

U.S. Flue-Cured Tobacco Situation & Outlook

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Flue-Cured Acres Harvested:

	2011	2012	2013	2014	2015*
US	206,900	206,000	228,800	232,000	218,300
NC	160,000	164,000	170,000	181,000	170,000

*October 2015 Forecast. USDA-NASS

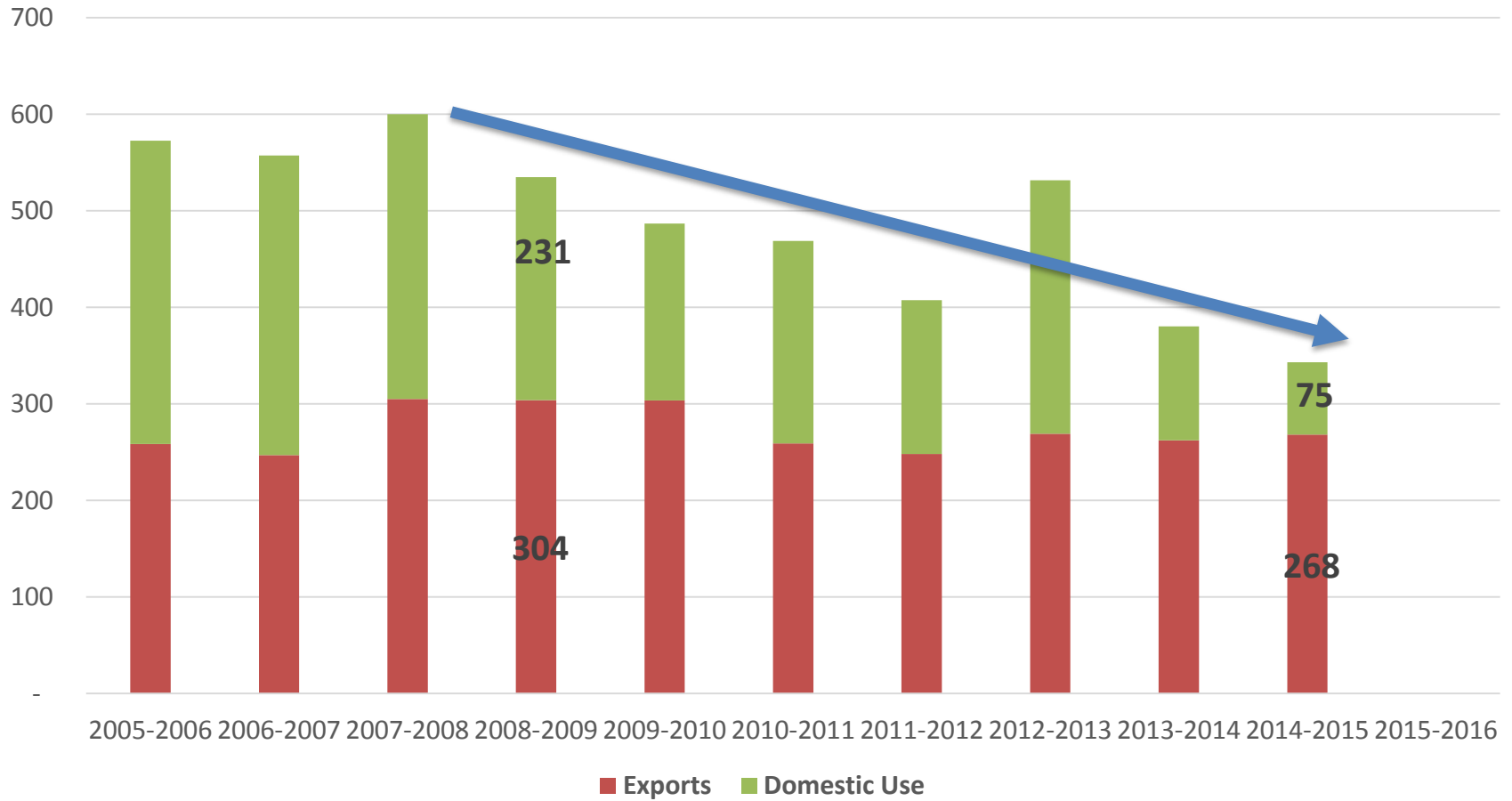
USDA-NASS Crop Estimates

Flue-Cured Production: (million pounds)

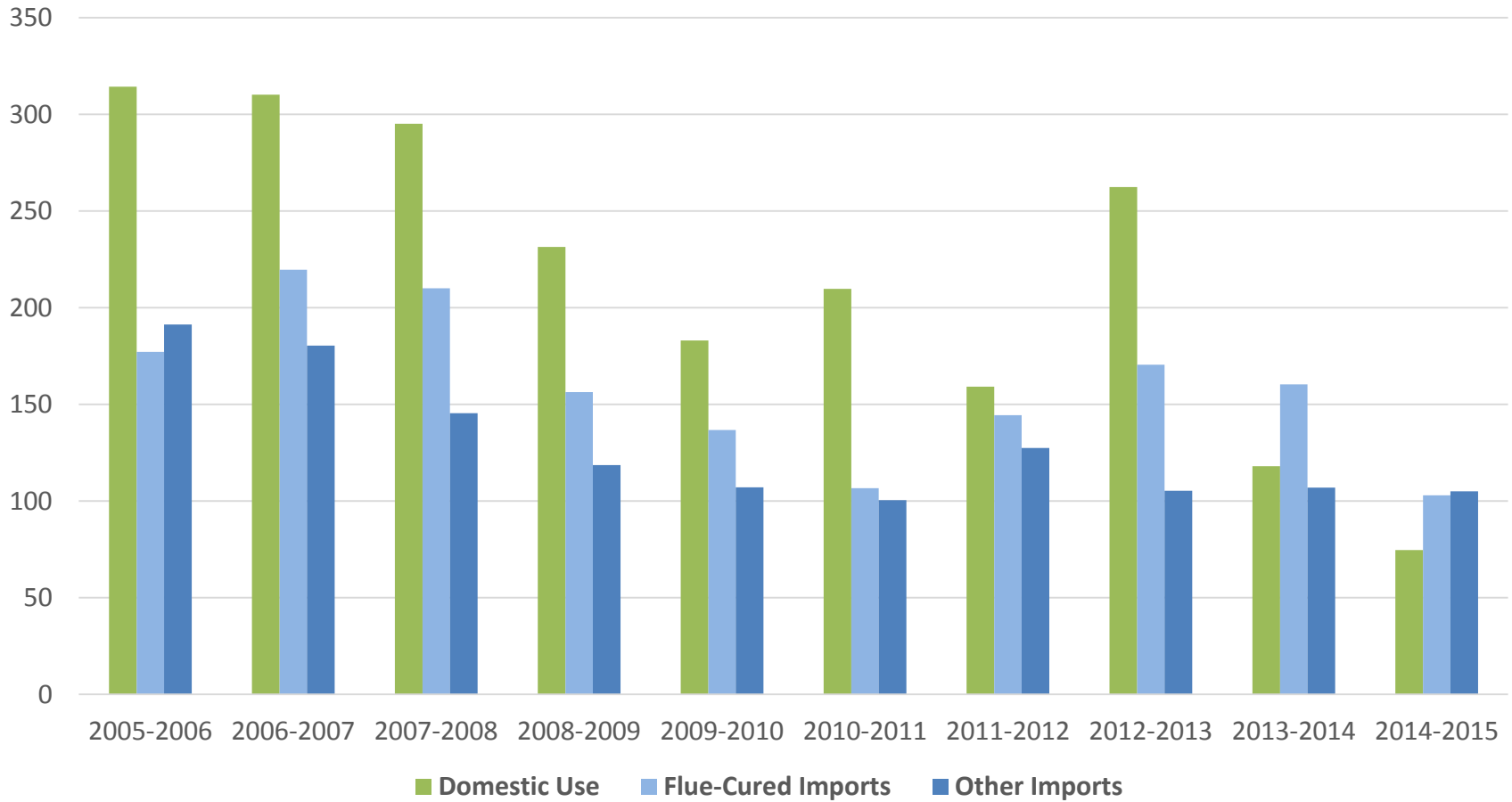
	2011	2012	2013	2014	2015*
US	345	473	454	557	468
NC	248	377	360	434	365

*USDA-NASS October 2015 Estimate

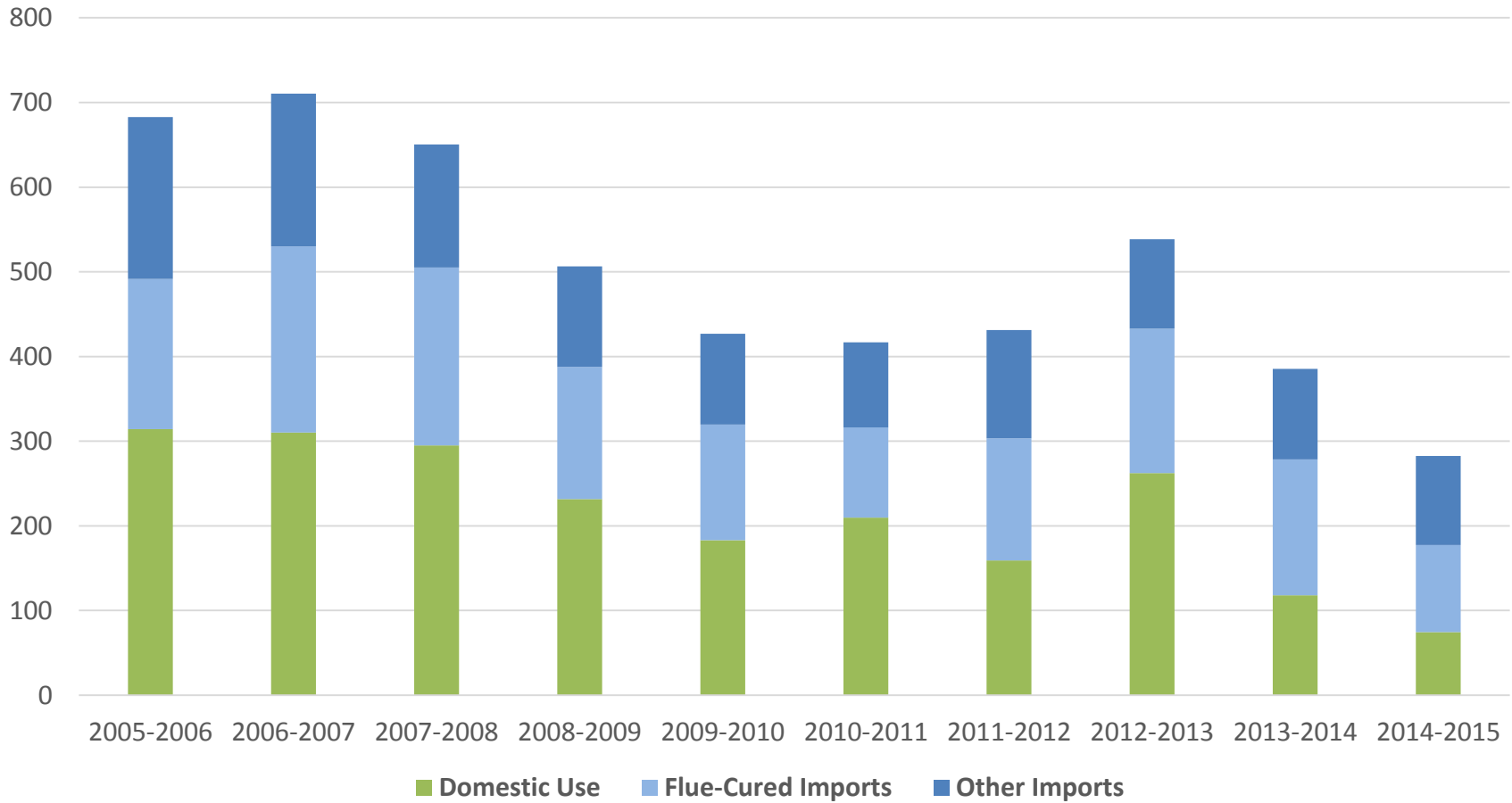
US Flue-Cured Exports and Domestic Disappearance



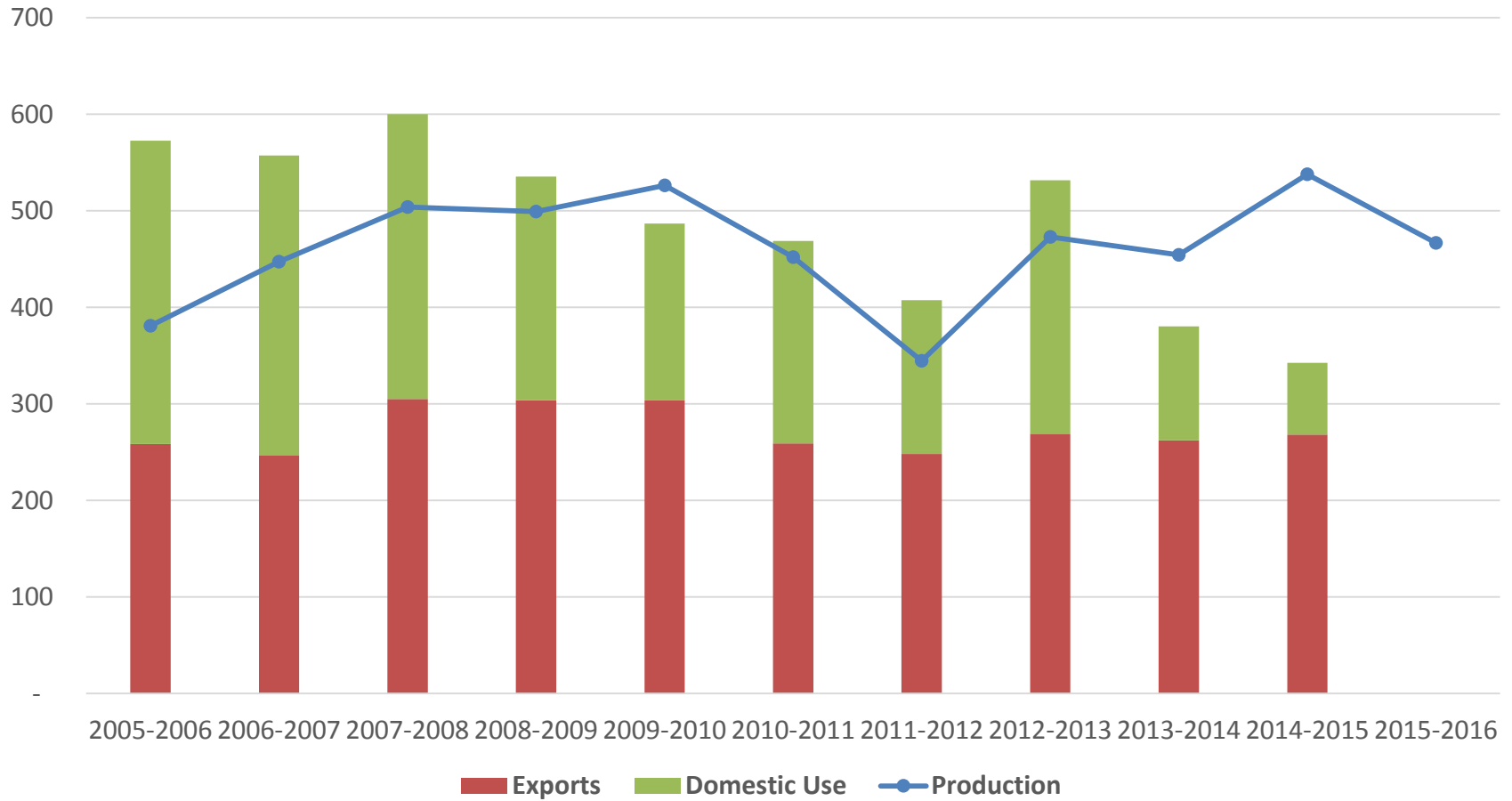
US Flue-Cured Domestic Disappearance and Imports for Consumption



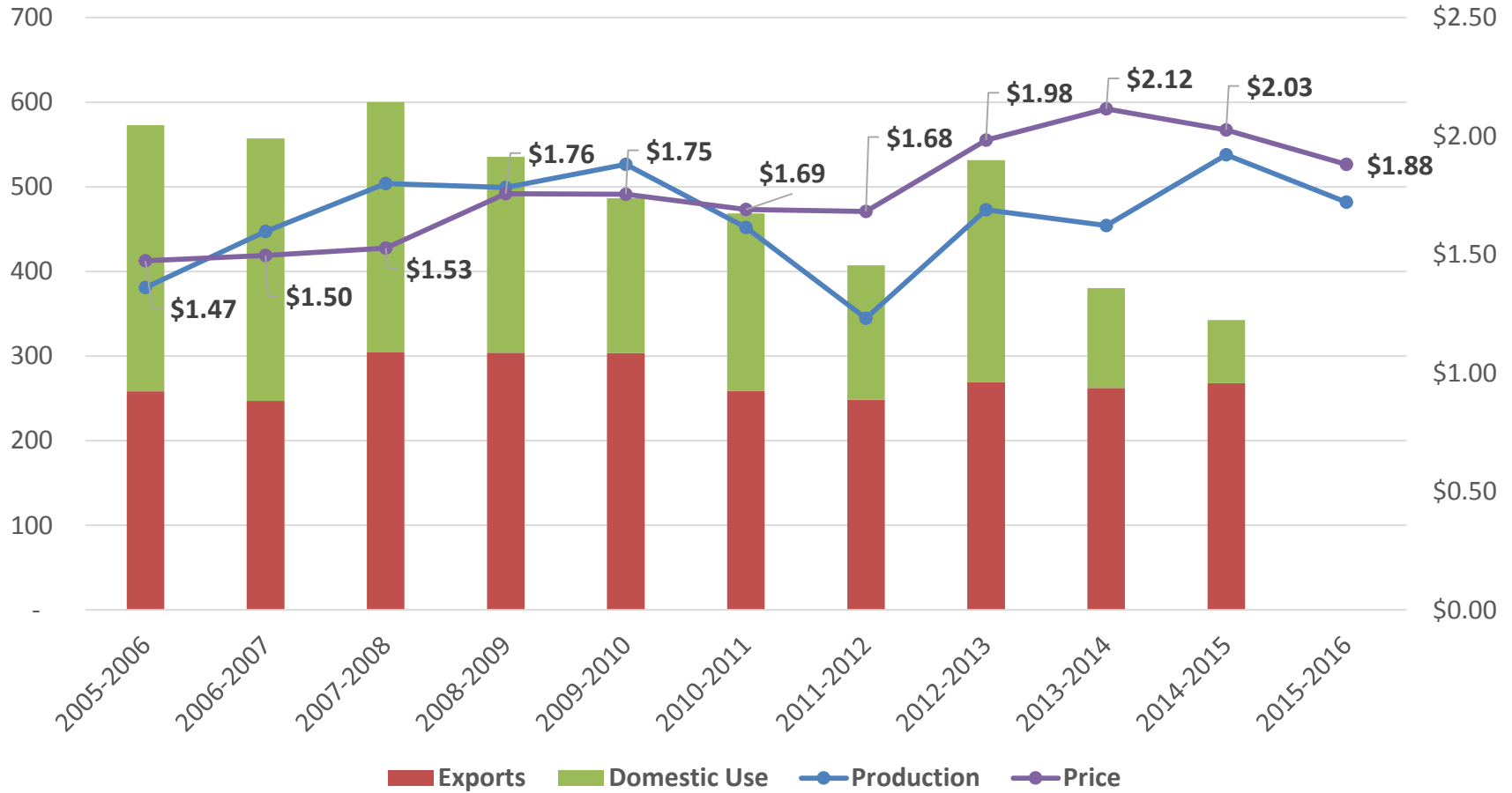
US Flue-Cured Domestic Disappearance and Imports for Consumption



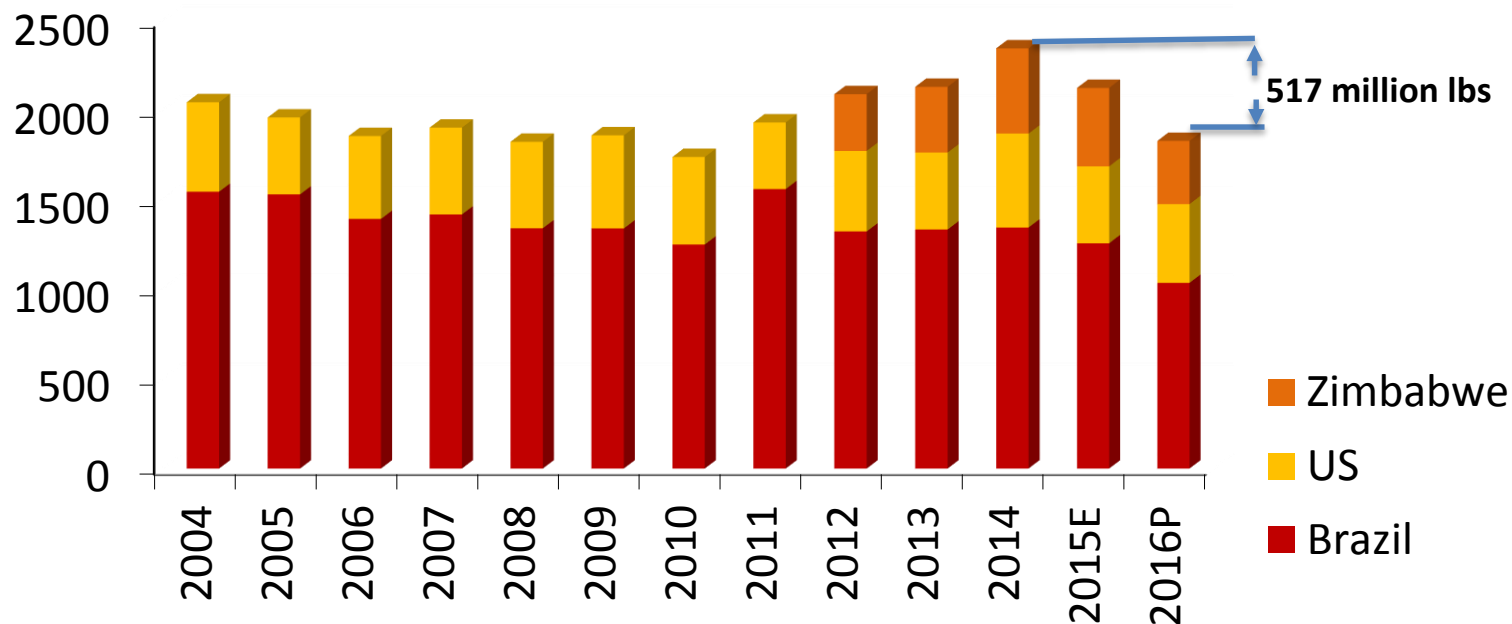
US Flue-Cured Exports and Domestic Disappearance and Production



US Flue-Cured Price, Production, Exports and Domestic Disappearance



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



Source Brazil & U.S.: Universal Corporation. "World Leaf Production as of Nov 4, 2015."

Source Zimbabwe: Zimbabwe Tobacco Association "Weekly FCV Report 10.05.2015"

“The combination of lower crop production and expected reduced plantings should result in a largely balanced global leaf market in fiscal 2017.”

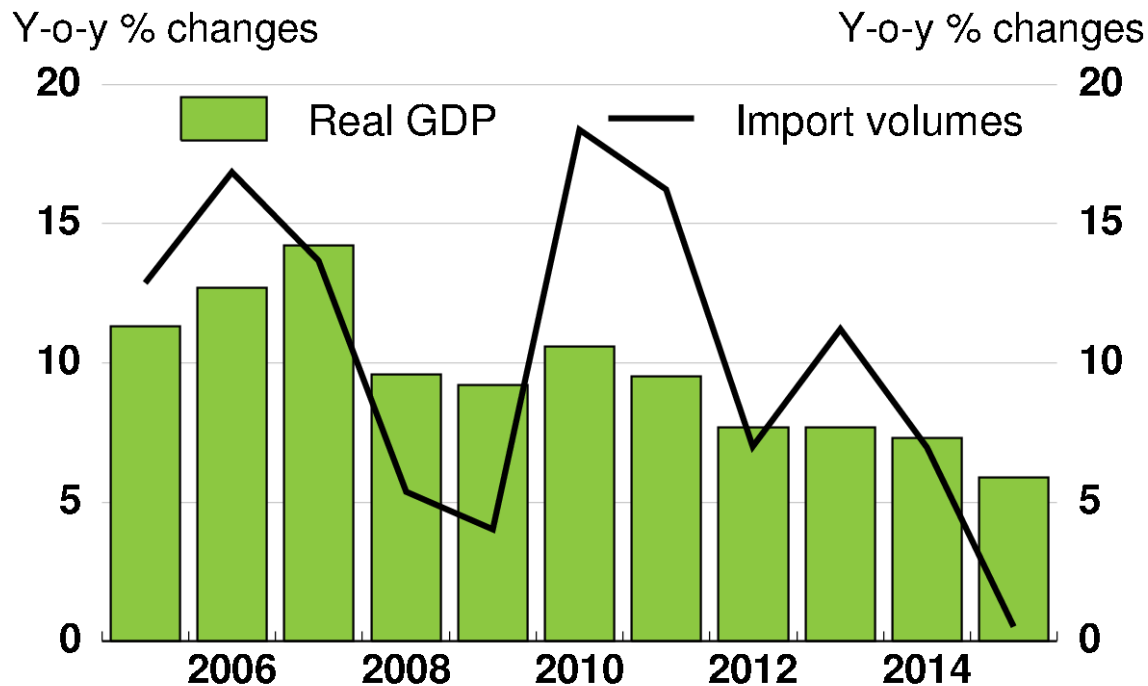
Davenport & Company, LLC. November 6, 2015

Slowing of the Chinese Economy

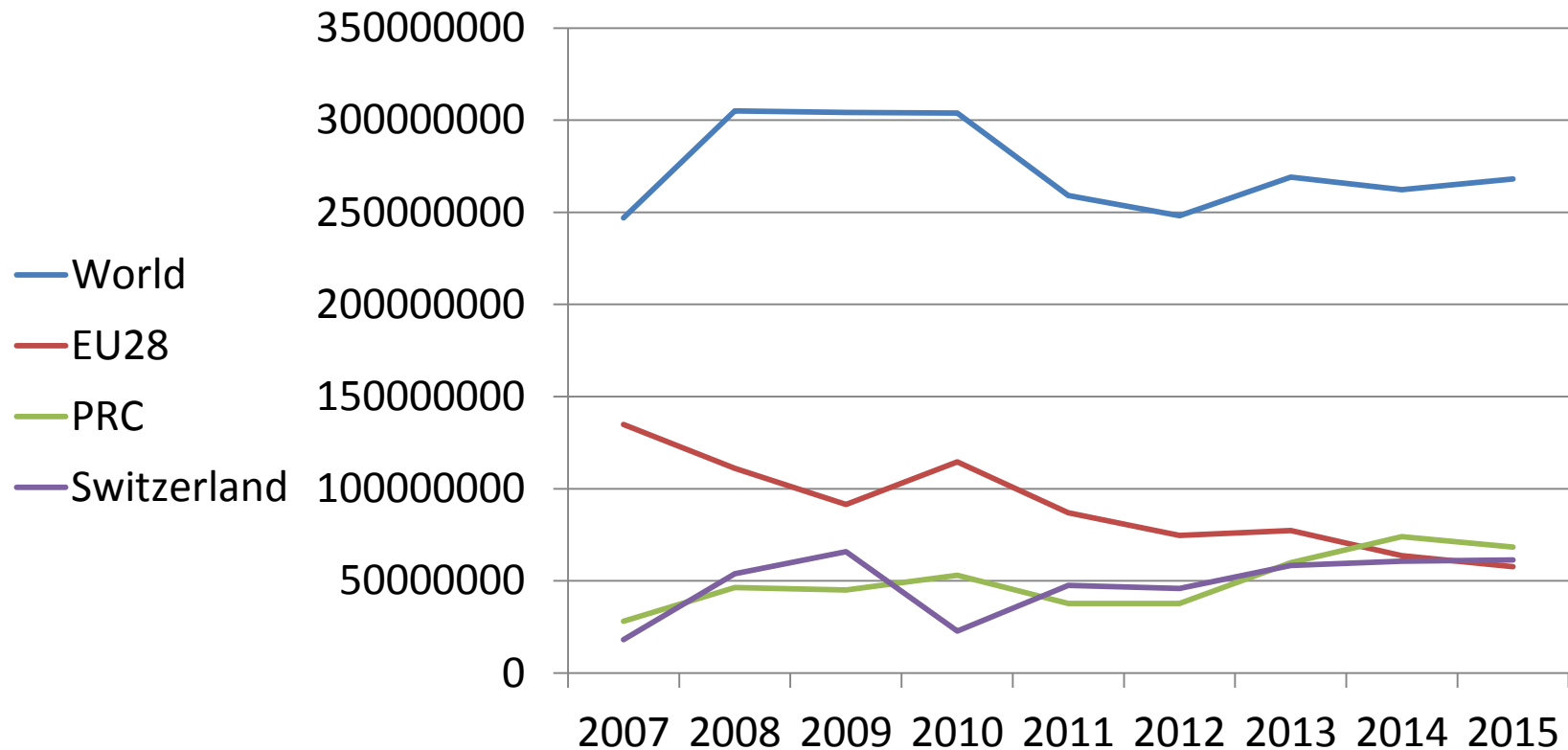
Chinese import growth has slowed sharply

This has exerted downward pressure on commodity prices

China: Real GDP and import volumes

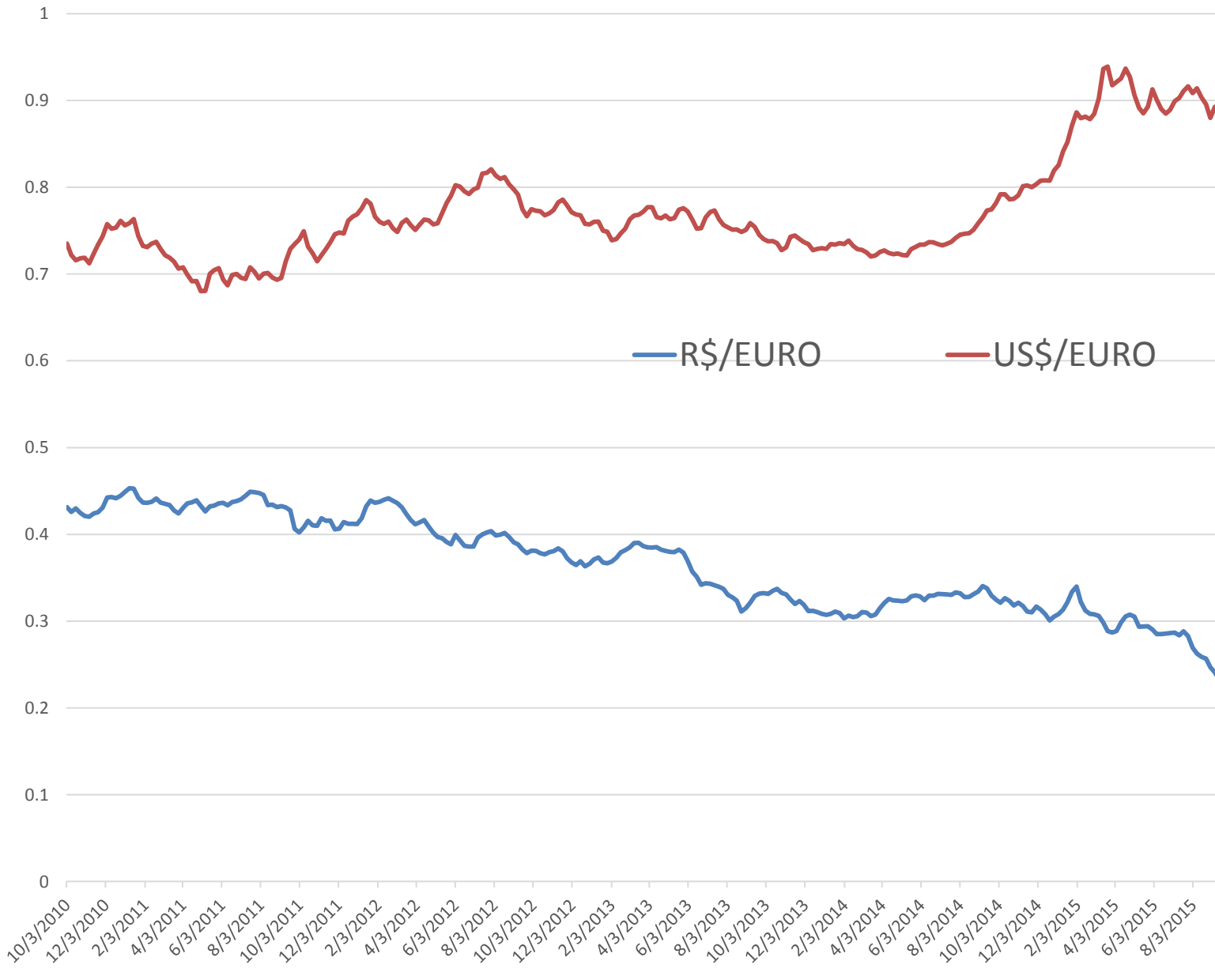


U.S. Unmanufactured Exports of Flue-Cured Tobacco (stemmed) (lbs farm weight)



Source: USDA-FAS

EXCHANGE RATES: Brazilian Real (R\$) per Euro and US\$ per Euro



Soybean Prices in Southeast Mato Gross

Soybeans are sold in Real (R\$) per sack
A sack is 60 kg = 132.3 lbs = 2.2 bushels

	R\$/sack	R\$/bushel	R\$/US\$	US\$/bushel
12/9/2013	72.6	32.93	2.322	14.18
12/7/2015	66	29.94 -9.1%	3.879	7.72 -45.6%

Source: Instituto Mato-grossense de Economia Agropecuaria

So what's happening to use of US flue-cured for US cigarettes?

- Have there been technical changes in US cigarettes so that less tobacco is needed?
- Does increased imported tobacco use account for the decline in use of US flue-cured?
- Is the steep decline due to inventory changes and anticipation of future steep declines in US cigarette consumption?
- Some combination??

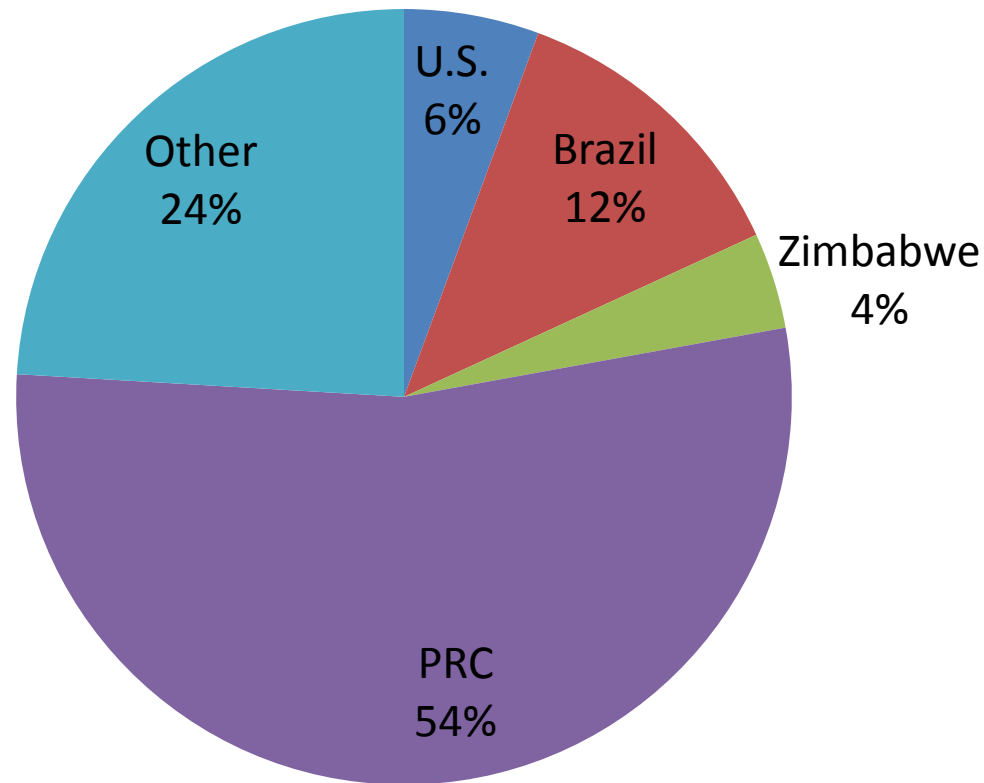
What's happening to exports?

- Continued declines in smoking in developed countries
- Unfavorable exchange rates
- Are Chinese smokers slowing (or reversing) their switch to more premium cigarettes?

So...what happened to contracts?

- Some purchases were moved because of mergers
- Exchange rates favor production in Brazil
- Is the existence of auctions affecting contracted pounds?

2015 World Flue-Cured Production 8.8 billion pounds



Quality is *the* strategic advantage of U.S. flue-cured producers