisis driven changes that fell short of needs .
 - Re-active vs. pro-active
- Changes more political than economic.
- Too late to reverse situation?

SOME BUYOUT QUESTIONS

- Level of Payments and to Who.
- Transition / Development Funds.
- Geographic Restrictions on Tobacco Production.
- Restriction on Growers / Farms.
- Status of Coops.
- Anti-Tobacco Industry's Role.
- FDA's Role.
- USDA's Role
- Funding for Program.



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