U.S Department of Agriculture

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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!
BURLEY PRODUCTION

- USA
- OTHER
Burley Export Trends

Tons


Malawi Brazil Italy USA Argentina

USDA
FLUE-CURED PRODUCTION in the USA

Mil. Lbs

FLUE-CURED GROWER PRICES

USA
Zimbabwe


0 50 100 150 200
U.S. FLUE-CURED GROWER PRICES

Cents / lb.


0 60 120 180 240
FLUE-CURED PRODUCTION in the USA
U.S. FLUE-CURED GROWER PRICES

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

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

Mil. Lbs.


Burley Flue-cured
U.S. Cigarette Consumption


Consumption: 350, 400, 450, 500, 550

Graph showing the trend of U.S. cigarette consumption from 1990 to 2002.
Three Year Average Exports

- **Mil. Lbs.**
  - 450
  - 400
  - 350
  - 300
  - 250
  - 200
  - 150
  - 100
  - 50


**Lines:**
- **Burley**
- **Flue-cured**

**Trend:**
- Burley and Flue-cured trends show a decline over the period from 1990 to 2002.
Other Kinds of Tobacco
Virginia Fire-cured (21)

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

Yields

Lbs./Ac.

2000 2200 2400 2600 2800 3000 3200

Dark Air Cured (35-36)

Prod. Exports Dom Con Stocks
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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