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U.S. Exports:

In 1999, the United States exported about 189,000 tons of unmanufactured tobacco, valued at $1.3 billion, this is down from 212,000 tons of leaf in 1998, and down from 221,000 tons in 1997. U.S. leaf exports during this 10 year period have remained relatively flat, or maybe have even been trending lower.

When looking at U.S. leaf exports over the last 20 years and comparing this to world leaf imports over this period you can definitely see that the United States is losing market share in the world leaf market. World imports shown here exclude imports by the United States and oriental tobacco. So, most of what we see here is flue-cured and burley tobaccos.

U.S. flue-cured exports in 1999 totaled 85,538 tons, down 23 percent from 1998 when 110,000 tons were exported, and down from 116,000 tons in 1997. Our largest flue-cured export markets in 1999 were the European Union, Japan, Korea, Turkey, Malaysia, and Switzerland. Much of the decline in U.S. flue-cured exports so far this year is due to lower shipments to the EU, Japan, Turkey, and Taiwan.

Burley exports in 1999 totaled 48,475 tons, down about 3 percent from 1998. Looking at our largest burley markets, shipments to the EU were up from 1998, while shipments to Japan, Turkey, and Thailand were lower.

U.S. leaf exports have been trending lower while world imports have been trending higher. Who are the gainers in the world leaf market? On the flue-cured side, you can see that over the last 20 years, U.S. exports again have been trending lower, while exports from Brazil, Zimbabwe, China and Argentina have shown considerable growth. The U.S. is now the third leading flue-cured exporter after Brazil and Zimbabwe, and even China is catching fast.

On the burley side, the U.S. export trend is not as dramatic as with flue-cured. We are actually showing some growth in trade levels, but we are still losing ground to some of our competitors. Malawi and Brazil are capturing more of the world burley market.

Why is this happening? U.S. price competitiveness in the world market is a major reason. Many of the countries shown here continue to improve the quality of the leaf they produced and then have it available at an attractive price.

World Tobacco Situation:

Brazil

Looking at Brazil's leaf output and trade over the last 40 years, we can follow Brazil as it emerges as a major world producer and exporter of leaf tobacco. Brazil's total leaf output reach about 595,000 tons in 1999, up nearly one-third from 1998. Higher yields in Southern Brazil compared to 1998 when the crop was negatively effected by excessive rains, low temperatures, and hail account for this increase.

For 2000, total leaf production is forecast to reach about 541,000 tons, down 9 percent from last year due to lower area planted. Area planted to leaf this year is expected to be about 330,000 hectares, down from 346,000 hectares in 1999.

Brazil's flue-cured output in 1999 totaled 440,000 tons, up 28 percent from 1998. For 2000, the flue-cured crop is expected to be down about 8 percent to about 405,000 tons due to lower planted area on account of lower grower prices.

Despite the lower production estimate for 2000, Brazil's flue-cured exports are forecast to reach about 257,000 tons, up from 255,000 tons last year. Much of this increase can be attributed to available supplies and competitive export pricing due to Brazil's currency devaluation.

Brazil's burley output reached 100,000 tons in 1999, but is forecast to decline considerably to around 80,000 tons in 2000 due to lower plantings. Burley exports reached about 52,000 tons, and are expected to remain about the same in 2000.

Brazil's leading export markets in 1999 were the European Union, the United States, Japan and Russia.

Zimbabwe:

Looking at Zimbabwe over the last 20 years, we can again see an upward trend in leaf production and exports. After showing positive growth, Zimbabwe's area planted to flue-cured has leveled off somewhat over the last few years. For 2000, planted area is expected to increase slightly to about 87,000 hectares, about 2,000 hectares more than last year.

Zimbabwe's flue-cured production target for 2000 has been set at 200,000 tons, 4 percent more than in 1999, but 7 percent less than in 1998. The quality of leaf was good in 1999, but yields were reported down on account of some weather related problems.

Flue-cured exports in 2000 are expected to decrease to about 180,000 tons, down from 200,000 tons in 1999, but up from 164,000 tons in 1998.

China:

China accounts for nearly a third of the leaf tobacco grown in the world, and a third of the cigarettes consumed. Although China is not a major importer of tobacco, it is beginning to make it's presence felt in the export market.

China's area planted to leaf tobacco dropped nearly 5 percent in 1999, and is expected to fall an additional 3 percent in 2000. However, yields improved significantly in 1999 after being severely impacted in 1998 from flooding and drought conditions. China's total tobacco production last year reached about 2.5 million tons, about 5 percent higher than in 1998. For 2000, China's total leaf output is forecast to reach about 2.4 million tons.

Flue-cured accounts for almost 90 percent of China's tobacco crop. In 1999, China's flue-cured production reached about 2.2 million tons. For 2000, production is forecast to fall about 3 percent to around 2.1 million tons. You can see that dark air-cured and sun-cured, burley and oriental tobaccos make up the remaining leaf types grown in China.

We've seen China's planted area to tobacco grow fairly steadily over the last 40 years. Farmers were able to make more money with tobacco than many other crops, and tobacco is a major source of tax revenue for the provinces. China's tobacco stocks soared to over 3.2 million tons at the end of 1998. However, the tobacco monopoly is now aggressively working to improve leaf quality and discourage the production of lower quality tobaccos. The Government has passed new regulations to control area planted to tobacco. These new regulations include reforms in pricing and taxation, and assistance for farmers trying to convert to other crops.

On the export side. China has made advances in recent years as a significant leaf tobacco exporting nation and their exports have been trending higher. For 1999, China's leaf exports reached about 108,000 tons, up from 92,000 in 1998. This year, exports are forecast to reach about 110,000 tons. Flue-cured accounts for over 90 percent of this trade. Although exports account for only about 4 percent of China's total leaf output, the Government is pursuing a more aggressive export strategy and is hoping to expand the level of China's leaf exports. Last year China set a leaf export goal of 150,000 to 200,000 tons by the year 2000. So although they didn't quite reach that, you can see that China is increasingly interested in international trade. It does show you the direction China would like to be heading.

Argentina:

Over the last 20 years, we've also seen an upward trend in Argentina's leaf output and trade, although not as impressive as Brazil and Zimbabwe. Argentina's total leaf production is forecast to reach about 104,000 tons in 2000, this is down from about 113,000 tons in 1999. Planted area this year is expected to be the lowest in five years.

Flue-cured output for 2000 is forecast to total about 58,000 tons, about 5 percent lower than in 1999, and nearly 30 percent lower than in 1998. Again, lower planted area accounts for this drop, flue-cured area is forecast to be about 14 percent lower than in 1999.

One the burley side, Argentine burley production is forecast to decrease slightly this year, and reach about 36,000 tons. Production rose considerably last year, up almost 40 percent from 1998 to 41,000 tons. Much of this growth in burley last year was due to improved yields on account of more favorable weather conditions. The burley crop in 1998 was seriously impacted by poor weather.

Looking at Argentina's leaf exports, flue-cured exports are likely to drop to about 34,000 tons, nearly 30 percent lower than last year. Much of this decline can be attributed to competition from Brazil, Brazil's exports as mentioned earlier are expected to increase in 2000 due in part to Brazil's currency devaluation. The U.S. is the leading market for Argentine flue-cured, accounting for almost one-forth of their trade.

Burley exports are forecast to reach 18,000 tons, up from 16,000 in 1999, and up from about 11,500 in 1998. The U.S. accounts for about nearly 40 percent of Argentina's burley exports.

Malawi

Again we see a positive growth in leaf output and exports. Our latest estimate shows Malawi's burley output totaled about 111,000 tons in 1999, down from 114,000 tons in 1998. For 2000, indications are that Malawi's burley output will be around 125,000 tons.

Exports are vital to Malawi's tobacco industry with nearly 95 percent of the tobacco crop going into the export market, and nearly 70 percent of the country's foreign exchange earnings being generated by tobacco trade. Malawi's burley exports totaled 82,000 tons in 1999, down from 84,000 in 1998. The leading export markets for Malawi's leaf include Europe, Asia and the United States. Exports in 2000 are likely to increase given the expected rise in output.

European Union

The EU has had some difficulties managing their Common Agricultural Policy for Tobacco. We've seen overproduction, high stock levels, and a significant level of Government outlay. However, many changes were made in the CAP and leaf production has been trending lower over the last 10 years.

The EU's leaf production reached about 345,000 tons in 1999, up slightly from 1998 when 342,000 tons were produced. For 2000, the EU is forecast to produce about 347,000 tons of leaf. Italy and Greece are the leading producers in the EU. When combined, these countries account for about three-fourths of the EU's leaf output. Production quotas or (guaranteed thresholds) are set for each group of tobacco grown for each EU member country. The EU then uses support payments to ensure the production of tobacco up to the level of the guaranteed threshold.

The quality of the leaf tobacco grown in the EU is generally poor with the exception of Greek oriental tobaccos. The EU started in 1999 a program to improve EU leaf quality by increasing quotas of those tobaccos that have assured markets and higher prices. Part of the premium paid is linked to the value of the tobacco produced.

The EU exported nearly 185,000 tons of leaf tobacco in 1999. Most of this tobacco is destined to the Former Soviet Union, Central and Eastern Europe, and North Africa. Italy accounts for a sizable portion of the flue-cured exported by the EU. You can see how changes in the CAP have impacted Italy's flue-cured output and trade. Production has leveled off and exports are trending lower.

Closing Remarks:

The United States is capturing less of the world leaf market while Brazil, Zimbabwe, Argentina, China, and Malawi are capturing more. This issue is not new, it has been discussed many times. But the price competitiveness of U.S. leaf in the world market is likely to be even more an issue as the quality of leaf grown in these countries continues to improve.