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Tobacco and Products

Annual

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Report Highlights:

In 2002, French manufactured tobacco sales continued to increase and reached USD 13.76 billion compared to USD 12.46 billion in 2001. Much of this increase came from government taxes, valued at USD 10.30 billion in 2002 from 9.30 billion in 2001. Taxes are higher because of government efforts to discourage consumption. In addition, cigarettes accounted for much of the total with USD 12.72 billion in sales. The number of cigarettes purchased declined to 80.5 million pieces in 2002 from 83.5 million pieces in 2001. Nevertheless, France remained a net importer of both unmanufactured tobacco and cigarettes in 2002. The U.S. was France's fourth leading supplier of unmanufactured tobacco, after Brazil, Greece and Turkey. The Netherlands continues to be France's leading supplier of cigarettes.

Includes PSD changes: Yes

Includes Trade Matrix: Yes

Annual Report

Paris [FR1], FR

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Executive Summary

In 2002, French manufactured tobacco sales continued to increase and reached USD 13.76 billion compared to USD 12.46 billion in 2001. Much of this increase came from government taxes, valued at USD 10.30 billion in 2002 from 9.30 billion in 2001. Taxes are higher because of government efforts to discourage consumption. In addition, cigarettes accounted for much of the total with USD 12.72 billion in sales. The number of cigarettes purchased declined to 80.5 million pieces in 2002 from 83.5 million pieces in 2001. Nevertheless, France remained a net importer of both unmanufactured tobacco and cigarettes in 2002. The U.S. was France's fourth leading supplier of unmanufactured tobacco, after Brazil, Greece and Turkey. The Netherlands continues to be France's leading supplier of cigarettes.

Note: The French tobacco growers' website and the French tobacco processing company Altadis' website include information of interest in English on their activities, as well as key-figures:

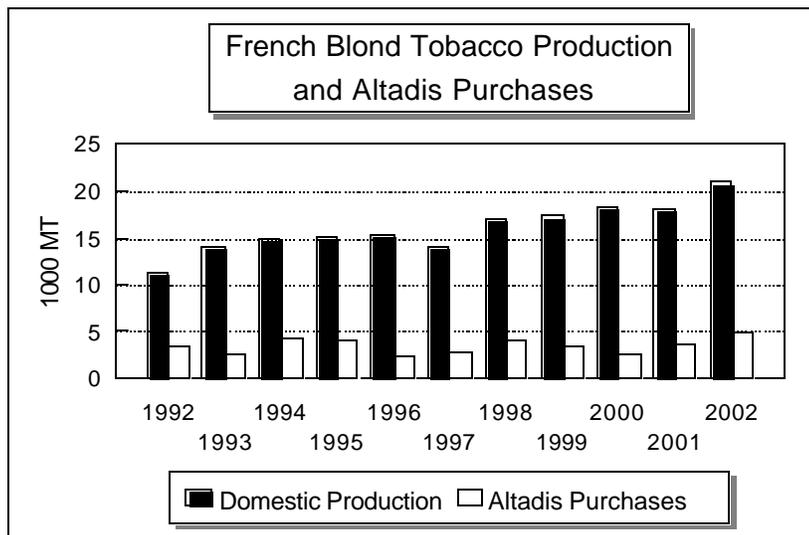
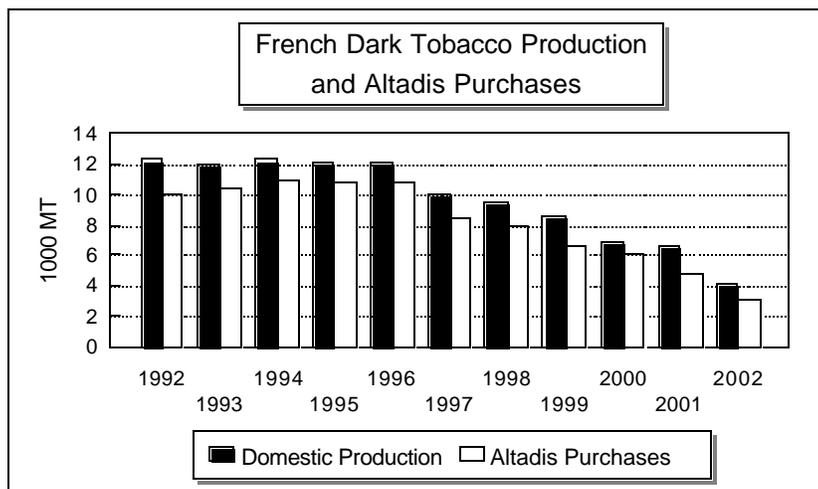
<http://www.france-tabac.com>

<http://www.altadis.com>

Section I: Situation and Outlook

Altadis consumption of raw tobacco

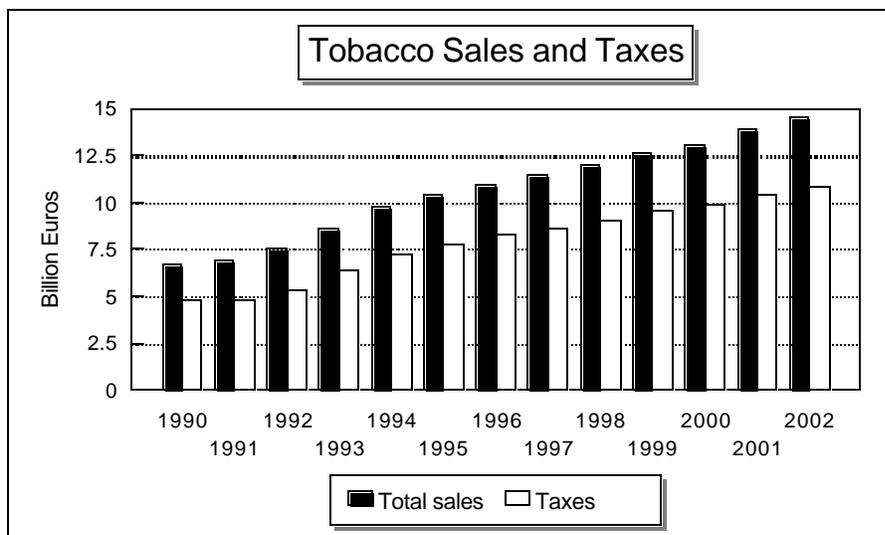
The two graphs below illustrate the evolution of Altadis' purchases of domestically produced tobacco compared to the total French production of tobacco. They show that French tobacco production of dark tobacco has declined to the benefit of blond tobacco since 1996-97, in response to the increased consumer demand for blond cigarettes and reduced demand for dark cigarettes. In addition, Altadis continues to purchase the majority of domestically-grown dark tobacco, and a minority of domestically-grown blond tobacco.



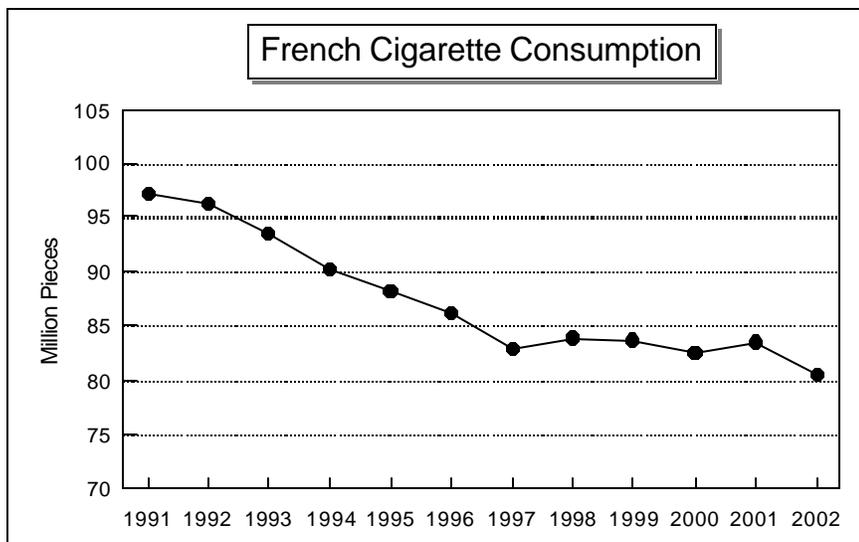
Consumption of manufactured tobacco products

The value of French tobacco sales have increased significantly in recent years, as illustrated in the graph below. Higher retail prices have offset a decline in the quantity of tobacco sold in France. The value of manufactured tobacco product sales continued to increase in 2002: they were up 4% from 2001 to USD 13.76 billion. The bulk of which are cigarette sales (USD 12.72 billion).

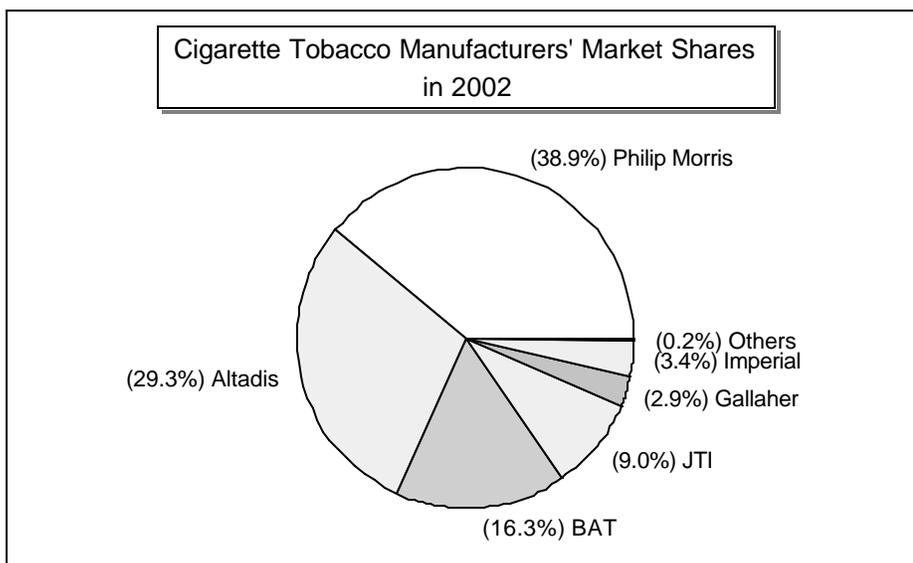
In 2002, the French Government's revenue generated from taxes on tobacco amounted to USD 10.30 billion, which is about 5% higher than in 2001. The GOF is the leading beneficiary of tobacco sales in France, as more than 75 percent of the retail price of tobacco products is made up of taxes. The revenue from a pack (20) of "Gauloises" produced by Altadis selling for Euro 3.50 (USD 3.31) in January 2003 breaks down like this: 77.6 percent for taxes, 14.4 percent to the manufacturer, and 8 percent to the retailer.



The graph below illustrates the decline in French cigarette consumption since 1991. The decline is attributed to health concerns and increasing retail prices. In 2002, there were 80.5 billion cigarettes consumed in France, down from 83.5 billion pieces in 2001. Health concerns and increased retail prices continue to negatively affect cigarette consumption in France.

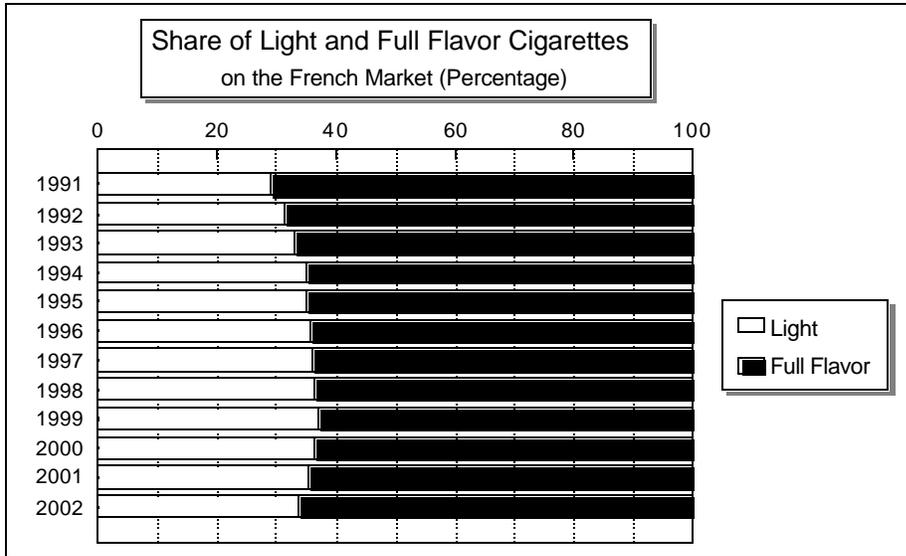


For 2002, the distribution of cigarette market share is illustrated in the graph below. It clearly shows that Philip Morris and Altadis are the leaders, with 38.9 and 29.3 percent of the market, respectively. In 2002, Philip Morris market share was up 0.2 percent, while Altadis' market share was down 0.3 percent from 2001.



In 2002, the substitution of dark for blond cigarettes continued. Dark cigarettes represented 14.2% of the market, while blond cigarettes accounted for 85.8%.

In contrast, the market for full flavor cigarettes, which was declining to the benefit of light cigarettes until 1999, has grown slightly since then. In 2002, light cigarettes represented 33.8% of the French market, as indicated in the following graph.



Trade

France is a net importer of unmanufactured tobacco. Brazil, Greece and Turkey were France's leading suppliers of raw tobacco in 2002, and the United States ranked fourth. The following table shows the distribution of French imports and exports of raw tobacco to and from the United States in 2001 and 2002 (in MT):

			IMPORTS		EXPORTS	
			2001	2002	2001	2002
Flue-Cured		Total	12,218	11,868	6,948	9,757
		U.S.	1,102	1,208	451	484
Light-Air-Cured	Burley	Total	2,148	2,479	6,045	7,917
		U.S.	917	842	54	71
	Other	Total	4,063	1,863	2	17
		U.S.	155	231	0	17
Dark Air/Sun Cured		Total	10,764	11,976	2,827	2,697
		U.S.	0	1	767	554
Fire-Cured		Total	1,848	1,716	2,896	1,812
		U.S.	154	14	0	0
Other Tobacco		Total	110	331	762	391
		U.S.	0	0	42	0
GRAND TOTAL		Total	31,151	30,233	19,480	22,591
		U.S.	2,328	2,296	1,314	1,109

Source: French Customs

France is also a net importer of cigarettes. The Netherlands is France's leading supplier of cigarettes, which mostly come from Philip Morris plants in Holland.

Section II: Statistical Tables

PS&D Tables

PSD Table						
Country	France					
Commodity	Tobacco, Unmfg., Total				(HA)(MT)	
	2001	Revised	2002	Estimate	2003	Forecast
	USDA Official[Old]	Post Estimate[New]	USDA Official[Old]	Post Estimate[New]	USDA Official[Old]	Post Estimate[New]
Market Year Begin		01/2001		01/2002		01/2003
Area Planted	8940	8940	8800	8715	0	8700
Beginning Stocks	41463	41463	42193	42800	42103	40752
Farm Sales Weight Prod	24723	24723	24200	25093	0	25000
Dry Weight Production	21262	21262	20810	21580	0	24550
U.S. Leaf Imports	2329	2329	2300	2296	0	2300
Other Foreign Imports	28822	28822	28000	27937	0	28000
TOTAL Imports	31151	31151	30300	30233	0	30300
TOTAL SUPPLY	93876	93876	93303	94613	42103	95602
Exports	18867	19480	19000	22591	0	22600
Dom. Leaf Consumption	8200	8341	8200	7804	0	7800
U.S. Leaf Dom. Consum.	3192	3192	3000	3466	0	3500
Other Foreign Consump.	21424	20063	21000	20000	0	20000
TOTAL Dom. Consumption	32816	31596	32200	31270	0	31300
TOTAL Disappearance	51683	51076	51200	53861	0	53900
Ending Stocks	42193	42800	42103	40752	0	41702
TOTAL DISTRIBUTION	93876	93876	93303	94613	0	95602

Sources: Altadis, Eurostat

Note: Domestic consumption is now confidential and was therefore estimated from the previous years' data.

PSD Table						
Country	France					
Commodity	Unmfg.,Dark Air & Sun Cured				(HA)(MT)	
	2001	Revised	2002	Estimate	2003	Forecast
	USDA Official[Old]	Post Estimate[New]	USDA Official[Old]	Post Estimate[New]	USDA Official[Old]	Post Estimate[New]
Market Year Begin		01/2001		01/2002		01/2003
Area Planted	2400	2200	0	1320	0	1800
Beginning Stocks	58766	58837	62426	59596	0	61364
Farm Sales Weight Prod	7150	6600	0	4233	0	4500
Dry Weight Production	5860	5412	0	3470	0	3200
U.S. Leaf Imports	0	0	0	1	0	0
Other Foreign Imports	10400	10763	0	11975	0	11000
TOTAL Imports	10400	10763	0	11976	0	11000
TOTAL SUPPLY	75026	75012	62426	75042	0	75564
Exports	1900	2827	0	2697	0	2700
Dom. Leaf Consumption	2900	4719	0	3081	0	3000
U.S. Leaf Dom. Consum.	0	0	0	0	0	0
Other Foreign Consump.	7800	7870	0	7900	0	7800
TOTAL Dom. Consumption	10700	12589	0	10981	0	10800
TOTAL Disappearance	12600	15416	0	13678	0	13500
Ending Stocks	62426	59596	0	61364	0	62064
TOTAL DISTRIBUTION	75026	75012	0	75042	0	75564

Sources: Altadis, Eurostat

Note: Domestic consumption is now confidential and was therefore estimated from the previous years' data.

PSD Table						
Country	France					
Commodity	Tobacco, Unmfg., Flue Cured				(HA)(MT)	
	2001	Revised	2002	Estimate	2003	Forecast
	USDA Official[Old]	Post Estimate[New]	USDA Official[Old]	Post Estimate[New]	USDA Official[Old]	Post Estimate[New]
Market Year Begin		01/2001		01/2002		01/2003
Area Planted	3750	3750	0	4100	0	4100
Beginning Stocks	20719	20698	22119	25369	0	26456
Farm Sales Weight Prod	9770	9770	0	10960	0	10950
Dry Weight Production	8500	8500	0	9535	0	9540
U.S. Leaf Imports	1000	1103	0	1208	0	1200
Other Foreign Imports	9000	11116	0	10660	0	10500
TOTAL Imports	10000	12219	0	11868	0	11700
TOTAL SUPPLY	39219	41417	22119	46772	0	47696
Exports	8000	6948	0	9757	0	9500
Dom. Leaf Consumption	400	1718	0	2658	0	2600
U.S. Leaf Dom. Consum.	700	1610	0	2201	0	2200
Other Foreign Consump.	8000	5772	0	5700	0	5700
TOTAL Dom. Consumption	9100	9100	0	10559	0	10500
TOTAL Disappearance	17100	16048	0	20316	0	20000
Ending Stocks	22119	25369	0	26456	0	27696
TOTAL DISTRIBUTION	39219	41417	0	46772	0	47696

Sources: Eurostat, Altadis

Notes: Domestic consumption is now confidential and was therefore estimated from the previous years' data.

PSD Table						
Country	France					
Commodity	Tobacco, Mfg., Cigarettes				(MIL PCS)	
	2001	Revised	2002	Estimate	2003	Forecast
	USDA Official[Old]	Post Estimate[New]	USDA Official[Old]	Post Estimate[New]	USDA Official[Old]	Post Estimate[New]
Market Year Begin		01/2001		01/2002		01/2003
Filter Production	30900	30900	30350	32269	0	31000
Non-Filter Production	6830	6830	6650	7131	0	7000
TOTAL Production	37730	37730	37000	39400	0	38000
Imports	64008	60697	64000	61109	0	60000
TOTAL SUPPLY	101738	98427	101000	100509	0	98000
Exports	18274	13696	18000	17928	0	17500
Domestic Consumption	83464	84731	83000	82581	0	80500
TOTAL DISTRIBUTION	101738	98427	101000	100509	0	98000

Source: Altadis, Eurostat

Trade Matrices

Export Trade Matrix			
Country	France		
Commodity	Tobacco, Unmfg., Total		
Time period	Jan-Dec	Units:	MT
Exports for:	2001		2002
U.S.	1314	U.S.	1109
Others		Others	
Germany	4753	Germany	3762
Ivory Coast	2085	Spain	3503
Spain	1826	Belgium	2917
Netherlands	1769	Poland	2401
Poland	1690	Netherlands	2298
Belgium	1610	Ivory Coast	1068
Senegal	716	Senegal	1036
Philippines	531	Philippines	906
UK	458	UK	642
Switzerland	347	Portugal	378
Total for Others	15785		18911
Others not Listed	2381		2571
Grand Total	19480		22591

Import Trade Matrix			
Country	France		
Commodity	Tobacco, Unmfg., Total		
Time period	Jan-Dec	Units:	MT
Imports for:	2001		2002
U.S.	2328	U.S.	2296
Others		Others	
Brazil	4480	Brazil	5691
Turkey	3650	Greece	3117
Malawi	2382	Turkey	2519
Argentina	2172	Indonesia	1855
Zimbabwe	2069	Argentina	1840
Paraguay	1352	Italy	1663
Indonesia	1314	China	1178
Spain	1245	Zimbabwe	1001
Italy	1238	Malawi	849
Colombia	1049	Uganda	844
Total for Others	20951		20557
Others not Listed	7872		7380
Grand Total	31151		30233

Source: Eurostat

Export Trade Matrix			
Country	France		
Commodity	Unmfg., Dark Air & Sun Cured		
Time period	Jan-Dec	Units:	MT
Exports for:	2001		2002
U.S.	767	U.S.	554
Others		Others	
Belgium	773	Poland	793
Poland	541	Belgium	620
Netherlands	249	Netherlands	268
Germany	152	Spain	131
Total for Others	1715		1812
Others not Listed	345		331
Grand Total	2827		2697

Import Trade Matrix			
Country	France		
Commodity	Unmfg., Dark Air & Sun Cured		
Time period	Jan-Dec	Units:	MT
Imports for:	2001		2002
U.S.	0	U.S.	1
Others		Others	
Turkey	3443	Greece	2905
Brazil	1499	Turkey	2465
Paraguay	1352	Brazil	1591
Colombia	1049	Italy	701
Argentina	854	Argentina	679
Greece	679	Colombia	572
Cuba	400	Bulgaria	520
		Paraguay	519
		Cuba	393
		Philippines	385
Total for Others	9276		10730
Others not Listed	1488		1245
Grand Total	10764		11976

Source: Eurostat

Export Trade Matrix			
Country	France		
Commodity	Tobacco, U nmfg., Flue Cured		
Time period	Jan-Dec	Units:	MT
Exports for:	2001		2002
U.S.	451	U.S.	484
Others		Others	
Germany	2957	Germany	2401
Netherlands	1131	Netherlands	1815
Poland	522	Belgium	1693
UK	433	Spain	835
Spain	403	Poland	746
		UK	414
Total for Others	5446		7904
Others not Listed	1051		1369
Grand Total	6948		9757

Import Trade Matrix			
Country	France		
Commodity	Tobacco, U nmfg., Flue Cured		
Time period	Jan-Dec	Units:	MT
Imports for:	2001		2002
U.S.	1102	U.S.	1208
Others		Others	
Brazil	2873	Brazil	3664
Zimbabwe	1973	Argentina	1141
Argentina	1298	Zimbabwe	1001
Italy	1235	Italy	951
Tanzania	736	Spain	474
Spain	498	China	460
Malawi	481	Indonesia	416
		Uganda	377
Total for Others	9094		8484
Others not Listed	2022		2176
Grand Total	12218		11868

Source: Eurostat

Export Trade Matrix			
Country	France		
Commodity	Tobacco, Mfg., Cigarettes		
Time period	Jan-Dec	Units:	Million pieces
Exports for:	2001		2002
U.S.	0	U.S.	0
Others		Others	
Germany	5289	Germany	7626
Belgium	764	Austria	1098
Finland	623	Syria	1024
Syria	623	Jordan	851
Italy	560	Lebanon	770
Austria	545	Finland	732
Spain	433	Belgium	720
Luxemburg	426	Italy	592
Netherlands	375	Luxemburg	464
Mauritania	342	Cambodia	459
Total for Others	9980		14336
Others not Listed	3716		3592
Grand Total	13696		17928

Import Trade Matrix			
Country	France		
Commodity	Tobacco, Mfg., Cigarettes		
Time period	Jan-Dec	Units:	Million pieces
Imports for:	2001		2002
U.S.	20	U.S.	0
Others		Others	
Netherlands	47690	Netherlands	48152
Germany	8992	Germany	8993
Belgium	1860	Belgium	1465
Spain	999	Spain	982
UK	689	UK	940
Luxemburg	276	Luxemburg	311
Portugal	102	Italy	86
Italy	49	Portugal	76
		Switzerland	46
Total for Others	60657		61051
Others not Listed	20		58
Grand Total	60697		61109

Source: Eurostat