

# U.S. Flue-Cured Tobacco: Situation and Outlook August 21, 2014

Dr. Blake Brown  
Hugh C. Kiger Professor  
Agriculture and Resource Economics  
College of Agriculture & Life Sciences

**NC STATE UNIVERSITY**

## Flue-Cured Acres Harvested:

	2010	2011	2012	2013	2014*
US	210,900	206,900	206,000	228,800	232,000
NC	166,000	160,000	164,000	170,000	181,000

\*August 2014 Forecast. USDA-NASS

USDA-NASS Crop Estimates

# Flue-Cured Hectares Harvested:

	2010	2011	2012	2013	2014*
US	85,348	83,730	83,365	92,592	93,887
NC	67,178	64,750	66,368	68,797	73,248

\*August 2014 Forecast. USDA-NASS

USDA-NASS Crop Estimates

# Flue-Cured Production: (million pounds)

	2010	2011	2012	2013	2014
US	451	345	473	454	531*
NC	349	248	377	360	416*

\*USDA-NASS August 2014 Estimate

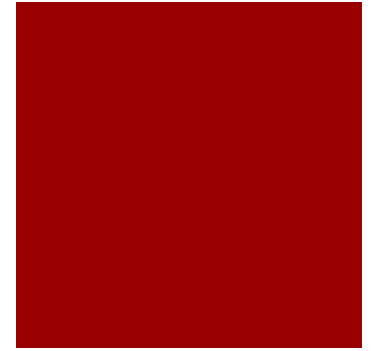
# Flue-Cured Production: (million kg)

	2010	2011	2012	2013	2014
US	204	156	214	205	241 *
NC	158	112	171	163	189 *

\*USDA-NASS August 2014 Estimate

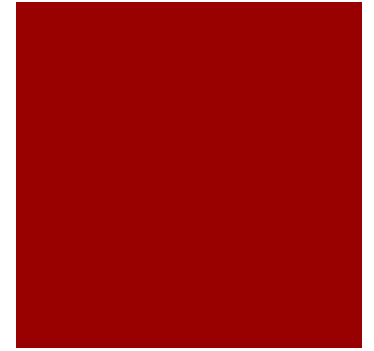
# 2013 U.S. Flue-Cured Crop

- Good prices...\$2.11/pound  
(\$4.65/kg)  
(up from \$1.98/lb for 2012)
- \$961 million in sales value  
(\$760 million in NC)
- Quality & yield affected by  
excessive rain
- Low yields....1,986 lbs/acre  
(2,226kg/ha)
- Short global supplies of flavor  
style, good quality flue-cured

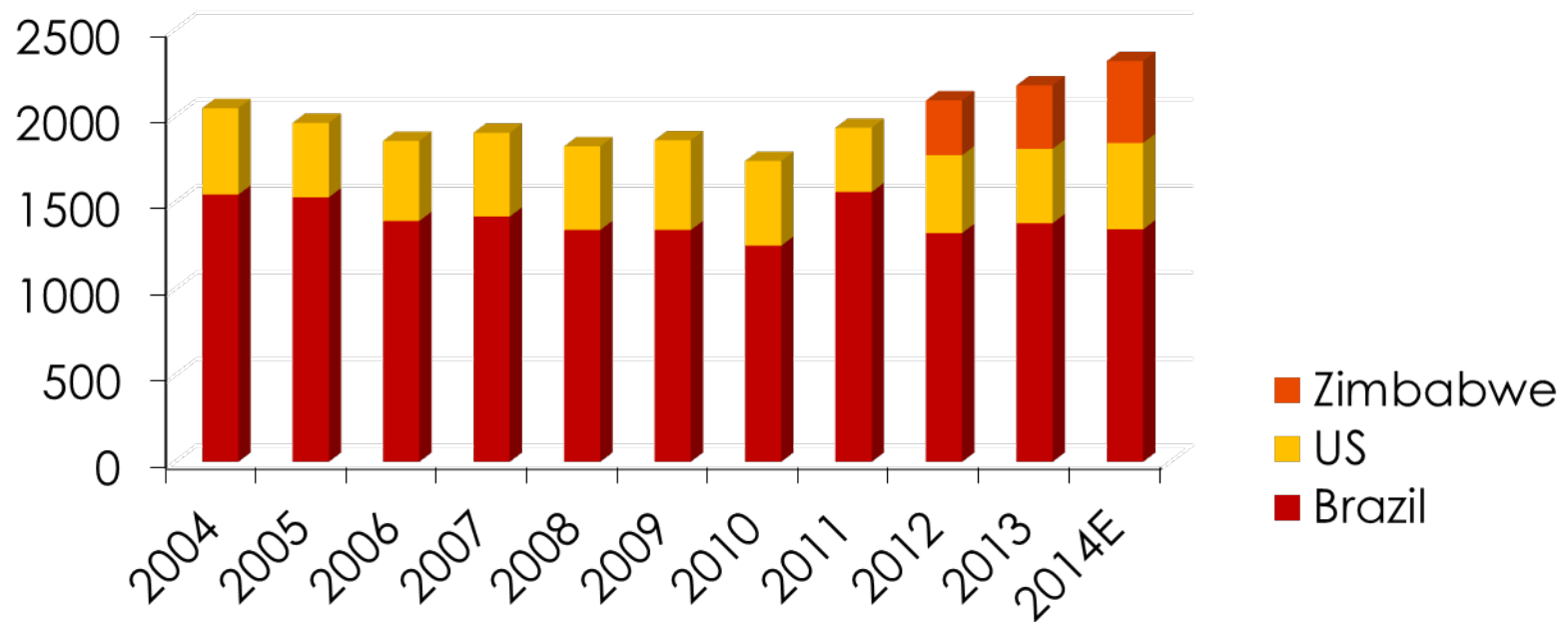


# 2014 U.S. Flue-Cured Crop

- Global production is up
  - 2014 Brazilian crop was better than anticipated
  - 2014 Zimbabwe crop up 29% at 215 million kg (473 million lbs)
- Prices are lower than in 2013
  - 2014 Zimbabwe prices down 14% at \$3.17/kg (\$1.44/lb)
  - US average price will be down from 2013



# U.S., Brazil and Zimbabwe Flue-Cured Tobacco Production



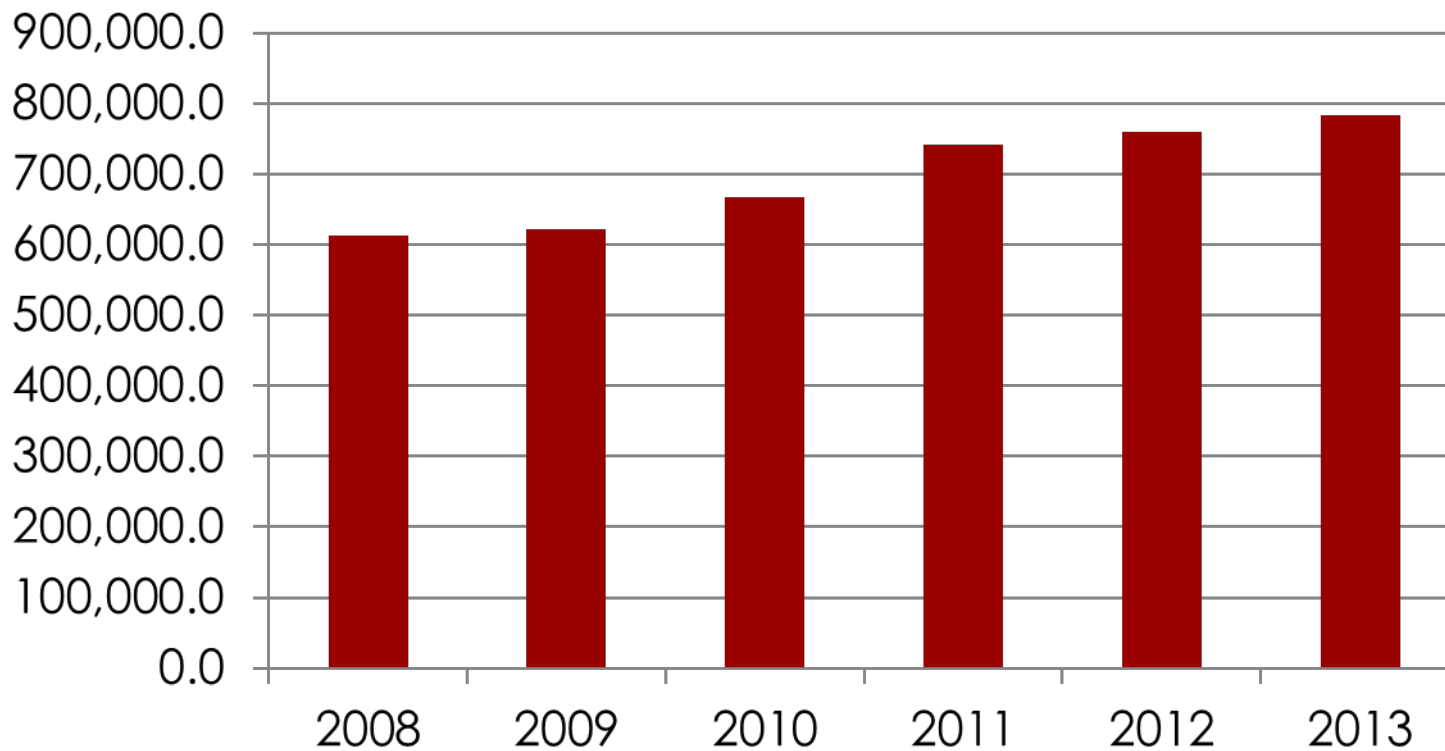
Source Brazil & U.S.: Universal Corporation. "World Leaf Production as of August 7, 2014."  
Source Zimbabwe: Zimbabwe Tobacco Association "Weekly FCV Report 14.07.2014"



# Retail Value of Global Tobacco Product Sales (US\$ millions)

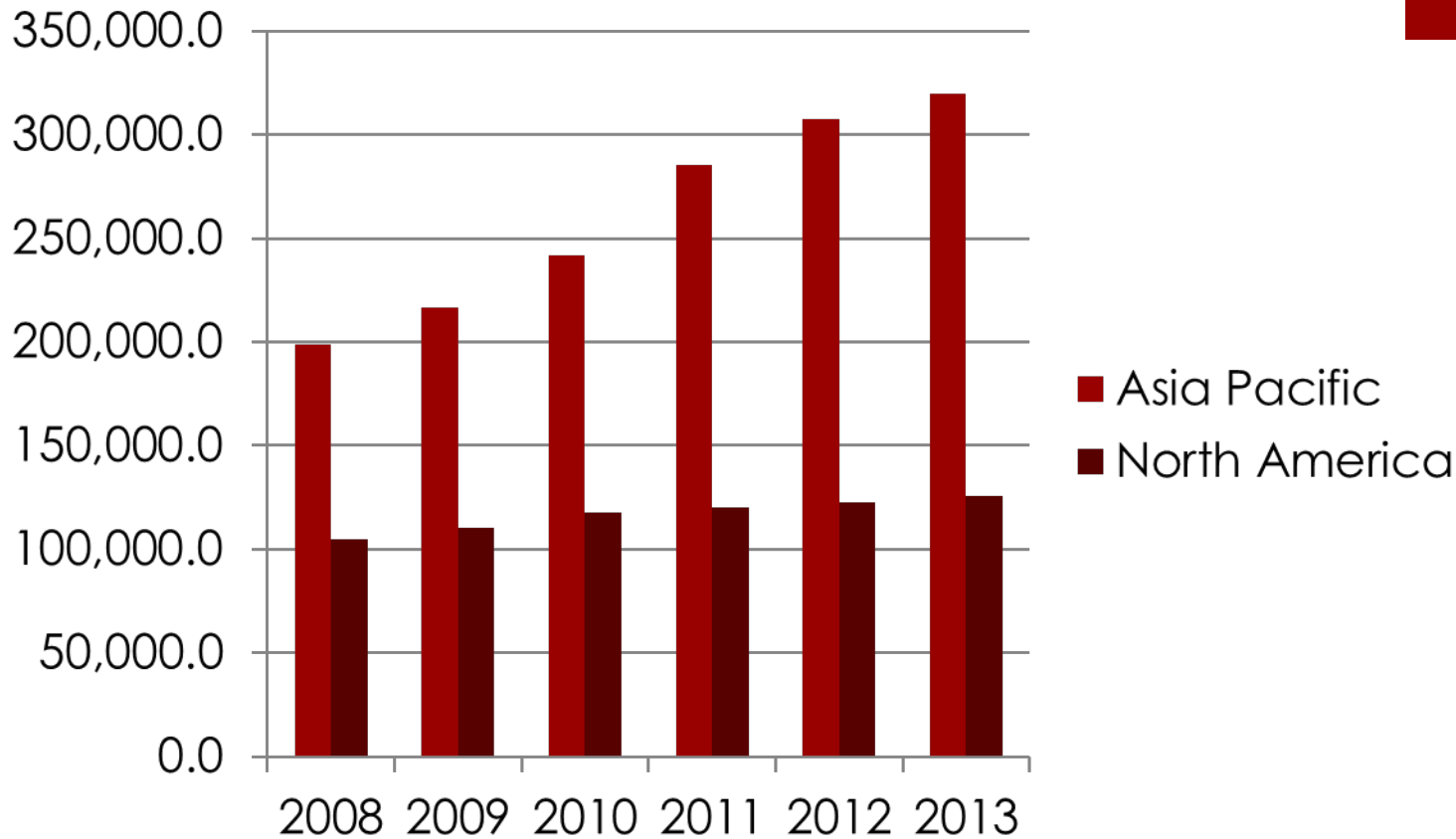


**World**



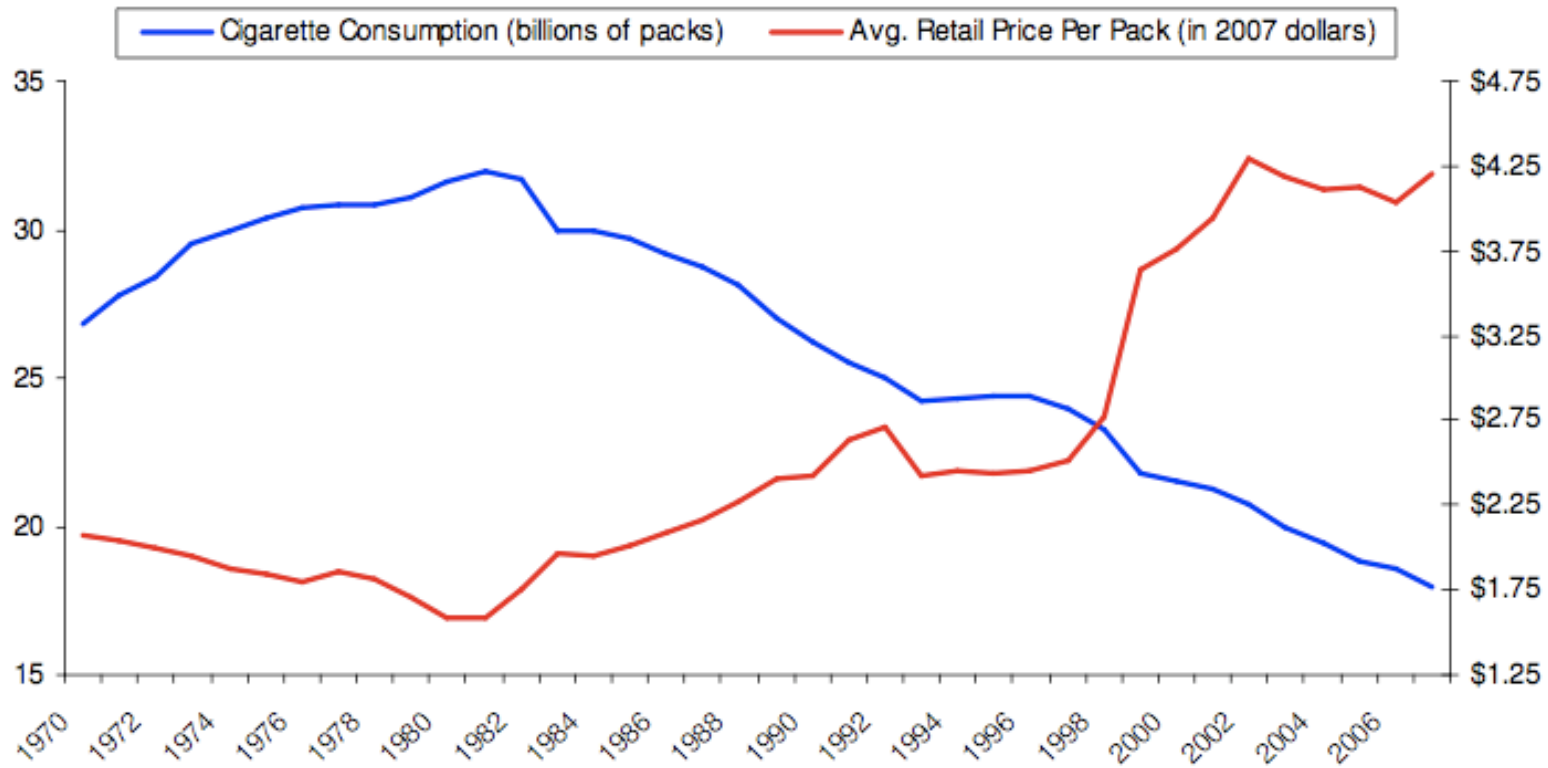
Source: Euromonitor International

## Retail Value of Tobacco Product Sales (US\$ millions)



Source: Euromonitor International

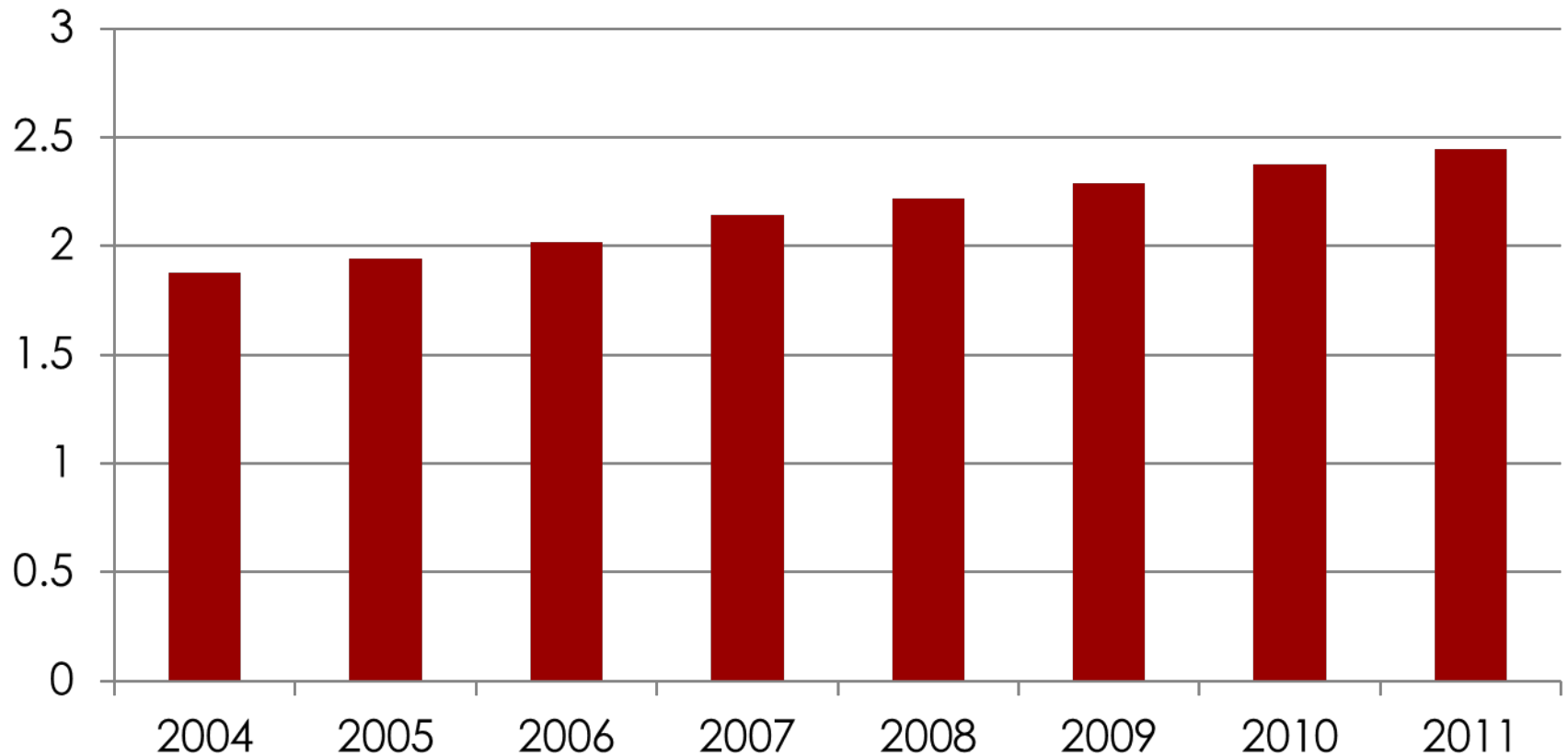
### U.S. Cigarette Prices vs. Consumption 1970-2007



Sources: *The Tax Burden on Tobacco*, 2007; USDA Economic Research Service; U.S. Bureau of Labor Statistics.

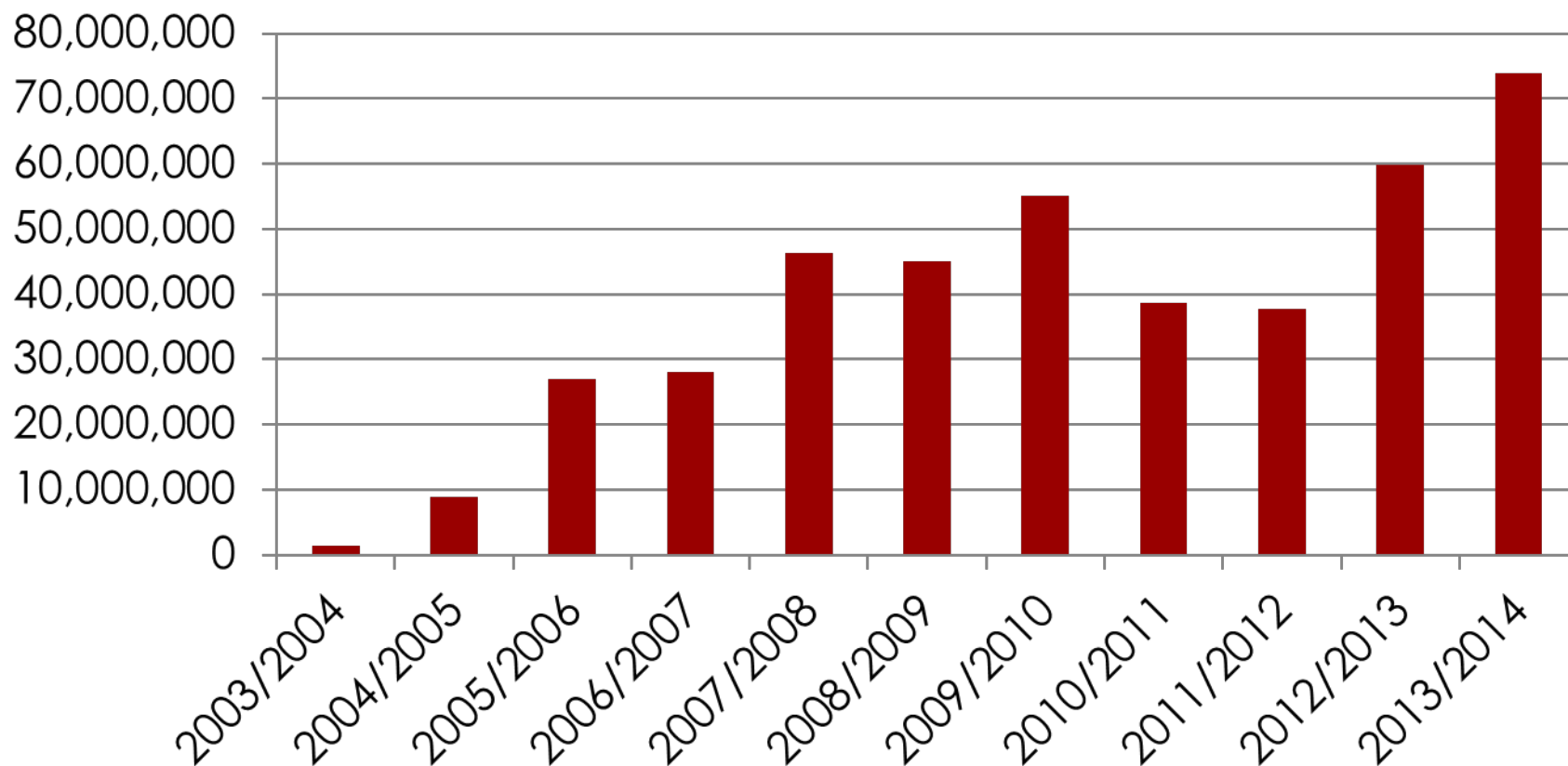
# PRC Cigarette Production

**Trillion cigarettes**

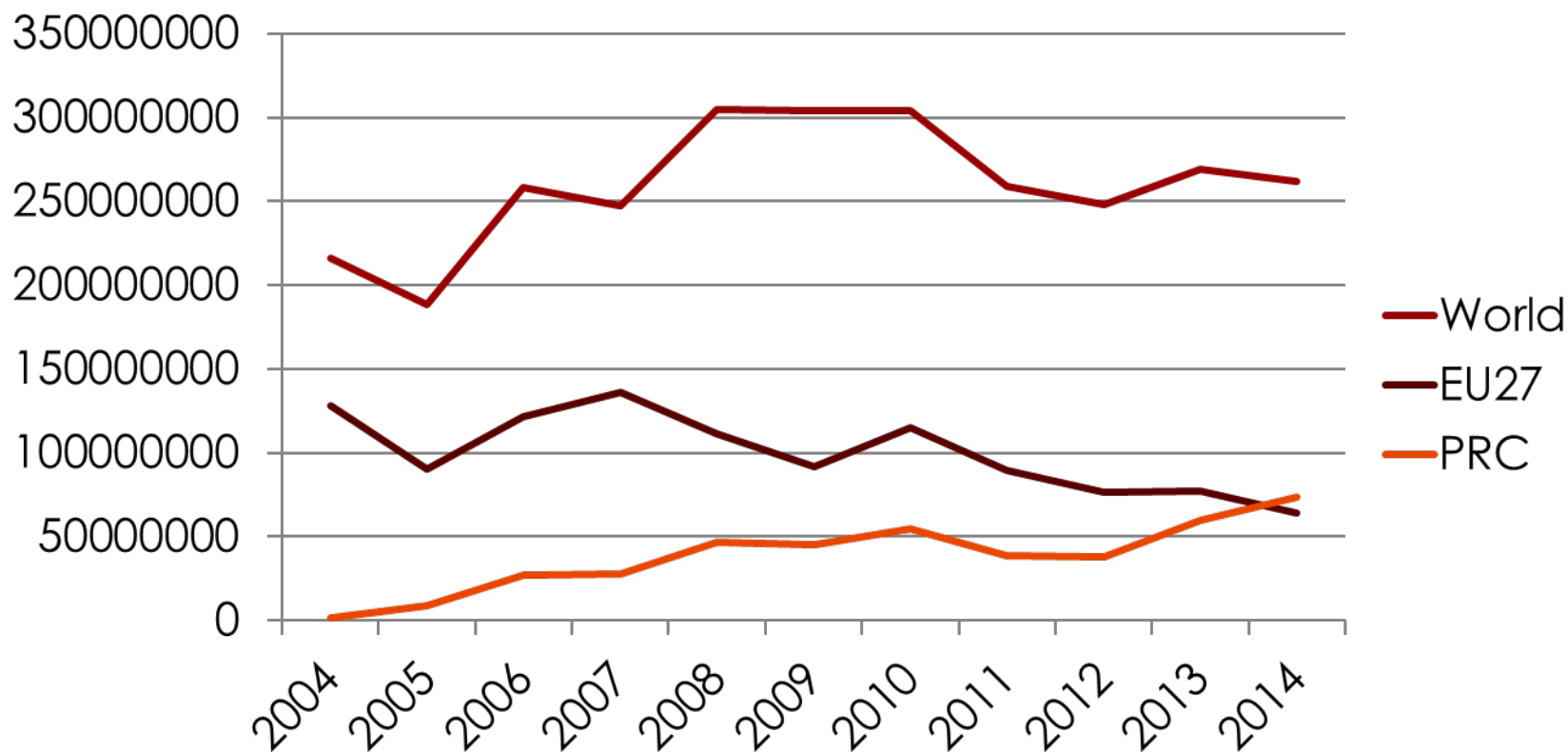


# US Exports of Unmanufactured Flue-Cured to PRC

**Pounds, Farm Weight**

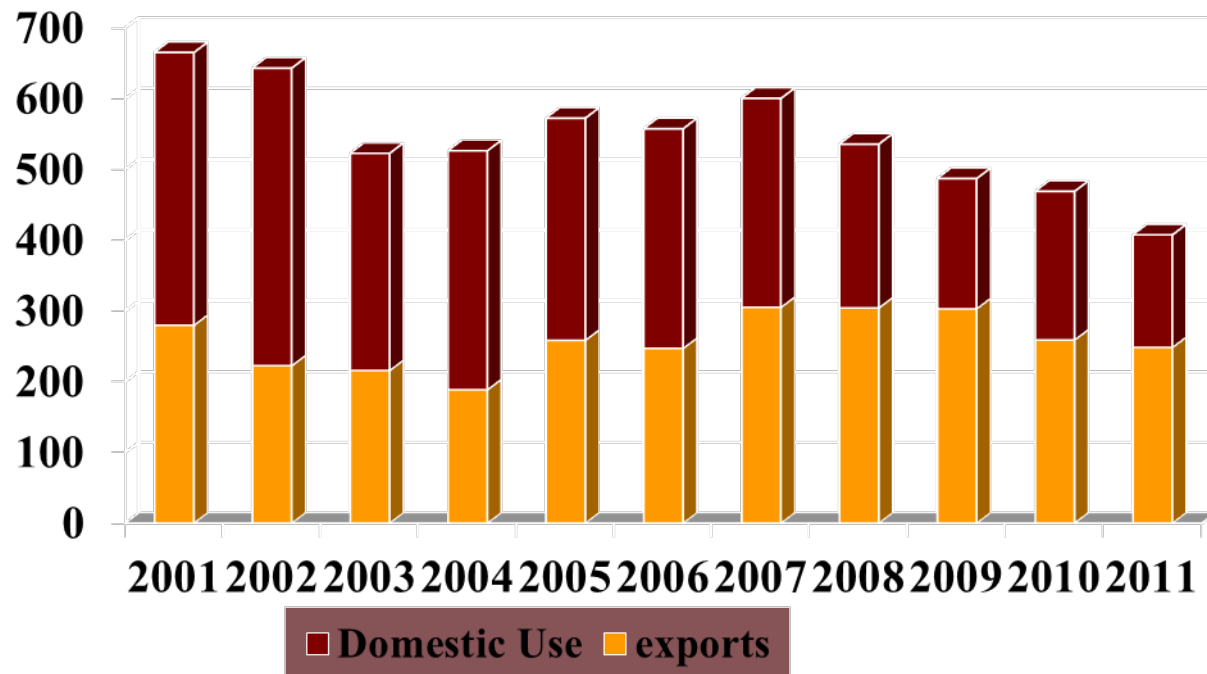


# U.S. Unmanufactured Exports of Flue-Cured Tobacco (lbs farm weight)



Source: USDA-FAS

# Flue-Cured Domestic Use and Exports



# Non-Combustibles



- E-Cigs
  - \$2 billion mkt in U.S. and growing rapidly
  - How regulations and taxation develop will heavily impact growth
  - Many states are now taxing e-cigs
- What about other non-combustibles?
  - Ploom
  - PMI has invested in manufacturing facility in Italy for non-combustibles
- These are DISRUPTIVE technologies that will have big impacts over next 5-10 years.



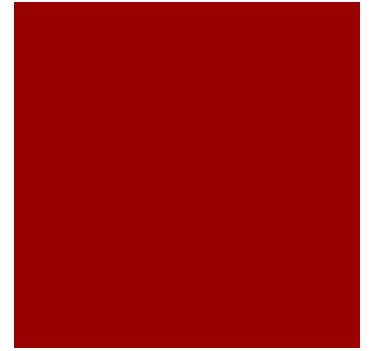
# FDA Deeming Proposed Rules for E-Cigs

- Register with FDA and report product and ingredient listings
- Only market new tobacco products after FDA review
- Only make claims of reduced risk if FDA confirms that scientific evidence supports the claim and that marketing the product will benefit public health as a whole
- Not distribute free samples
- Minimum age and identification restrictions to prevent sales to underage youth
- Requirements to include health warnings
- Prohibition of vending machine sales, unless in a facility that never admits youth



# Summary

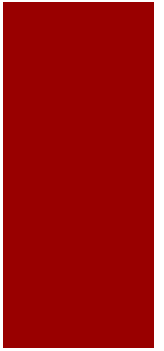
- Larger flue-cured crops in 2014 are alleviating the previously short global supply
- Average price was lower in Zimbabwe and will be lower in the U.S. for the 2014 season.



# Beyond this season.....



- Continued robust demand from China...at least in short term
- Continued declining demand for combustible cigarettes in U.S., Canada, Australia and EU
- How technology, taxation, and regulation of non-combustibles develop will have tremendous impacts on demand for tobacco in the next 5-10 years.



[www.tobaccogrowerportal.org](http://www.tobaccogrowerportal.org)