

CROP PERSPECTIVES SEPTEMBER 2017

ARGENTINA

It was a good year in terms of quality, farmers were pleased with the prices paid and already started transplanting for crop 2018.

Nevertheless, there are unsold inventories in the hands of farmers representatives (Co-operatives) from current crop, around 7000tn to 8000tn. The recent depreciation of the Argentine Peso could lead to more competitive prices helping to move this inventories during the next round of sales.

BRAZIL

The 2017 FCV Crop is estimated 620 MM Kgs which is an exponential growth compared to 2016 as expected, which was 477 MM Kgs. The weather helped the development of the tobacco plant in all growing areas, but unfortunately the excessive heat experienced from mid-January until the end of February has affected the quality of the Flue Cured Virginia. Tobaccos are of regular quality, have good body, but tending to be of closed grain structure. The heat has also scorched the upper leaves of the plant. There is not much overripe tobacco available until this moment, although the fields are getting ripe quicker now because of the high temperatures. More brown styles may be available later in the crop.

For 2017, the projected Burley is 70 MM Kgs. The Burley fields also presented good development. The quality should be between regular and good. The unfavorable weather conditions during most of the curing period (high humidity of the air) allowed the formation of dark and burnt tobacco leaves in the curing barns.

USA

After severe cuts in contracts for the 2015 season, acreage fell to 220,000 acres with production at 486 million pounds down from 573 million pounds in 2014. USDA's October crop estimate for 2016 is 213,000 acres with production of 474 million pounds. Yield for 2016 was estimated at 2,226 pounds per acre about the same as the 2,210 pounds per acre yield of 2015. Average price received in 2015 was \$1.875 per pound according to USDA, down from \$2.03 per pound for the 2014 crop. North Carolina had the highest average price in 2015 at \$1.89 per pound. Large inventories that were problematic going into the 2015 crop had largely disappeared by 2016. The quick reduction in inventories is mostly due to excessive rain in Brazil that led to the smallest flue-cured crop in 2016 in over a decade. The 2016 Brazil crop was reported to be just over 1 billion pounds, according to Universal Leaf, down from 1.26 billion pounds in 2015.

CHINA

In 2017, the FCV production of China continues to decrease estimated 1,850 MM Kgs due to the also decreased number of plant growers and climatic conditions. The Burley crop is projected at 70 MM Kgs this year.

INDIA

Global buyers were said to buy 70 percent of the country's flue-cured tobacco, while the remainder was bought by local cigarette manufactures. In 2016, the country's exports of flue-cured tobacco amounted to 230 million kg and were worth US\$ 921.1 million. But exports declined by four percent this year, primarily due a decline in production, according to R Subba Rao Chowdary, a Tobacco Board official responsible for marketing and exports.

Tobacco-industry experts were said to have told the Sunday Guardian that high and discriminatory taxes, coupled with extreme regulations such as pictorial warnings, were providing a boost to the illegal cigarette trade in India in the last decade.

The incidence of tobacco use in India dropped by 6.0 percentage points between 2009/10 and 2016/17, according to a story in the latest issue of the BBM Bommidala Group newsletter citing the results of the second Global Adult Tobacco Survey 2016/17. The fall in the incidence of tobacco use from 34.6 percent to 28.6 percent means that there are now 8,100,000 fewer tobacco users in India than there were in 2009/10.

INDONESIA

Overview

Indonesia crop size for all type (FCV, Suncured, DFC, Besuki Na oogst) for 2017 estimate to continue decrease to 198,296 Tons

FCV Lombok

Performance on the field: Medium to Good.

Curing result :30% good, 40% medium, 30% low.

Crop size estimate 2017 decrease to 31,000 tons compare last year 35,000 tons because of rain.

Quality: Orange to Deep Orange.

Cigar Leaf & Dark Air Cured

Buying plan of all cigar operator in Jember that reported to Government is 4,600 Tons. While production estimate only around 3,500 Tons due to bad weather, makes price high.

Last year top grade buying price from farmer per kg is IDR 90,000 / USD 6,76 while now it has reached IDR 130,000 / USD which makes 9,77 per kg.

MALAWI

Malawi earned US\$172.3 million from the sale of 88 million kg. of tobacco in the past fourteen weeks since the 2017 marketing season opened on April 10th, as indicated by the Tobacco Control Commission (TCC). Earnings surpassed last year's US\$128 million, representing a 35% increase. While volume traded was up 6% from 83 million kg. With the current trading, the tobacco marketing season is expected to close in two to three weeks time, by the end of July or early August.

TCC Acting Chief Executive Officer David Luka, said this year's production although lower at 126 million kg. was the best in recent years, and the market was stable with minimal interruptions to the sales following collective efforts of all stakeholders. In 2016, a total of 194 million kg. of tobacco was sold bringing-in US\$275 million.

ZAMBIA

Generally, the quality looks good from what has been reaped and cured. There have been a number of reports regarding hail incursions, but none where total crops have been damaged. Reaping and curing is progressing well and growers are equally happy with their cured products at this early stage

Indications for the crop production this year is projected to be slightly higher in 2017, the estimated total FCV crop size to be between 18 – 19 million Kgs.

The burley crop in general looks to be very promising, with good rains and sunny spells coming at the right times.

It is expected an increase in production this year to around 2.8 – 3 million Kgs which is up on 2016 figures of around 1.4 million Kgs.

ZIMBABWE

The 2016 / 17 FCV Crop has been cultivated on 55,885 Ha of land targeting an output in the region of 200 MM Kgs. Of this acreage, 25% are irrigated with the balance being dry land cultivation.

A total of 82,110 growers have registered for 2016/17 Season as compared to 70,501 growers who had registered in a corresponding period in the prior year.

ORIENTAL TOBACCOS

- **Turkey** saw its 2016 Crop output at 76 Million Kgs. Specifically, the *Izmir* variety achieved 53 Million Kgs.
52 Million Kgs have been exported from Turkey with an average price of 7,09.
- **Macedonia** saw its 2016 Crop of *Prilep* and *Yaka* varieties decline to an estimated 28 Million Kgs versus 33 Million Kgs prior year. At this level, Macedonia is now a strong number two Oriental producer producing 47 % of the Turkish output level and 50 % larger than the world number three producer Greece. The top quality *Prilep AB* is fetching prices above € 3.00, equivalent in Greenleaf price to the Turkish *Izmir*
- **Greece** is thought to have grown about 18.5 million kg of classical oriental tobacco in 2016, made up of about 12 million kg of Basma and about 6.5 million kg of Katerini.

Yields of both the Basma and Katerini crops were said to have been down because of dry weather, which, by way of compensation, created an excellent-quality Katerini crop and a good, above-average quality Basma crop

- **Bulgaria** saw its 2014 / 15 Crop output of *Krumovgrad* and *Bulgaria North* reach 16 Million Kgs versus an abnormally low 2015 crop of 12 Million Kgs. Pricing has been low in the absence of a clear Government policy on Tobacco growing subsidies. Farmers have been demonstrating against the Government for the low pricing which they claim is below the cost of production.