

U.S. Flue-Cured Tobacco: Situation and Outlook December 5, 2013

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

NC STATE UNIVERSITY

Flue-Cured Acres Harvested:

	2009	2010	2011	2012	2013*
US	223,800	210,900	206,900	206,000	217,000
NC	174,000	166,000	160,000	164,000	170,000

*August 2013 Forecast. USDA-NASS

Source 2009-2012: USDA-NASS Final Crop Estimates

Flue-Cured Production: (million pounds)

	2009	2010	2011	2012	2013
US	525	451	345	473	439*
NC	418	349	248	377	340*

*USDA-NASS August 2013 Estimate

Source 2009-2012: USDA-NASS Final Crop Estimates

Average U.S. Flue-Cured Price (\$/lb)

2009	2010	2011	2012	2013
\$1.75	\$1.68	\$1.68	\$1.98	\$2.15+*

Source 2009-2012: USDA-NASS

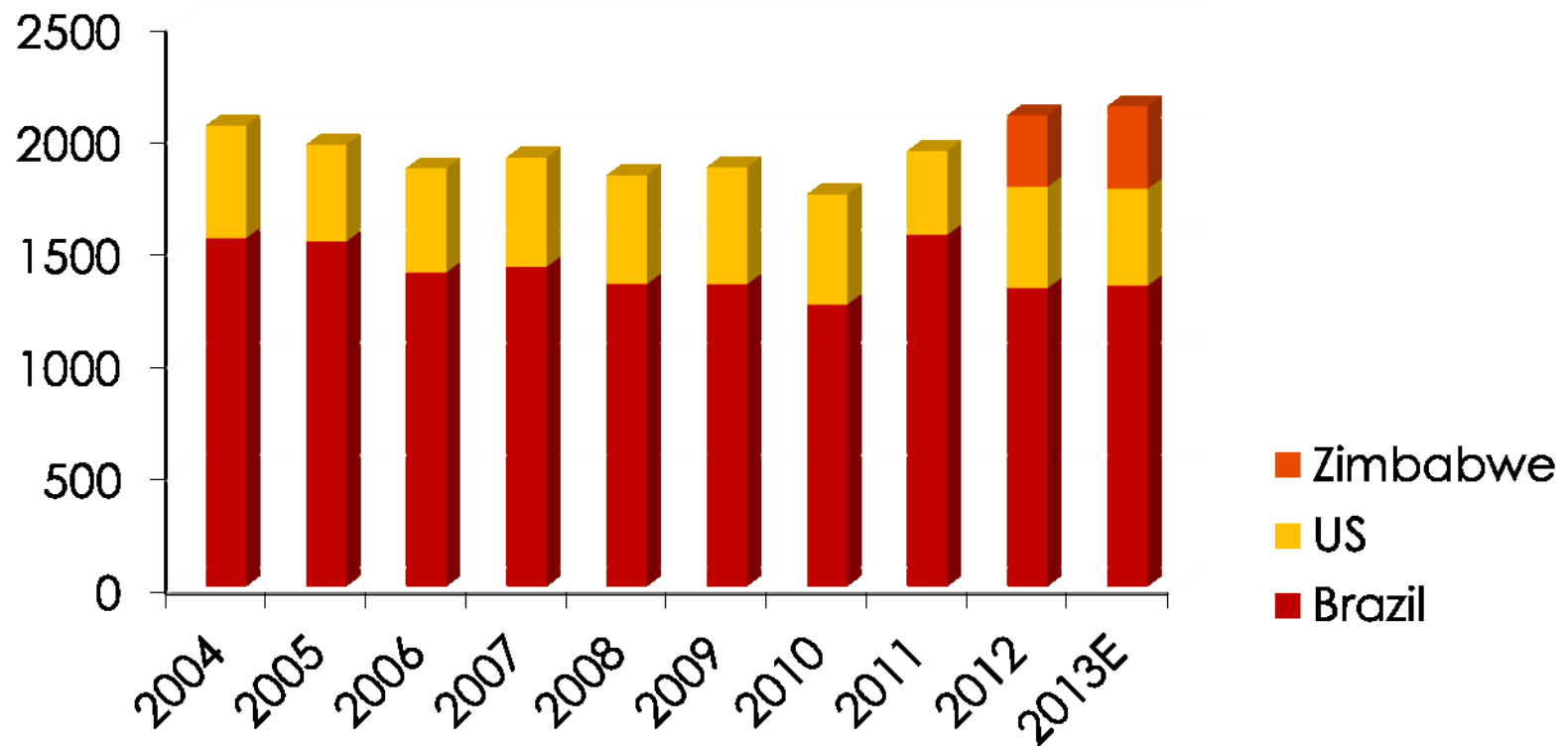
*2013 Estimated

2013 U.S. Flue-Cured Crop

- **Good prices in contracts...\$2.00 per pound +**
- **Prices received even higher \$2.15 per pound or more**
- **Yields down due to very wet season...2,024 pounds/acre**
- **Very short global supplies of flavor style, good quality flue-cured**

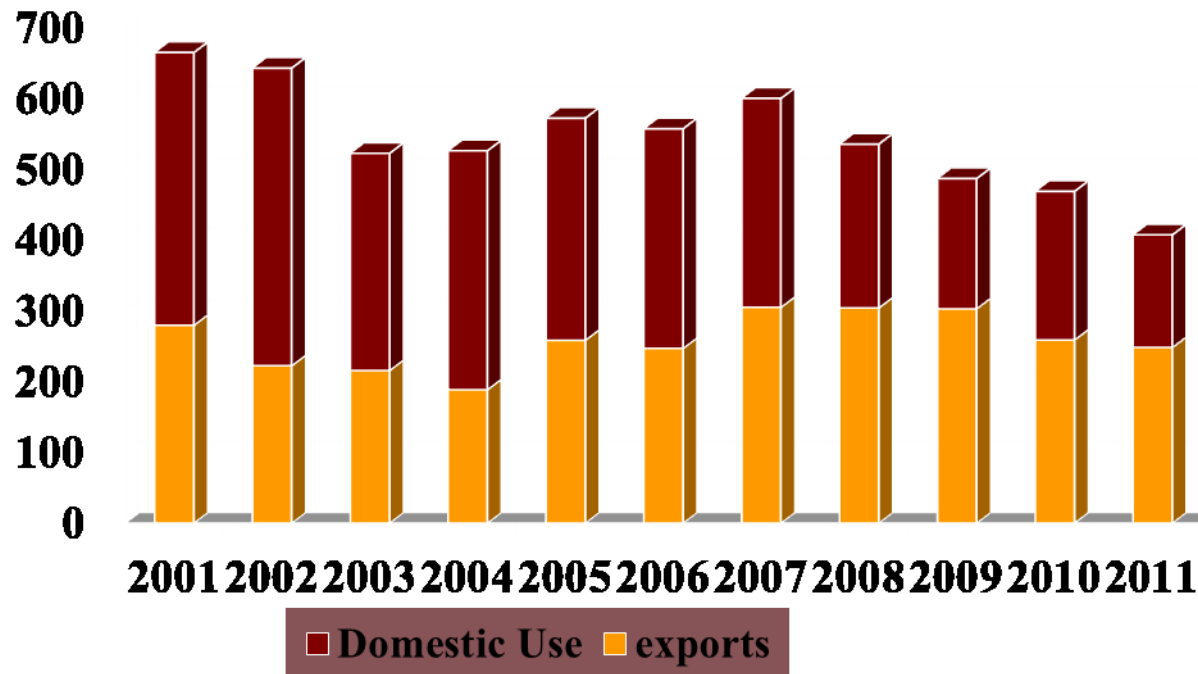


U.S., Brazil and Zimbabwe Flue-Cured Tobacco Production



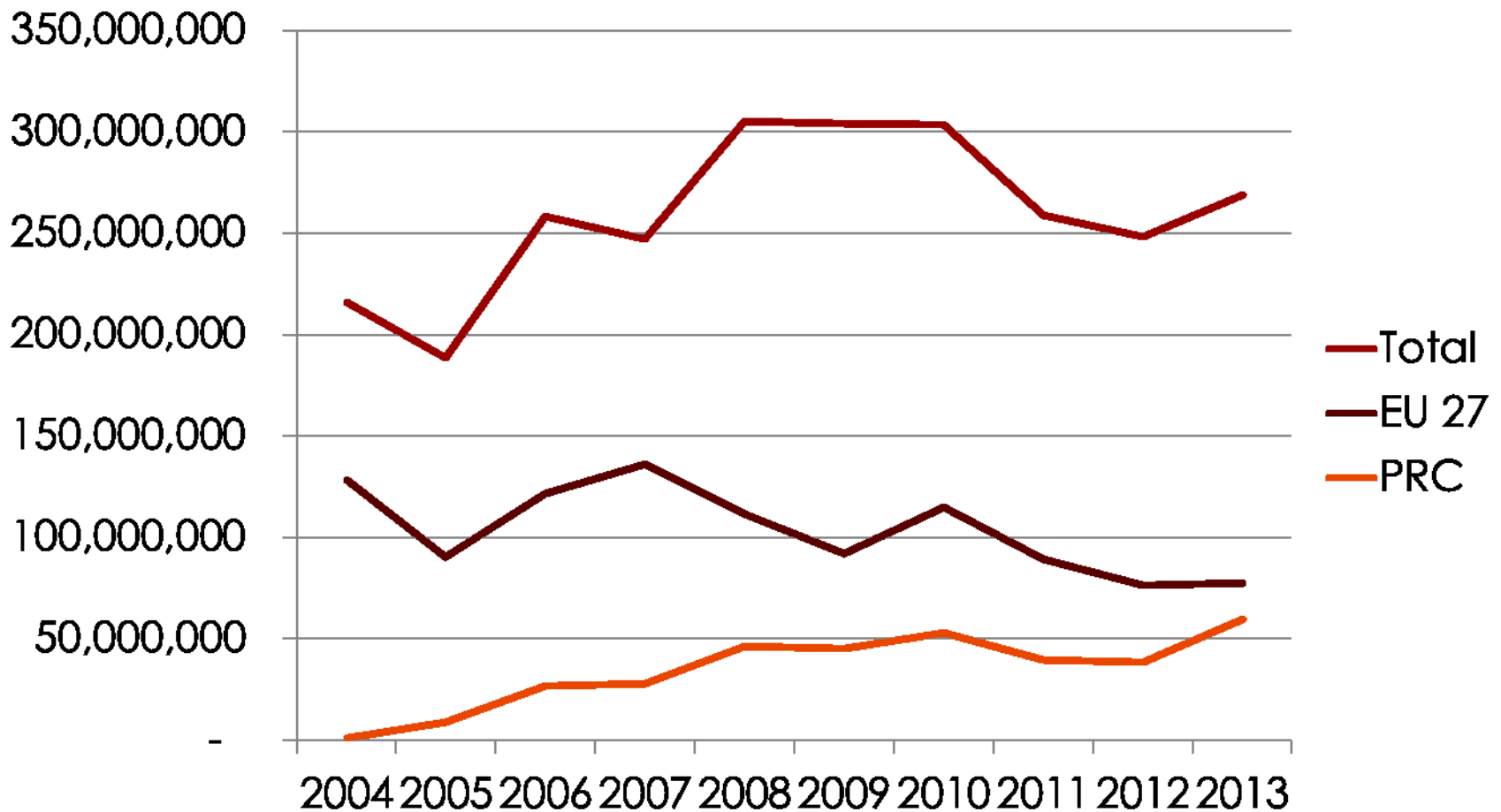
Source: Universal Corporation. "World Leaf Production as of 5 November 2013."

Flue-Cured Domestic Use and Exports



U.S. Exports of Flue-Cured Tobacco

(Farm Sales Weight, millions of pounds)



Source: "Global Agricultural Trade System" data. USDA-FAS

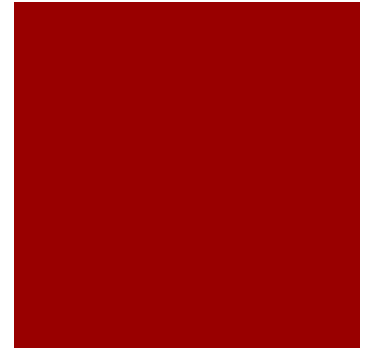
To Watch

- FDA
 - Menthol Cigarettes
 - E-cigarettes
- EU Tobacco Products Directive

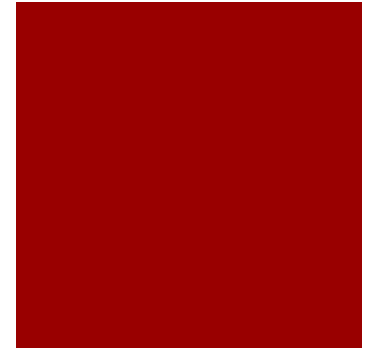


To Watch

- Other Policy Issues
 - Immigration Reform
 - Farm Bill...especially crop insurance
 - Trans Pacific Partnership Trade Agreement
 - Cigarette Excise Taxes
- Exchange Rates
- E-cigs

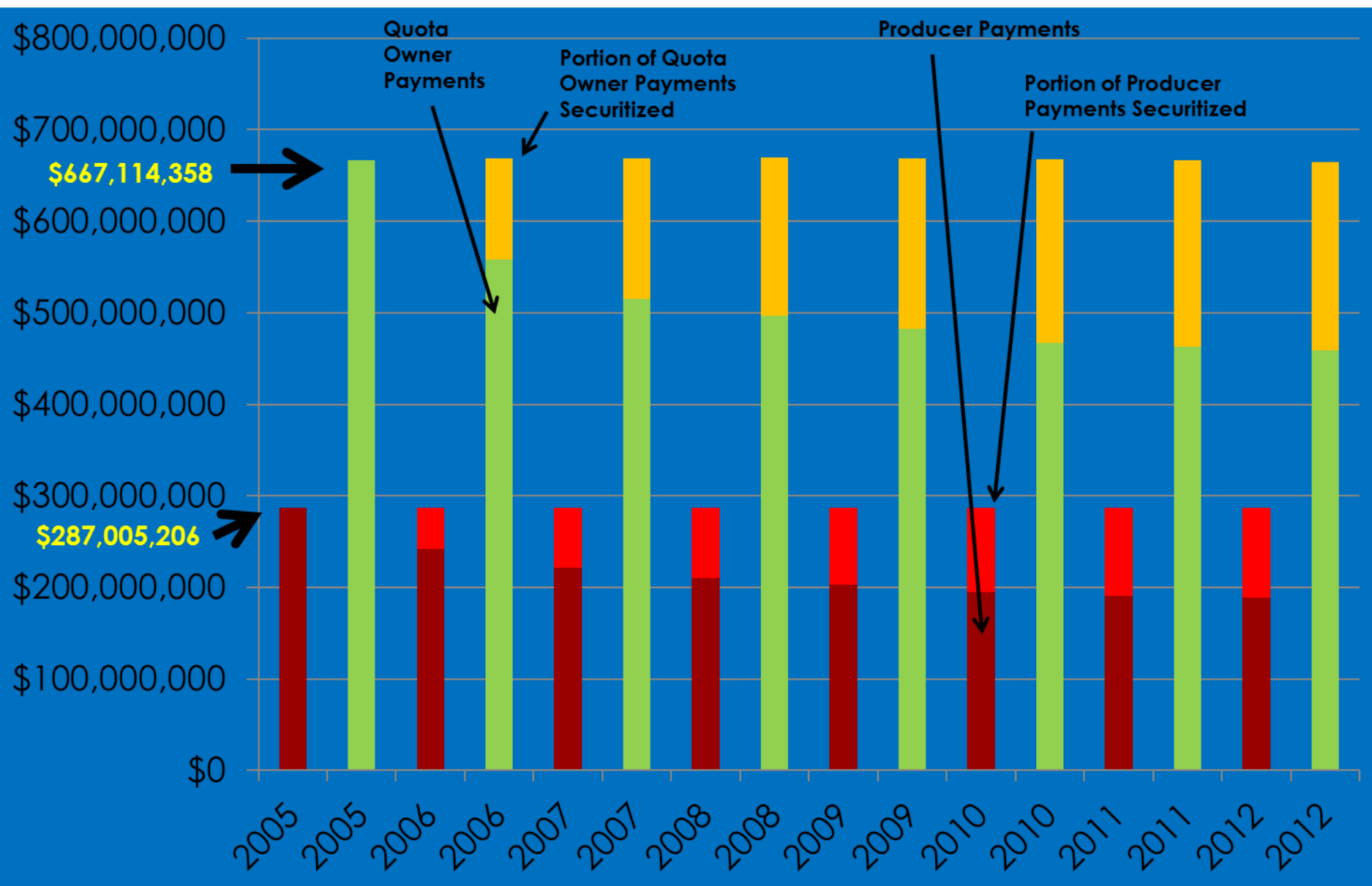


Summary



- **Global supplies of good quality flavor-style flue-cured still short going into 2014 season**
- **Robust demand from China**
- **But...negative long-term demand factors remain**
- **Good weather in 2014 will likely mean another good year for U.S. flue-cured producers**

Figure 1: Tobacco Transition Payment Program: Quota Owner Payments, Producer Payments, and Portions Securitized



Cost of 7.2% Reduction

	2012 Payment	7.2% Reduction
NC Quota Owner Payments	\$198.6 million	\$14.3 million
NC Producer Payments	\$ 85.9 million	\$ 6.2 million
US Quota Owner Payments	\$459.4 million	\$33.1 million
US Producer Payments	\$188.5 million	\$13.6 million
US Financial Institutions	\$304 million	\$21.9 million



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