

SPECIAL REPORT

World Unmanufactured Tobacco Production, Supply and Distribution

Production

China, the United States, India, Brazil, Indonesia, and Greece, account for nearly three-quarters of the world's unmanufactured tobacco production. Global leaf production is forecast to fall by 12 percent in 2001 as a result of efforts by some countries to cut stock levels, and lower cigarette use in selected markets. China, which produces a third of the world's leaf, continues to focus on decreasing leaf stock levels by limiting production and improving leaf quality. However, China's efforts are being undermined by high support prices for tobacco and falling prices for other commodities. Chinese leaf production is estimated to increase to 2.16 million metric tons in 2001 compared to 2.10 MMT in 2000.

The main flue-cured production area in India is reportedly on a crop holiday because of strong production and stagnant demand in 2000 which led to record leaf stock levels. Flue-cured production is estimated to drop by 70 percent in 2001 due to efforts by the industry to cut total stocks by 60 percent.

The U.S. tobacco industry is showing signs of stabilizing after a two year decline in flue-cured and burley tobacco quotas. Leaf production is forecast to down only marginally this year as a result of a slight increase in the 2001 flue-cured effective quota. The 2001 flue-cured effective quota is 248 tons, compared with 246 tons the previous marketing season. The burley effective quota is 166 tons, down 4 percent from the previous marketing season.

Consumption

Global leaf consumption is expected to fall 2 percent in 2001 due to lower cigarette demand in selected countries. The world's top leaf consumers are China, the United States, India, Indonesia, Japan, Germany, and the Russian Federation. For China, the world's largest leaf consumer, leaf use is expected to marginally increase as a result of a 3.6-percent increase in cigarette exports anticipated for 2001. In the United States, leaf use continues to fall due to lower domestic cigarette consumption and lower cigarette exports. But in Japan and Russia, leaf consumption is projected to increase by 2 percent in 2001 as a result of increased cigarette production.

Exports

The world's leading leaf exporting nations are Brazil, the United States, Zimbabwe, Malawi, Turkey, and Greece. U.S. leaf sales to overseas markets are expected to remain constant in 2001. Competitive prices from world suppliers, aggressive anti-smoking campaigns world-wide, and decreased leaf production continue to affect U.S. sales abroad. Zimbabwe, the third largest leaf

exporter, continues to experience economic hardship and uncertainty over land ownership.

Although leaf production is expected to increase marginally, exports are forecast to reach 185,000 tons compared to 215,744 tons before the 1999.

Imports

The Russian Federation, Germany, the United States, and Japan are the world's leading unmanufactured tobacco importing nations. Japan and the United States are expected to cut leaf imports in 2001 as a result of lower cigarette production. Although leaf imports dropped marginally in 2001 compared to a year ago, Japan is becoming more dependent on leaf imports as their leaf production disappears. In Germany and the Russian Federation, leaf imports are projected to rise because of increased cigarette production. German flue-cured and burley imports are expected to increase by 5 and 2 percent, respectively, in 2001. The Russian Federation is expected to import 299,800 tons of leaf tobacco in 2001 compared to 285,000 tons in 2000.

Stocks

World unmanufactured tobacco stock levels are projected to decline by 12 percent in 2001. This decline is a result of countries bringing production more in line with consumption. China and the United States when combined account for over half the world's leaf stocks. China, which accounts for about 34 percent of world stocks, is expected to reduce stocks by nearly 14 percent in 2001. The Chinese goal for 2001 is to lower stocks by 1 million metric tons within 2 years. Stock levels in the United States are expected to slide by 2 percent in 2001.