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Report Highlights: Brazilian MY 2003 unmanufactured tobacco production is estimated at 636,700 MT, down 6 percent compared to the previous crop, due to weather related problems in southern Brazil. Prices for the 2003 crop were adjusted upward 29 percent from 2002 in "Real" terms. Total MY 2003 exports are projected at 457,550 MT, down 4 percent from 2002, due to lower availability of the product. Cigarette production for 2003 is projected at 101.58 billion pieces, down 5% from 2002. Competition from contraband cigarettes, higher retail prices and lower purchasing power of the Brazilian population are the major constraints limiting domestic production.

Includes PSD changes: Yes
Includes Trade Matrix: Nos
Annual Report
Sao Paulo [BR3], BR

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UNMANUFACTURED TOBACCO**PS&D: Unmanufactured Tobacco, Total**

PSD Table						
Country	Brazil					
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	328000	328000	377000	377000	0	426400
Beginning Stocks	266980	266980	191715	176745	217915	149995
Farm Sales Weight Prod	542400	542400	674000	674000	0	636700
Dry Weight Production	457315	442345	570150	551250	0	515720
U.S. Leaf Imports	0	0	0	0	0	0
Other Foreign Imports	8950	8950	8600	10525	0	8150
TOTAL Imports	8950	8950	8600	10525	0	8150
TOTAL SUPPLY	733245	718275	770465	738520	217915	673865
Exports	435500	435500	447700	476000	0	457550
Dom. Leaf Consumption	97080	97080	96250	102000	0	99550
U.S. Leaf Dom. Consum.	0	0	0	0	0	0
Other Foreign Consump.	8950	8950	8600	10525	0	8150
TOTAL Dom. Consumption	106030	106030	104850	112525	0	107700
TOTAL Disappearance	541530	541530	552550	588525	0	565250
Ending Stocks	191715	176745	217915	149995	0	108615
TOTAL DISTRIBUTION	733245	718275	770465	738520	0	673865

PS&D: Unmanufactured Tobacco, Flue Cured

PSD Table						
Country	Brazil					
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	202000	200000	0	237200	0	275000
Beginning Stocks	148280	149930	155080	80670	0	65120
Farm Sales Weight Prod	410000	410000	0	515000	0	481000
Dry Weight Production	352600	340300	0	427450	0	396825
U.S. Leaf Imports	500	0	0	0	0	0
Other Foreign Imports	2000	6250	0	6975	0	5300
TOTAL Imports	2500	6250	0	6975	0	5300
TOTAL SUPPLY	503380	496480	155080	515095	0	467245
Exports	285000	352200	0	385000	0	367000
Dom. Leaf Consumption	60800	57360	0	58000	0	56550
U.S. Leaf Dom. Consum.	500	0	0	0	0	0
Other Foreign Consump.	2000	6250	0	6975	0	5300
TOTAL Dom. Consumption	63300	63610	0	64975	0	61850
TOTAL Disappearance	348300	415810	0	449975	0	428850
Ending Stocks	155080	80670	0	65120	0	38395
TOTAL DISTRIBUTION	503380	496480	0	515095	0	467245

PS&D: Unmanufactured Tobacco, Burley

PSD Table						
Country	Brazil					
Commodity	Tobacco, Unmfg., Burley				(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	50000	49000	0	60000	0	74000
Beginning Stocks	111900	108550	106850	88220	0	77520
Farm Sales Weight Prod	87000	89000	0	115000	0	116000
Dry Weight Production	73950	72980	0	94300	0	92800
U.S. Leaf Imports	0	0	0	0	0	0
Other Foreign Imports	500	650	0	1750	0	1400
TOTAL Imports	500	650	0	1750	0	1400
TOTAL SUPPLY	186350	182180	106850	184270	0	171720
Exports	59000	74450	0	82000	0	81500
Dom. Leaf Consumption	20000	18860	0	23000	0	22500
U.S. Leaf Dom. Consum.	0	0	0	0	0	0
Other Foreign Consump.	500	650	0	1750	0	1400
TOTAL Dom. Consumption	20500	19510	0	24750	0	23900
TOTAL Disappearance	79500	93960	0	106750	0	105400
Ending Stocks	106850	88220	0	77520	0	66320
TOTAL DISTRIBUTION	186350	182180	0	184270	0	171720

PS&D: Unmanufactured Tobacco, Light Air Cured

PSD Table						
Country	Brazil					
Commodity	Unmfg., Light Air 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	4000	4000	0	4800	0	3400
Beginning Stocks	1050	1550	100	1585	0	2385
Farm Sales Weight Prod	7000	7700	0	8000	0	4700
Dry Weight Production	5950	6545	0	6800	0	3995
U.S. Leaf Imports	0	0	0	0	0	0
Other Foreign Imports	0	0	0	0	0	0
TOTAL Imports	0	0	0	0	0	0
TOTAL SUPPLY	7000	8095	100	8385	0	6380
Exports	4400	4150	0	4000	0	4150
Dom. Leaf Consumption	2500	2360	0	2000	0	2000
U.S. Leaf Dom. Consum.	0	0	0	0	0	0
Other Foreign Consump.	0	0	0	0	0	0
TOTAL Dom. Consumption	2500	2360	0	2000	0	2000
TOTAL Disappearance	6900	6510	0	6000	0	6150
Ending Stocks	100	1585	0	2385	0	230
TOTAL DISTRIBUTION	7000	8095	0	8385	0	6380

Production

Production and Crop Area

The U.S. Agricultural Trade Office (ATO) São Paulo estimates total marketing year (MY) 2003 (January-December) Brazilian unmanufactured tobacco production at 636,700 metric tons (MT), farm sales weight (FSW), down 37,300 MT from last season figure (674,000 MT) in spite of the fact that total 2003 area planted to tobacco increased 13 percent (426,400 hectares - ha.) compared to 2002's crop.

The 2003 southern crop should account for 601,700 MT, down 6 percent relative to the last crop due to below average yields. The El Nino phenomenon affected Central Rio Grande do Sul (see Weather Patterns) and western Santa Catarina up to November 2002. From November to mid December consistent rainfall occurred in all other tobacco growing areas of Santa Catarina and Parana, although not as heavy as central Rio Grande do Sul. The excessive rainfall during the crop development period negatively affected the tobacco plants damaging the root system in addition to draining nutrients to the subsoil.

The industry reports that the quality of the 2003 crop is above average, but not as good as 2001, a benchmark for quality. According to information provided by the Tobacco Trade Association (Sindifumo), the overall quality of the down stalk Virginia is good, although thinner in body than previous years, showing open grain, ripe orange styles. Curing conditions for the Burley variety were good with tobaccos being uniform and mostly tan in color, also showing thinner bodies due to the excessive rainfall. The harvest finished in March and marketing is virtually over.

No industry forecast has been done for the MY 2004 southern crop, but post contacts project a 10 to 12 percent increase in area for the coming season, since both growers and tobacco processing plants are still strongly encouraged by favorable market conditions and forecasts for increased international demand for the Brazilian product which is very competitive worldwide (see Trade). The table below shows Brazilian production estimates for MY 2001, 2002 and 2003 for southern and northeastern Brazil.

Total Brazilian Tobacco Area and Production (1,000 ha, 1,000 mt, FSW).						
Region/Type	Area			Production		
	2001	2002	2003	2001	2002	2003
South Brazil	253.0	302.0	352.4	506.7	638.0	601.7
Flue Cured, Virginia	200.0	237.2	275.0	410.0	515.0	481.0
Burley	49.0	60.0	74.0	89.0	115.0	116.0
Light Air Cured	4.0	4.8	3.4	7.7	8.0	4.7
Northeast Brazil	75.0	75.0	74.0	35.7	36.0	35.0
Total Brazil	328.0	377.0	426.4	542.4	674.0	636.7

Source: ATO/Sao Paulo

The table below shows the number of tobacco growers and curing barns in southern Brazil, as reported by the Brazilian Tobacco Growers Association (AFUBRA). The number of growers eligible to plant tobacco for the 2002/03 crop in the integrated system adopted by local tobacco processing companies increased to 170,830, up 12 percent from last season. This system reflects the partnership between growers and tobacco companies, in which companies provide producers with seeds, other production inputs, and facilitate financing. The increase in the number of tobacco growers for the 2002/03 crop is a result of the tobacco companies' planning strategies, which set the area to be cultivated each season based on projected requirements, and their selection of the growers to participate.

Number of Tobacco Producers and Curing Barns, South Brazil						
Type	Producers			Barns		
	2001	2002	2003	2001	2002	2003
Rio Grande Sul	68,280	77,570	86,370	68,960	79,590	86,980
VI	54,350	60,910	65,120	68,960	79,590	86,980
BY	12,810	15,310	20,210	--	--	--
CO	1,120	1,350	1,040	--	--	--
Santa Catarina	47,170	51,630	57,220	36,460	38,030	40,690
VI	28,390	31,490	34,340	36,460	38,030	40,690
BY	17,350	19,070	22,140	--	--	--
CO	1,430	1,070	740	--	--	--
Parana	19,480	23,930	27,240	11,760	14,620	15,960
VI	10,740	13,140	14,850	11,760	14,620	15,960
BY	7,350	9,250	11,260	--	--	--
CO	1,390	1,540	1,130	--	--	--
South Brazil	134,930	153,130	170,830	117,180	132,240	143,630
VI	93,480	105,540	114,310	117,180	132,240	143,630
BY	37,510	43,630	53,610	--	--	--
CO	3,940	3,960	2,910	--	--	--

Source: Brazilian Tobacco Growers Association (AFUBRA).

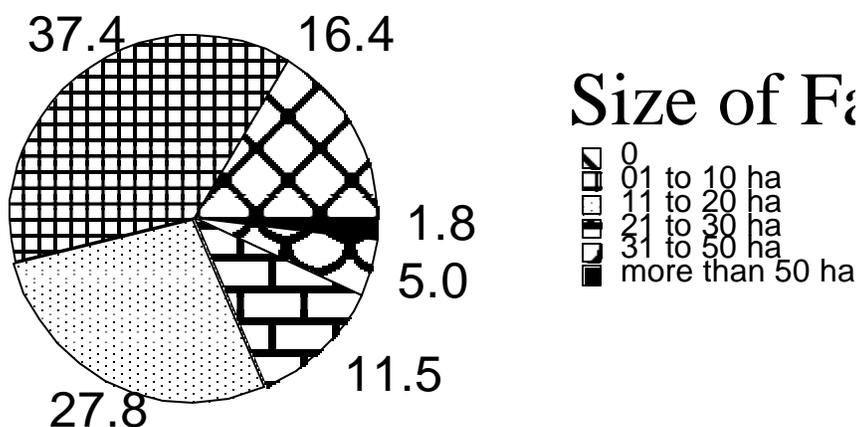
Note: VI - Flue Cured Virginia, BY - Burley, CO - Galpao Comum.

The average area planted to tobacco on a southern farm for the 2002/03 crop was 2.47 ha., as reported by the AFUBRA survey, representing 13.8 percent of the total farm area. The table below shows the patterns of land utilization on a typical farm in southern Brazil. All other activities are mainly for family subsistence. The survey, as shown below, also points out the number of tobacco growers by size of farm, demonstrating that tobacco is planted mainly by small growers. According to the results, 16.4 percent of growers do not have property of their own, and 37.4 percent have fewer than 10 ha.

Average farm size and crop area, South Brazil, 2002/03 crop.		
Specification	Area (ha)	%
Tobacco	2.47	13.8
Annual crops	6.05	33.8
Grazing area	3.45	19.3
Forestry	4.76	26.6
Other	1.16	6.5
Total	17.90	100.0

Source: Brazilian Tobacco Growers Association (AFUBRA)

Tobacco Producers by Size of Farm



Source: AFUBRA

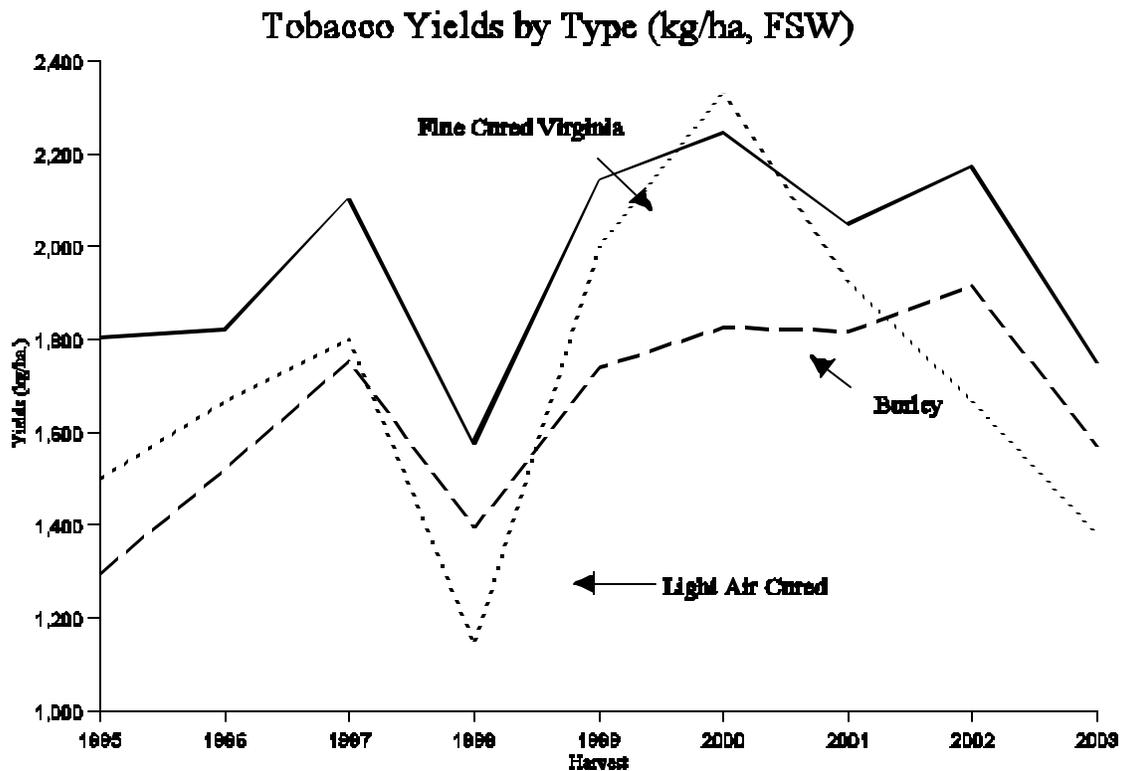
Inputs

The level of input utilization for the southern 2002/03 crop remained at levels similar to the previous crop, using a lower volume of nitrogen to control the alkaloid content in nicotine.

Yields

The table and graph below show tobacco yields for southern and northeastern Brazil, as well as tobacco yields by variety planted in the south. Tobacco yields for the 2003 southern harvest are estimated at 1,707 kg/ha., down 19 percent relative to previous crop due to weather related problems.

Year	South	Northeast
1995	1,700	946
1996	1,758	746
1997	2,023	608
1998	1,527	528
1999	2,053	616
2000	2,160	616
2001	2,003	476
2002	2,113	480
2003	1,707	473



Weather Patterns

The tables below show rainfall and temperature data as reported by AFUBRA for the Santa Cruz do Sul region, one of the major tobacco producing regions in the southern Brazil state of Rio Grande do Sul (RS). Note the excessive rainfall during the September-December period of 2002.

Rainfall data - Santa Cruz do Sul, RS (mm)					
Month	2000	2001	2002	2003	Avg 75/00
January	122.0	238.0	112.0	131.0	146.6
February	108.0	205.0	121.0	366.0	137.9
March	236.0	177.0	219.0	121.0	127.0
April	132.0	289.0	192.0	186.0	156.8
May	132.0	31.0	186.0	62.0	121.8
June	309.0	123.0	251.0	--	171.1
July	125.5	207.0	247.0	--	167.6
August	116.5	73.0	189.0	--	142.6
September	175.0	338.0	311.0	--	164.3
October	207.0	76.0	478.0	--	164.4
November	184.0	148.0	245.0	--	158.7
December	97.0	99.0	196.0	--	141.0
Total	1,944.0	2,004.0	2,747.0	866.0	1,799.8

Source: Brazilian Tobacco Growers Association (AFUBRA).

Temperature Data - Santa Cruz do Sul, RS (degree Celsius).															
Month	2000			2001			2002			2003			Average 75/00		
	Max	Min	Avg	Max	Min	Avg									
January	32.0	21.8	26.9	29.5	21.9	25.7	32.3	21.4	26.9	32.7	21.8	27.3	32.7	20.6	26.6
February	31.2	21.0	26.1	31.5	23.7	27.6	30.2	20.4	25.3	32.0	22.8	27.4	32.0	20.4	26.2
March	28.1	19.5	23.8	32.1	23.4	27.8	32.0	23.5	27.8	29.8	22.0	25.9	30.4	18.9	24.7
April	26.3	18.4	22.4	26.7	18.7	22.7	25.9	18.5	22.2	26.2	17.6	21.9	26.6	15.7	21.2
May	22.5	13.7	18.1	21.4	14.3	17.9	23.8	16.8	20.3	22.9	14.5	18.7	22.9	12.2	17.6
June	20.8	14.1	17.5	22.1	13.5	17.8	19.2	12.1	15.7	--	--	--	20.2	9.8	15.0
July	15.2	8.8	12.0	19.6	12.2	15.9	18.4	11.6	15.0	--	--	--	19.9	10.0	15.0
August	19.9	12.7	16.3	25.3	15.7	20.5	21.4	14.0	17.7	--	--	--	21.4	11.0	16.2
September	20.1	14.2	17.2	23.4	15.6	19.5	21.5	12.8	17.2	--	--	--	23.1	12.7	17.9
October	23.3	17.6	20.5	27.7	18.8	23.3	25.5	18.4	22.0	--	--	--	26.4	15.4	20.9
November	26.6	18.3	22.5	28.9	18.9	23.9	28.2	19.4	23.8	--	--	--	29.1	17.4	23.3
December	29.3	20.7	25.0	30.3	20.1	25.2	29.6	20.9	25.3	--	--	--	31.7	19.3	25.5
Total	24.6	16.7	20.7	26.5	18.1	22.3	25.7	17.5	21.6	28.7	19.7	24.2	26.4	15.3	20.8

Source: Brazilian Tobacco Growers Association (AFUBRA).

Cost of Production

The production cost breakdown in U.S. dollar terms for the 2001/02 and 2002/03 flue cured Virginia crops follows. Total 2002/03 dollar costs declined by 11 percent compared to 2001/02 due to the steady devaluation of the local currency, the Real, in 2002. However, 2002/03 tobacco production costs in local currency terms increased by 26 percent compared to the previous year's crop. Labor and inputs, the major components of the cost of production, increased 28 and 29 percent, respectively.

Estimated Production Costs, Flue Cured Virginia (US\$/ha).		
Item	2001/2002	2002/2003
Variable Costs	1,363.41	1,217.22
Labor	758.96	683.04
Livestock	19.38	16.74
Machinery & Implement	20.11	17.01
Infrastructure	20.81	17.13
Inputs	323.17	298.59
Firewood	120.94	106.44
Production Insurance	54.42	42.07
Funrural (Social Tax)	42.08	33.65
Electric Energy	3.54	2.56
Financing Costs	--	--
Fixed Costs	135.61	113.32
Liming	9.36	8.78
Depreciation		
Machinery/Livestock	24.77	39.93
Implement	50.81	20.10
Infrastructure	50.67	44.52
Total Costs	1,499.02	1,330.54
Assumed yield (Kg/Ha)	2,083	2,139
Ave. Variable Cost (US\$/Kg)	0.65	0.57
Ave. Total Cost (US\$/Kg)	0.72	0.62
Source: Brazilian Tobacco Growers Association (AFUBRA).		
ROE: R\$ 2.57/US\$ for 2001/02 (Aug 31, 2001), R\$ 3.65 for 2002/03 (Oct 31, 2002).		

Prices

Tobacco prices were up 29 percent for the 2003 crop, a result of the price negotiations between growers and tobacco processors. Negotiations between Sindifumo and Afubra were not easy and an agreement on prices was only struck in February. The increases are in local currency terms in relation to last season. Tobacco prices by grade for MY 2003, and average prices received by producers for MY 2002 and 2003, follow. Note that the average price received by producers in dollar terms remained stable due to the devaluation of the Real. In spite

of the contract prices, there was an increase in prices offered as the end of the marketing of the crop approached, due to the strong demand for the product. Producers who sold their crop in the beginning of the season complained that they should also have been eligible for the higher prices paid by the industry.

Producer Prices for South Tobacco by Grade - 2003.						
Virginia					Burley	Comum
Grade	US\$/Kg	Grade	US\$/Kg	Grade	US\$/Kg	US\$/Kg
T01	1.19	C L 1	0.94	T 1	1.06	
T02	1.00	C L 2	0.77	T 2	0.93	0.49
T03	0.85	C L 3	0.50	T2L	0.73	0.49
TR1	0.92	C R 1	0.84	T 3	0.66	
TR2	0.63	C R 2	0.60	T3L	0.58	
TR3	0.37	C R 3	0.38	T K	0.42	0.35
TL1	0.77	C 2 K	0.48	B 1	1.10	
TL2	0.60	C 3 K	0.28	B1L	0.99	
TL3	0.34	X O 1	1.05	B 2	0.94	0.62
TK2	0.46	X O 2	0.88	B2L	0.82	0.61
TK3	0.25	X O 3	0.73	B 3	0.74	0.50
B01	1.25	X L 1	0.84	B3L	0.62	0.48
B02	1.08	X L 2	0.68	B K	0.53	0.41
B03	0.87	X L 3	0.41	C 1	1.07	
BR1	0.98	X R 1	0.79	C1L	0.98	
BR2	0.71	X R 2	0.49	C 2	0.94	0.70
BR3	0.48	X R 3	0.29	C2L	0.82	0.68
BL1	0.94	X 2 K	0.35	C 3	0.73	0.59
BL2	0.77	X 3 K	0.22	C3L	0.60	0.56
BL3	0.48	G 2	0.76	C K	0.53	0.46
B2K	0.60	G 3	0.12	X 1	0.99	
B3K	0.30	S C	0.12	X1L	0.94	
C01	1.20	S T	0.07	X 2	0.85	0.56
C02	1.05			X2L	0.79	0.53
C03	0.85			X 3	0.66	
Source: Brazilian Tobacco Growers Association (AFUBRA). Note: Exchange rate: R\$ 3.36/US\$ 1 (March, 2003).				X3L	0.60	
				X K	0.48	0.38
				N	0.19	0.20
				G	0.08	0.13

Average South Tobacco Producer Prices by Type (US\$/kg).			
Type	2002	2003	% CHNG
Flue-cured Virginia	1.20	1.22	1.7
Burley	1.07	1.02	(4.7)
Light air-cured (Galpao)	0.70	0.66	(5.7)
Average Price	1.17	1.17	0.0
Source: Brazilian Tobacco Growers Association (AFUBRA).			
Note: R\$ 2.33/US\$ (March 31 2002), R\$ 3.36 (March 31, 2003) .			

Other

Farm sales weight (FSW) data in this report are converted to dry weight based on the following conversion factors.

Type	%
Flue cured	83-86
Burley/Light air cured	82-85
Cigar leaf	80
Dark cigarette Leaf/Twist	60

Consumption

Total MY 2003 unmanufactured tobacco consumption is forecast at 107,700 MT, down 4 percent from the revised figures for MY 2002. The decline is due to an expected decrease in legal cigarette production. Note that tobacco consumption data in this report are based on cigarette production plus an estimate for twist tobacco and cigars.

Utilization Patterns

Flue cured and light air cured tobaccos are used to manufacture most cigarettes in Brazil. Burley is used mainly in blends to improve the taste of domestic cigarettes.

Trade

Exports

According to the Brazilian Secretariat of Foreign Trade (SECEX) information, Brazilian unmanufactured tobacco exports for 2002 are estimated at 464,862 MT, a 7 percent increase from 2001. ATO/São Paulo projects total Brazilian unmanufactured tobacco exports for MY 2003 at 457,550 MT, down 4 percent from revised figure for 2002. The expected reduction in tobacco exports for 2003 is related to the lower availability of the product since the crop was damaged by excessive rainfall.

In spite of the lower projected figures for 2003, Brazilian tobacco exports have shown a sharp increase over the past few years explained by the high competitiveness of the product in international markets. Attractive prices leveraged by the devaluation of the Real, vis-a-vis the U.S. dollar, in 2001 and 2002, and outstanding quality (lower alkaloid content) are the key factors promoting this increase. Brazil has also gained market share from Zimbabwe and the U.S., where political problems and high production costs, respectively, have affected tobacco production. In addition, expanded demand in markets in the Far East and Eastern Europe has contributed to an increase in Brazilian export sales.

The tables below show total unmanufactured tobacco exports for MY 2001, 2002 and 2003 (January-May) by type of product (see Policy for NCM descriptions) and by country of destination, as reported by SECEX.

Unmanufactured Tobacco Exports (MT, 1,000 USD\$ FOB) .						
NCM	2001		2002		2003 1/	
	Quantity	Value	Quantity	Value	Quantity	Value
24011010	0	0	0	0	0	0
24011020	984	6,999	916	6,521	357	2,128
24011030	9,275	21,026	8,020	17,248	1,361	2,986
24011040	269	665	59	151	19	51
24011090	9,621	16,800	5,342	11,310	2,916	4,032
24012010	0	0	0	0	0	0
24012020	202	852	492	1,570	64	431
24012030	249,076	681,027	280,465	737,416	106,158	283,574
24012040	54,511	141,620	56,957	150,297	23,890	61,124
24012090	2,835	8,307	3,431	9,840	1,345	3,794
24013000	108,623	43,840	109,180	43,316	28,519	13,094
Total	435,395	921,135	464,862	977,670	164,630	371,215

Source: Brazilian Secretariat of Foreign Trade (SECEX).
1/ Jan-May.

Unmanufactured Tobacco Exports (MT, 1,000 USD\$ FOB) Partly/wholly stemmed, leaf, flue cured Virginia (NCM 2401.20.30).						
	MY 2001		MY 2002		MY 2003 1/	
Destination	Quantity	Value	Quantity	Value	Quantity	Value
United States	33,317	104,551	34,372	97,160	17,649	53,589
Germany	31,236	91,395	28,209	85,206	12,948	37,457
Netherlands	7,343	21,775	9,162	25,026	10,260	28,459
Russia	14,794	32,157	19,446	39,739	8,382	19,003
Philippines	9,951	23,591	7,921	18,741	5,525	13,229
Belgium	17,624	47,528	17,992	42,814	5,156	14,311
U.K.	19,939	50,819	17,063	43,683	4,692	12,106
China	15,799	50,618	22,453	66,661	157	524
Japan	10,908	36,542	11,128	36,146	0	0
Egypt	8,689	17,330	1,025	1,961	0	0
Others	79,476	204,721	111,694	280,278	41,389	104,897
Total	249,076	681,027	280,465	737,416	106,158	283,574
Source : Brazilian Secretariat of Foreign Trade (SECEX) 1/January-May						

Unmanufactured Tobacco Exports (MT, 1,000 USD\$ FOB) Partly/wholly stemmed, leaf, Burley (NCM 2401.20.40).						
	MY 2001		MY 2002		MY 2003 1/	
Destination	Quantity	Value	Quantity	Value	Quantity	Value
United Staes	18,956	48,903	21,967	60,744	10,270	27,081
Germany	7,454	17,981	5,816	15,720	2,268	5,849
Belgium	6,307	14,908	5,240	11,573	1,738	4,584
Philippines	1,998	5,646	2,561	6,925	1,199	3,081
Netherlands	2,025	5,428	1,299	3,523	1,104	2,844
Switzerland	1,485	4,091	834	2,641	307	781
Poland	1,153	3,040	1,102	2,922	268	671
Spain	1,925	4,213	1,617	3,914	10	20
Japan	3,535	10,550	3,549	10,677	0	0
Thailand	1,307	5,186	0	0	0	0
Others	8,367	21,674	12,970	31,659	6,726	16,214
Total	54,511	141,620	56,957	150,297	23,890	61,124
Source : Brazilian Secretariat of Foreign Trade (SECEX) 1/ January-May.						

Unmanufactured Tobacco Exports (MT, 1,000 USD\$ FOB) Tobacco Refuse/Waste (NCM 2401.30.00).						
Destination	MY 2001		MY 2002		MY 2003 1/	
	Quantity	Value	Quantity	Value	Quantity	Value
Russia	12,134	4,088	16,732	5,016	5,269	1,626
U.K.	11,394	5,493	8,996	4,450	2,706	1,156
Germany	7,337	3,540	9,688	4,075	1,923	905
United States	29,213	8,909	25,686	7,169	1,863	644
Belgium	7,840	3,609	4,974	2,238	1,546	757
Italy	2,074	1,004	1,270	619	883	405
France	2,924	2,101	5,150	3,179	789	283
Ukraine	6,066	1,492	6,291	1,565	743	225
Japan	3,396	1,892	1,993	1,214	0	0
Egypt	2,766	1,236	1,648	812	0	0
Others	23,480	10,476	26,750	12,979	12,797	7,094
Total	108,623	43,840	109,180	43,316	28,519	13,094

Source : Brazilian Secretariat of Foreign Trade (SECEX)
1/January-May.

Imports

SECEX reports total Brazilian tobacco imports for MY 2002, at 10,525 MT, up 1,563 MT from 2001. Brazilian unmanufactured tobacco imports for MY 2001, 2002 and 2003 (January-May) by type of product (see Policy for NCM descriptions) follow.

Unmanufactured Tobacco Imports (MT, 1,000 USD\$ FOB).						
NCM	2001		2002		2003 1/	
	Quantity	Value	Quantity	Value	Quantity	Value
24011010	0	0	0	0	0	0
24011020	15	12	0	0	0	0
24011030	554	574	131	249	0	0
24011040	36	89	123	365	648	2,344
24011090	2,151	8,242	1,796	2,902	1,690	2,348
24012010	0	0	0	0	0	0
24012020	0	0	9	33	0	0
24012030	3,133	8,875	3,799	9,938	666	1,782
24012040	633	2,134	1,623	3,949	888	2,702
24012090	296	726	951	3,230	108	203
24013000	2,144	321	2,092	318	1,520	173
Total	8,962	20,974	10,525	20,984	5,520	9,553

Source: Brazilian Secretariat of Foreign Trade (SECEX).
1/ Januaray-May

Stocks

Ending stocks for unmanufactured tobacco for MY 2003 are projected at 108,615 MT, down 41,380 MT from revised MY 2002 stocks, due to production in southern Brazil. Actual stock data are not available. The Government of Brazil holds no tobacco stocks.

Policy

The MERCOSUL Common External Tariff Schedule follows. MERCOSUL represents a trade pact among Brazil, Argentina, Uruguay and Paraguay.

Brazilian Unmanufactured Tobacco - Common External Tariffs		
NCM	Description	Tariff
	Not stemmed, leaf	
2401.10.10	Not dried/fermented	15.5
2401.10.20	Wrapper, dried/ferm.	15.5
2401.10.30	Dried, Flue cured, Virginia type	15.5
2401.10.40	Dried, volatile content over 0.2%	11.5
2401.10.90	Others	15.5
	Partly/Wholly stemmed, leaf	
2401.20.10	Not dried/fermented	15.5
2401.20.20	Wrapper, dried/ferm.	15.5
2401.20.30	Dried, Virginia type	15.5
2401.20.40	Dried, Burley type	15.5
2401.20.90	Other	15.5
2401.30.00	Tobacco refuse	15.5

Source: Brazilian Secretariat of Foreign Trade (SECEX).

MANUFACTURED TOBACCO, CIGARETTES

PS&D Manufactured Tobacco, Cigarettes

Country	Brazil					
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	109400	109435	107900	106685	0	101580
Non-Filter Production	0	0	0	0	0	0
TOTAL Production	109400	109435	107900	106685	0	101580
Imports	800	785	800	180	0	120
TOTAL SUPPLY	110200	110220	108700	106865	0	101700
Exports	400	420	500	1365	0	1500
Domestic Consumption	109800	109800	108200	105500	0	100200
TOTAL DISTRIBUTION	110200	110220	108700	106865	0	101700

Production

Brazilian cigarette production for MY 2003 is projected at 101.58 billion pieces (BP), down 5 percent from MY 2002 production, according to industry sources. Unfair competition from contraband cigarettes and lower purchasing power of the Brazilian population are the major factors limiting domestic production.

Consumption

Cigarette consumption for MY 2003 is forecast at 100.2 BP, down 5.3 BP compared to revised MY 2002 estimate (105.5 BP), as reported by Post contacts. Major factors affecting decreased projection in legal sales are increased prices of the product (see below), lower purchasing power of the Brazilian population and contraband cigarettes, especially from Paraguay, which are marketed locally at significantly lower prices. According to the tobacco industry, approximately 34 percent of actual domestic consumption is represented by contraband cigarettes. This steady unfair competition is represented mainly by contraband cigarettes, but also from cigarettes produced by local companies which do not pay government taxes.

Prices

Retail cigarette prices per pack of 20 pieces vary between R\$1.40 and R\$3.00 for Philip Morris products and R\$1.40 and R\$3.50 for Souza Cruz (British American Tobacco), depending on the brand. The companies readjusted prices June 16 and 19, 2003, respectively.

Trade

Exports

Total cigarette exports for MY 2003 are projected at 1,500 million pieces, up 10 percent from 2002. As reported by SECEX, cigarette exports for MY 2002 were 1,365 million pieces, up 945 million pieces from MY 2001. In spite of the increase, cigarette exports are far from the more than 70 billion pieces exported back in the 1990s. The sharp decrease in cigarette exports is a result of the 150 percent export tax imposed to inhibit cigarette exports to Paraguay and Uruguay which move clandestinely back to Brazil for tax-free resale.

Imports

As reported by SECEX, cigarette imports for 2002 were 180 million pieces, down 605 million pieces from MY 2001, largely a consequence of a weakened Brazilian Real.

Policy

The MERCOSUL Common External Tariff Schedule follows. MERCOSUL represents a trade pact among Brazil, Argentina, Uruguay and Paraguay.

Brazilian Manufactured Tobacco - Common External Tariffs.		
NCM	Description	Tariff
2402.10.00	Cigars and Cigarillos	21.5
2402.20.00	Cigarettes	21.5
2402.90.00	Others	21.5
Source: Brazilian secretariat of Foreign Trade (SECEX).		

Exchange Rate

Exchange Rate (R\$/US\$1.00 - official rate, last day of period)						
Month	1998	1999	2000	2001	2002	2003
January	1.12	1.92	1.80	1.97	2.42	3.53
February	1.13	2.03	1.77	2.04	2.35	3.56
March	1.14	1.77	1.75	2.16	2.32	3.35
April	1.14	1.66	1.81	2.22	2.36	2.89
May	1.15	1.72	1.82	2.36	2.52	2.97
June	1.16	1.77	1.80	2.30	2.84	2.87
July	1.16	1.79	1.78	2.43	3.43	--
August	1.18	1.81	1.82	2.55	3.02	--
September	1.19	1.92	1.84	2.67	3.89	--
October	1.19	1.95	1.91	2.71	3.65	--
November	1.20	1.92	1.98	2.53	3.59	--
December	1.21	1.79	1.96	2.32	3.53	--
Source: Gazeta Mercantil						

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