

Burley and Dark Tobacco Situation and Outlook for 2010

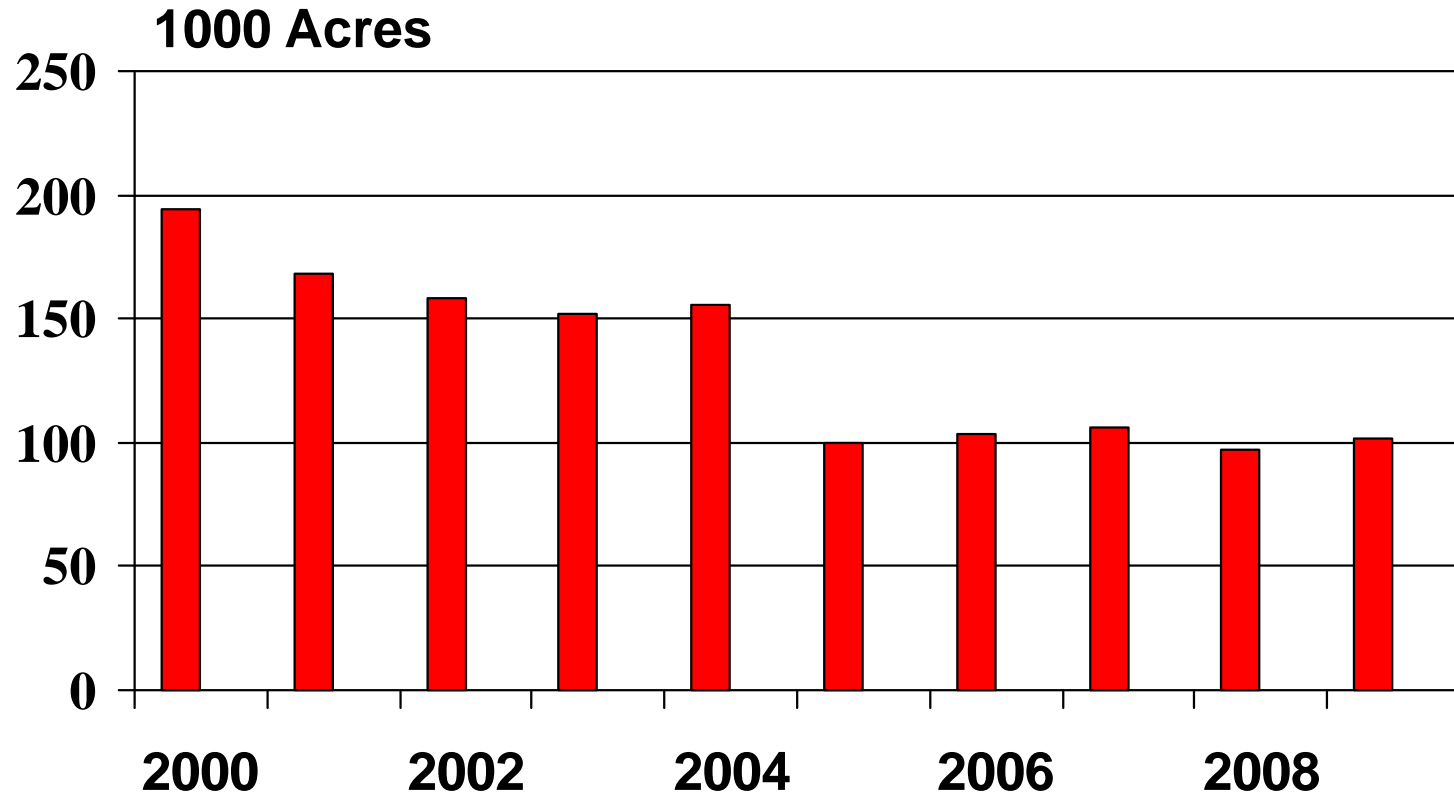
Will Snell, University of Kentucky



Looking Back at 2009

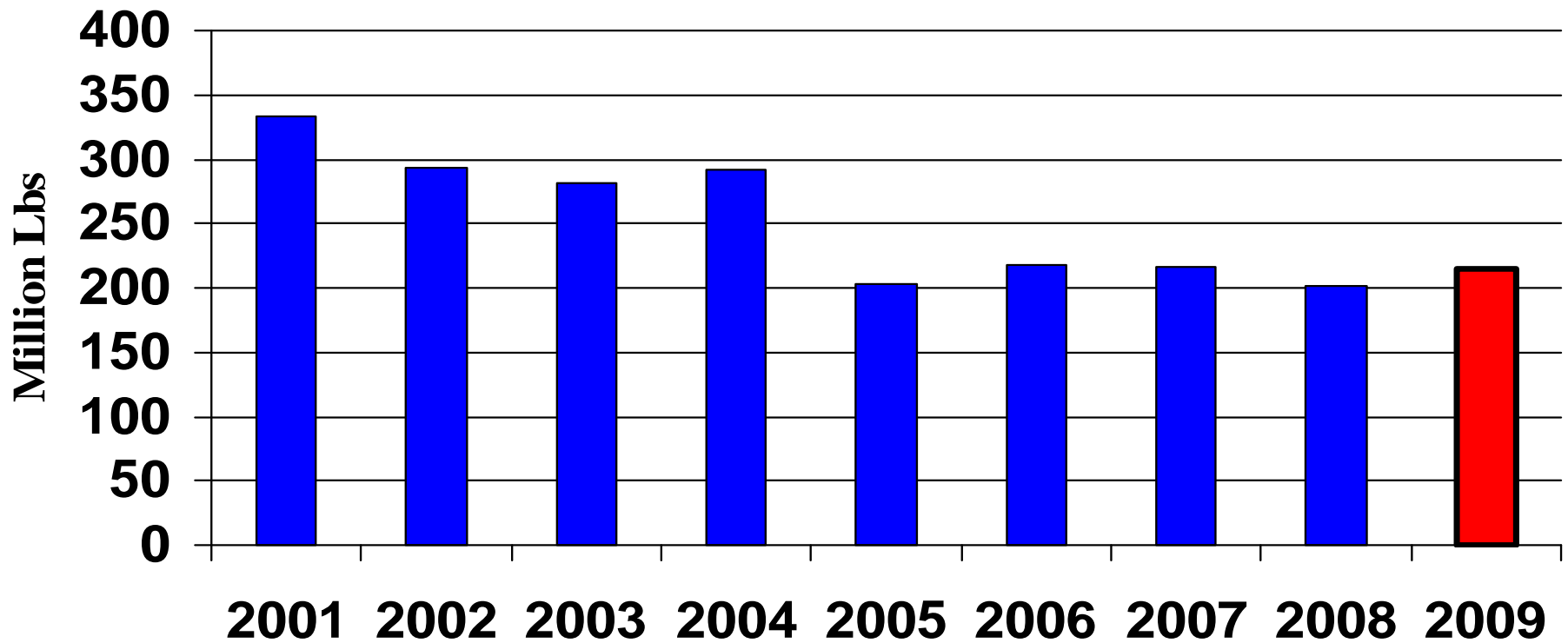
- Higher Tobacco Taxes
- Additional Smoking Restrictions
- FDA Regulation Passes
- U.S./World Economic Slump
- Significant Increase in World Burley Production
- Significant Increase in Non-Contracted U.S Burley Tobacco
- Supply Adjustment in Dark
- High Moisture Growing Season
- Receiving Station Closings
- Declining U.S. Dollar

US Burley Acres



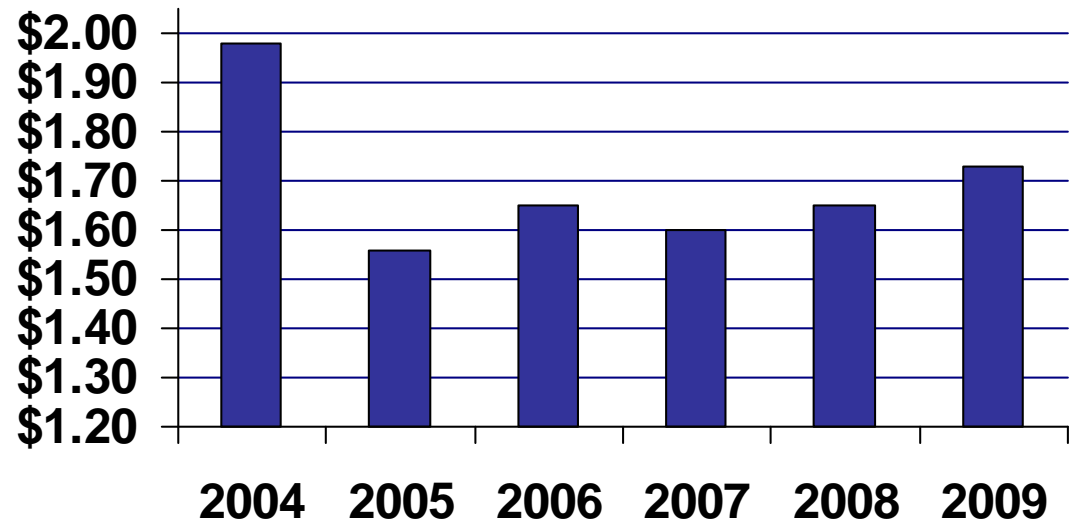
Source: NASS/USDA

U.S. Burley Production

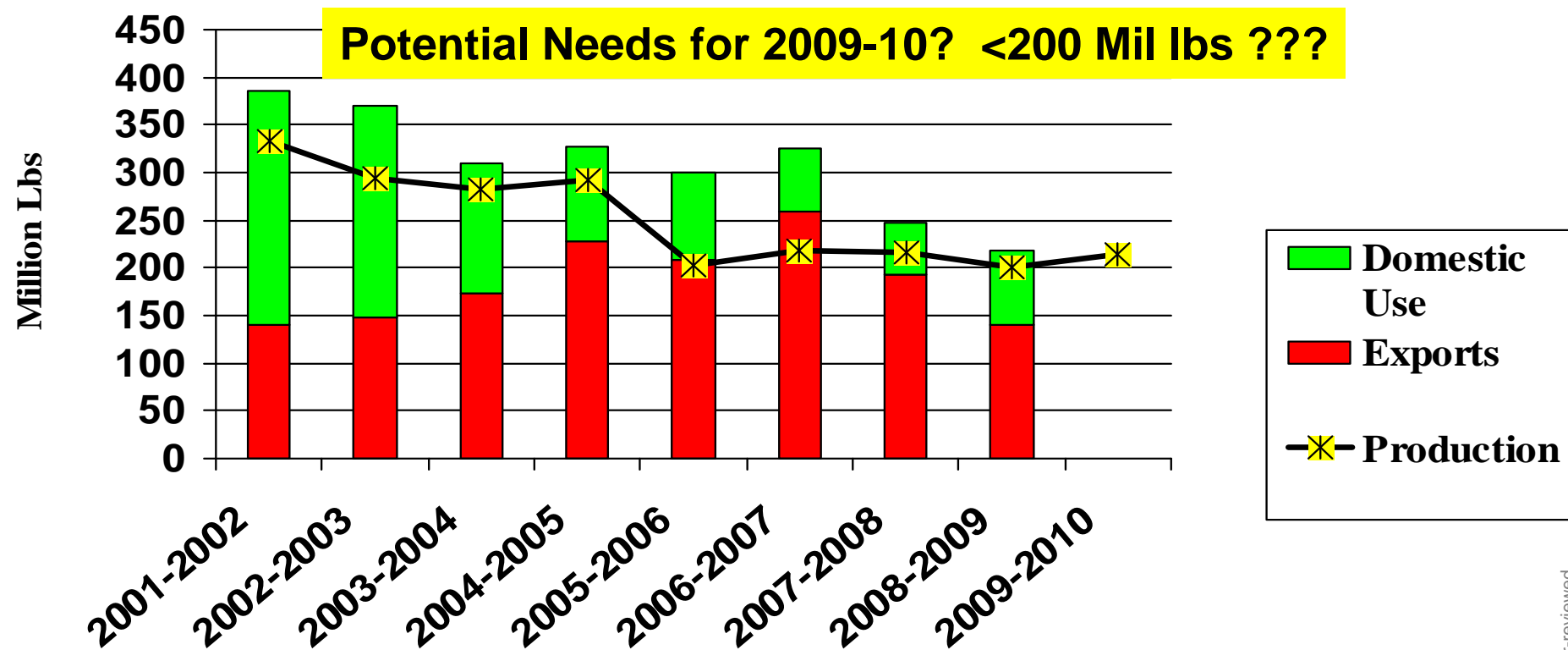


Source: NASS/USDA

Average U.S. Burley Prices

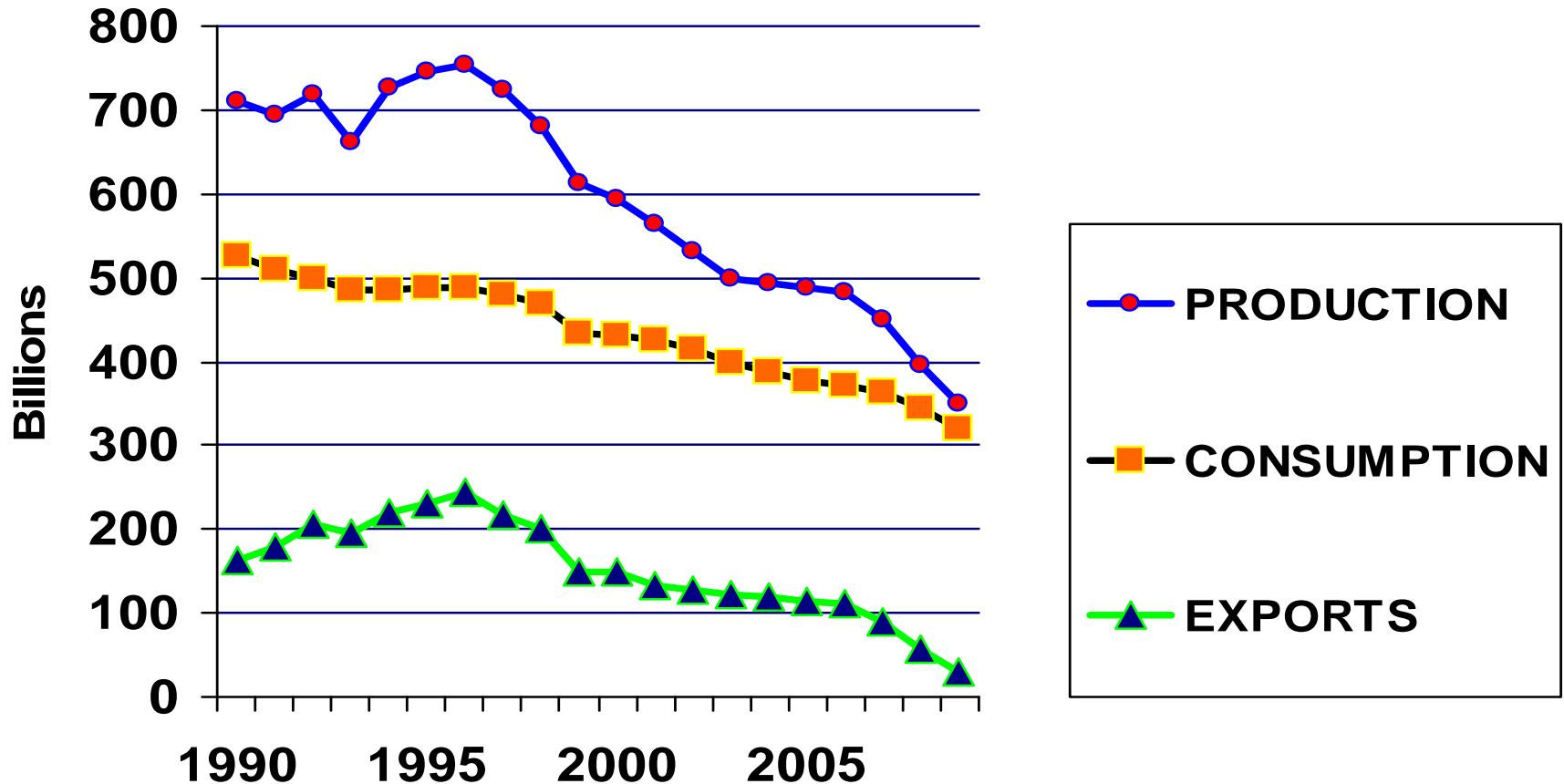


U.S. Burley Disappearance (Exports + Domestic Use) vs. Production



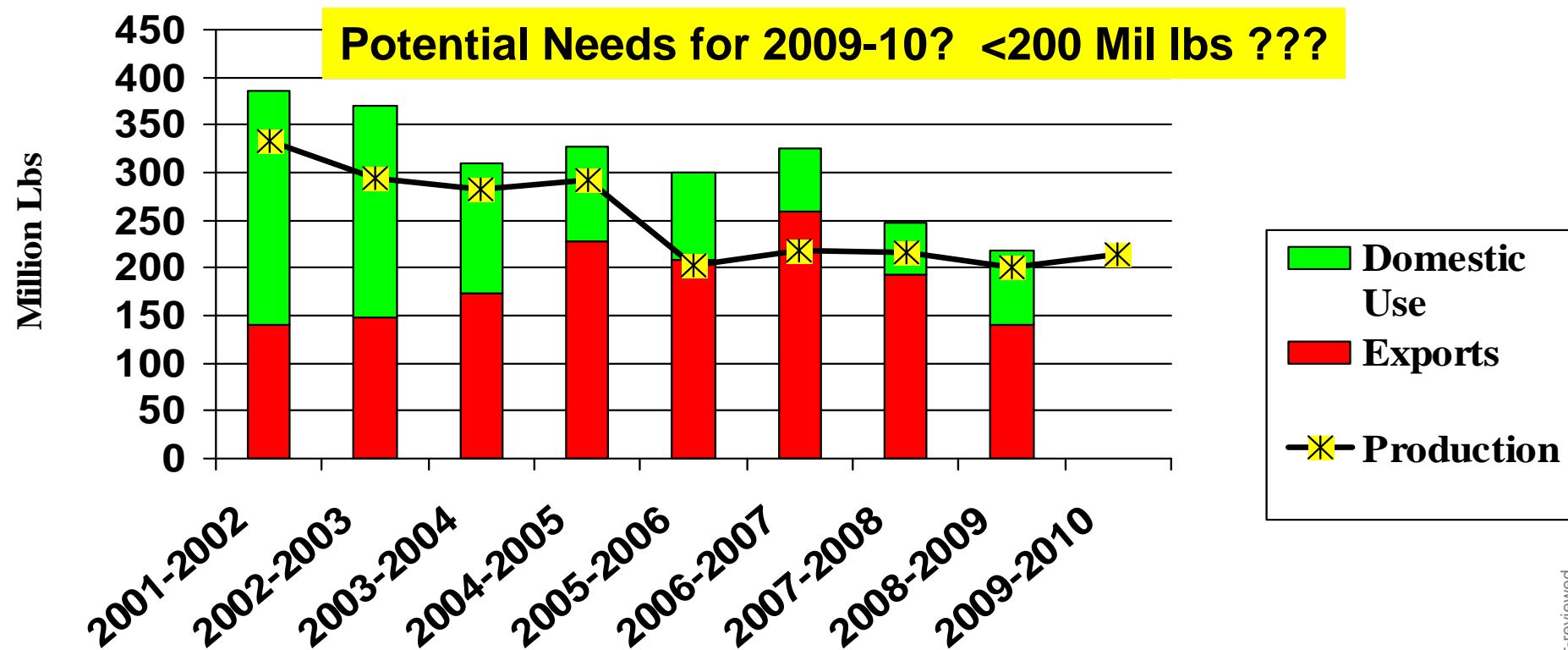
Source: NASS/ERS/USDA
2006-2009 Disappearance Estimates by UK

U.S. Cigarette Production, Consumption and Exports



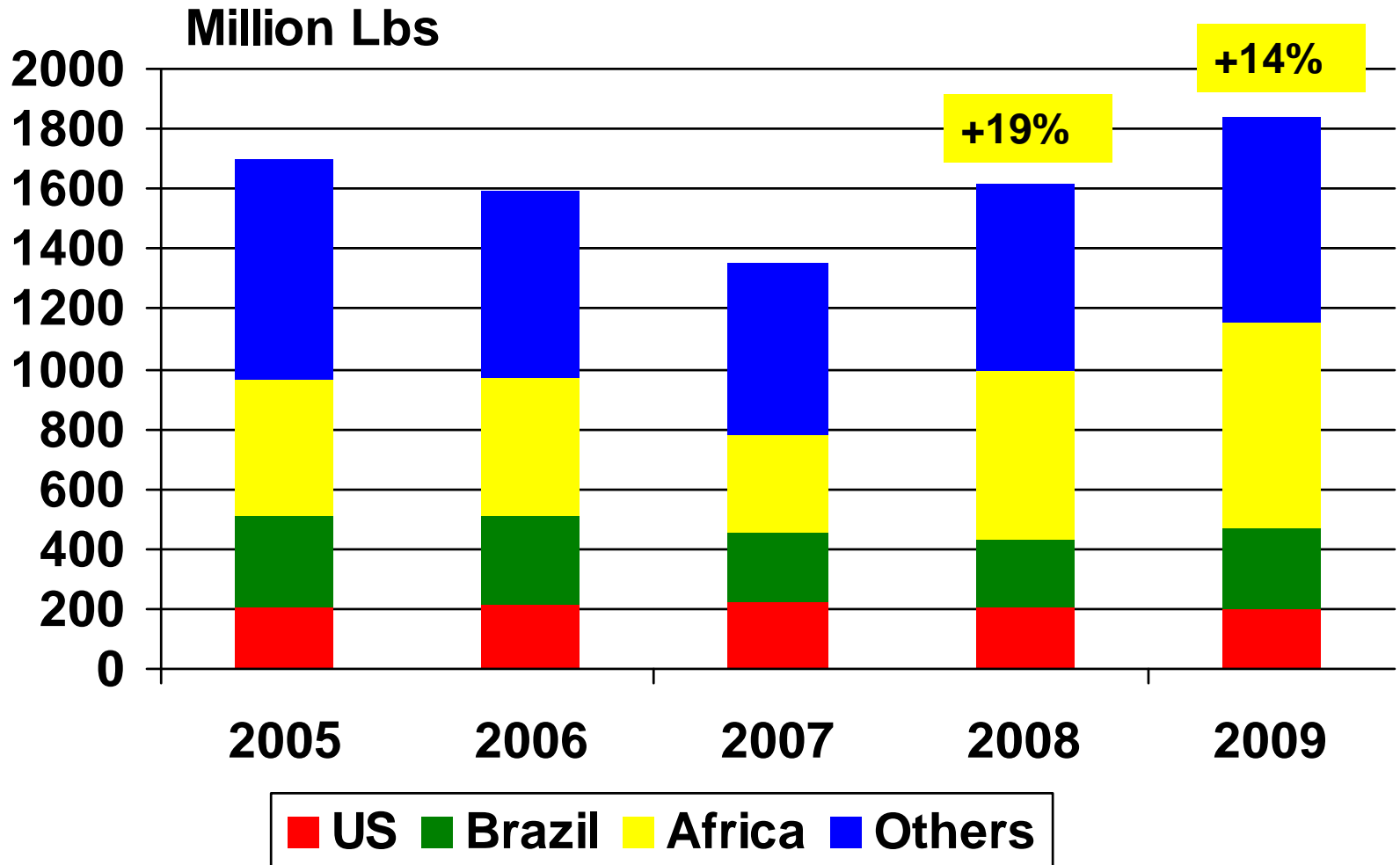
Source: USDA/ERS/TMA

U.S. Burley Disappearance (Exports + Domestic Use) vs. Production



Source: NASS/ERS/USDA
2006-2009 Disappearance Estimates by UK

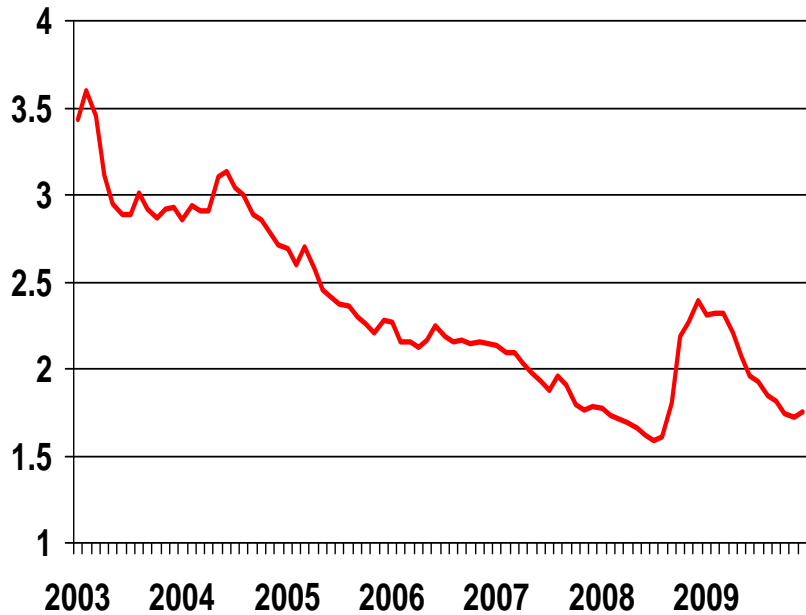
Total World Burley Production



Source: Universal Leaf, November 2009

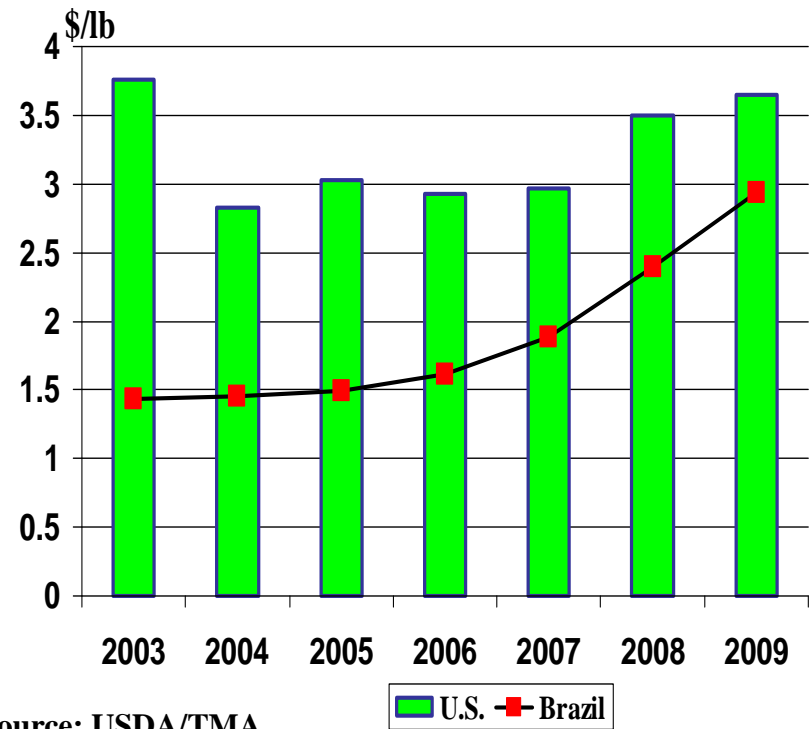
Price Competitiveness of U.S. Burley

Value of the U.S. Dollar vs Brazil



Source: St. Louis Federal Reserve Bank

U.S. Burley Export Value vs Brazilian Import Value



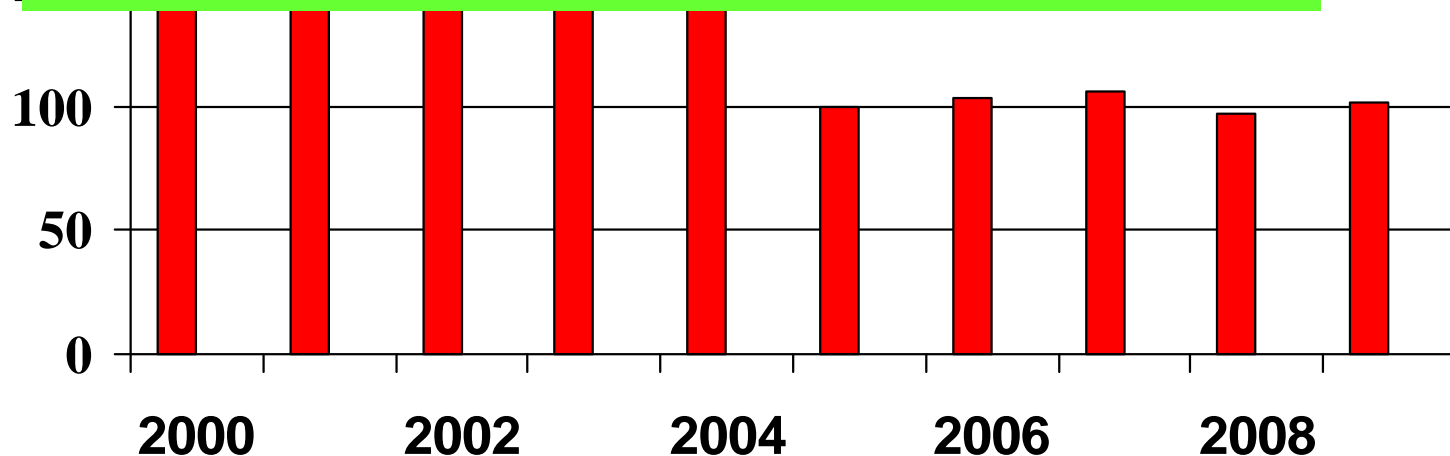
Source: USDA/TMA

US Burley Acres

Domestic and Export Buyers Will Likely Contract for Less Acres in 2010

Wildcard Issues:

- How Short are 2009 Lbs ?
- How Will 2009 Non-Contract Growers Respond?
- Exchange Rates?
- How will FDA Impact Buying Decisions?

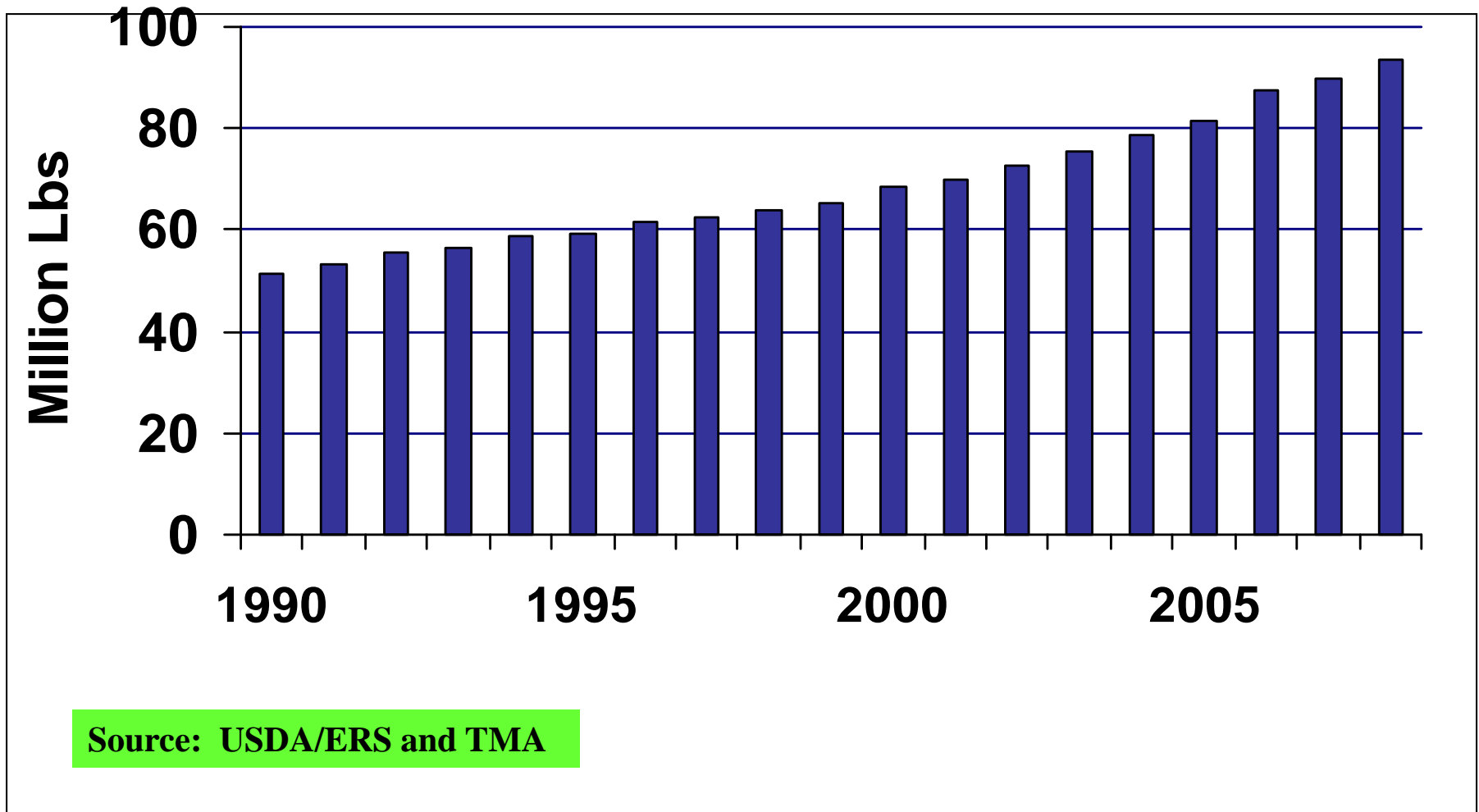


Source: NASS/USDA

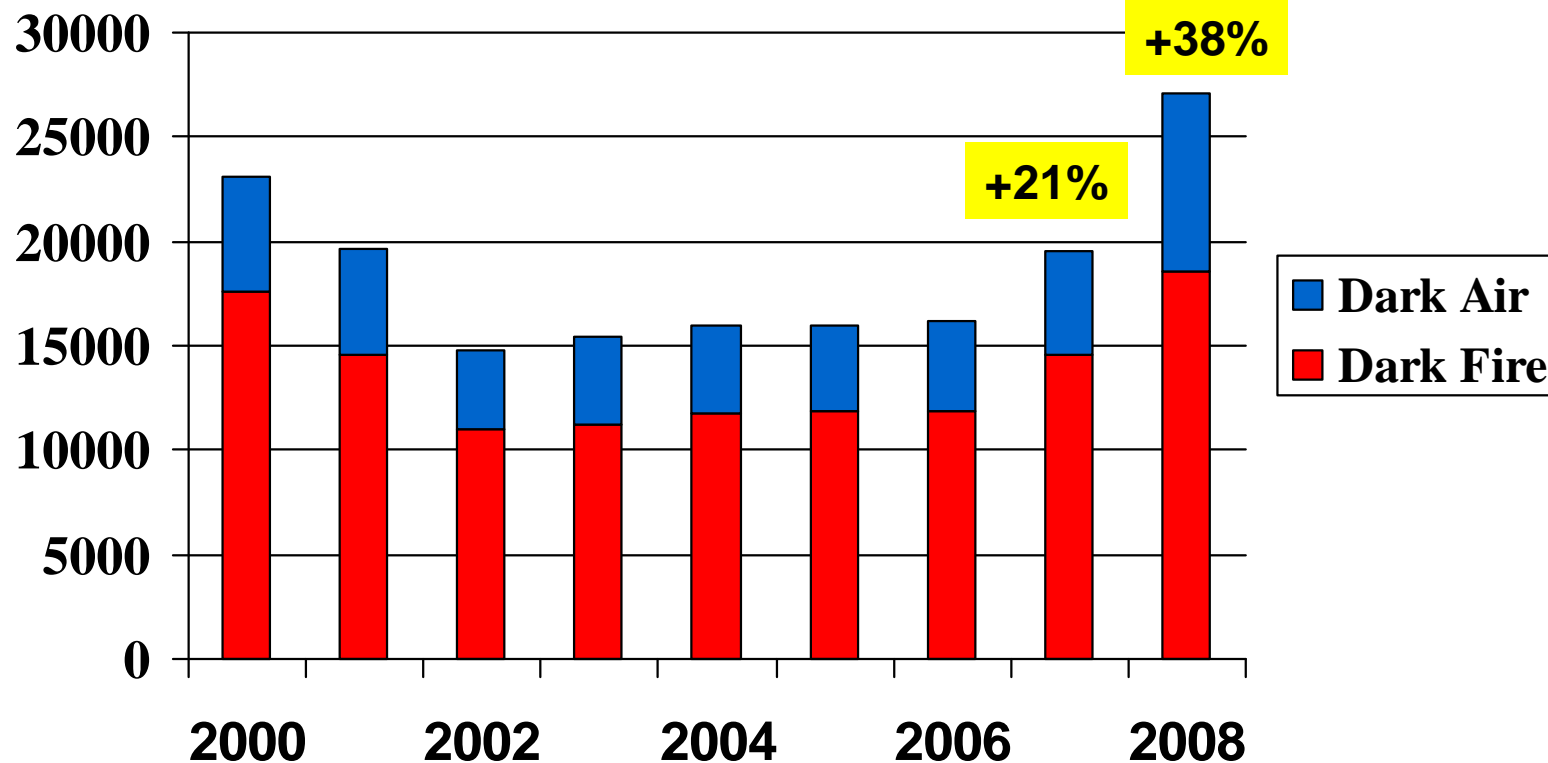
What About Dark Tobacco?



U.S. Snuff Tobacco Consumption

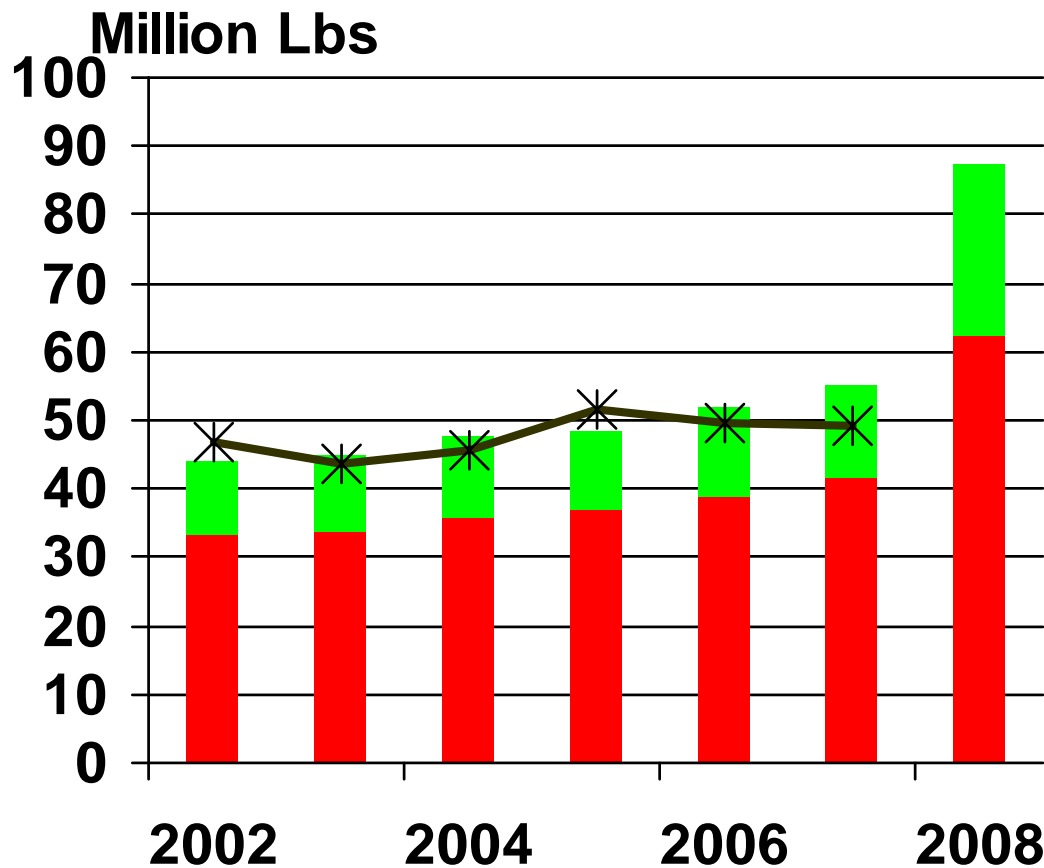


US Dark Tobacco Acres

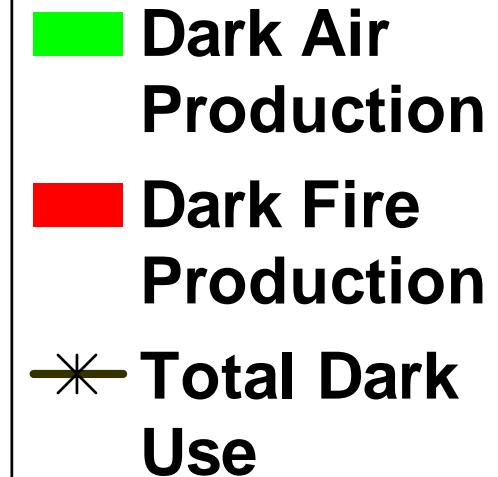


Source: NASS/USDA

U.S. Dark Tobacco Production vs. Use

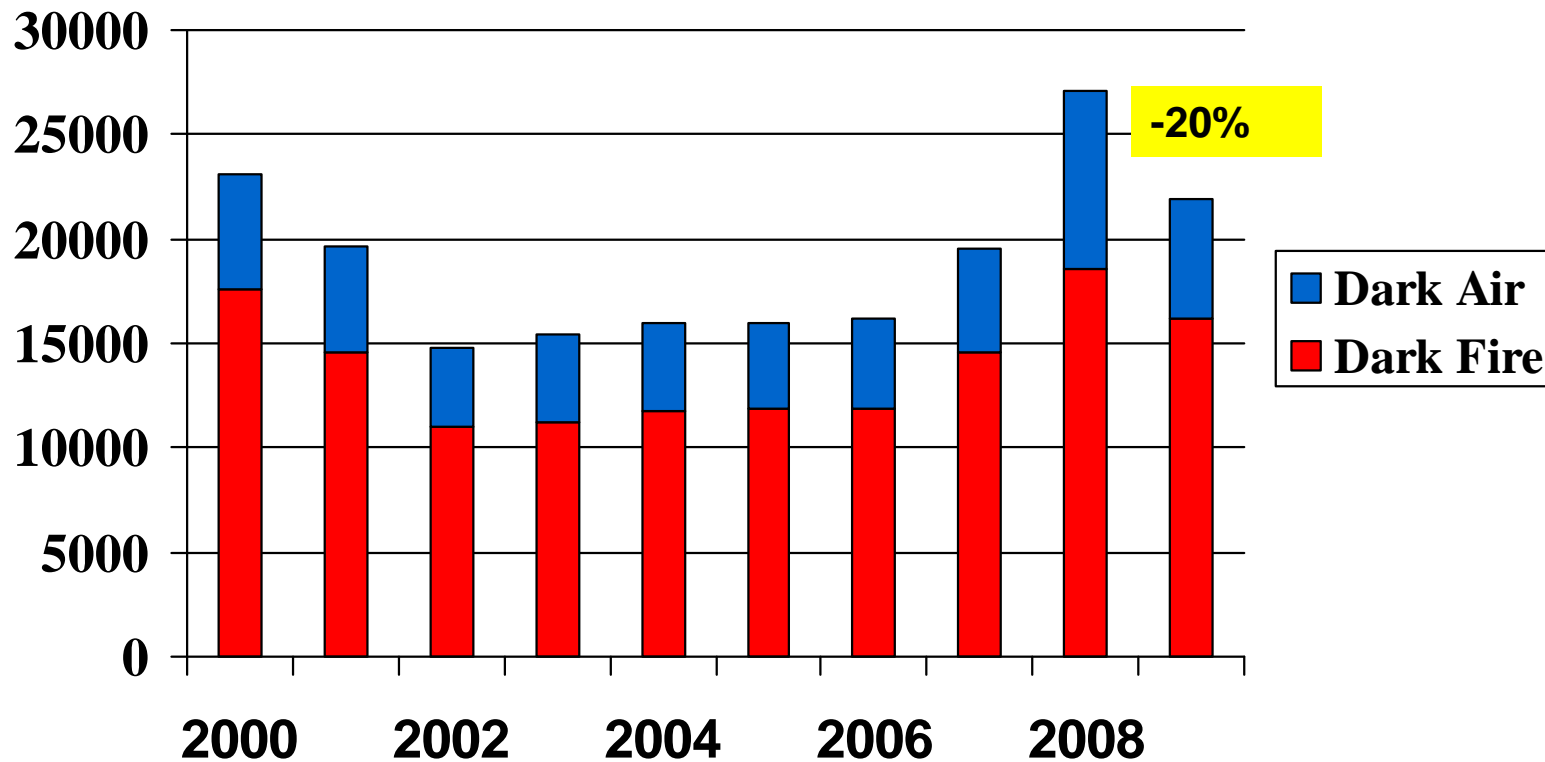


**Is This Expansion
Too Much?**



Source: ERS/NASS/USDA

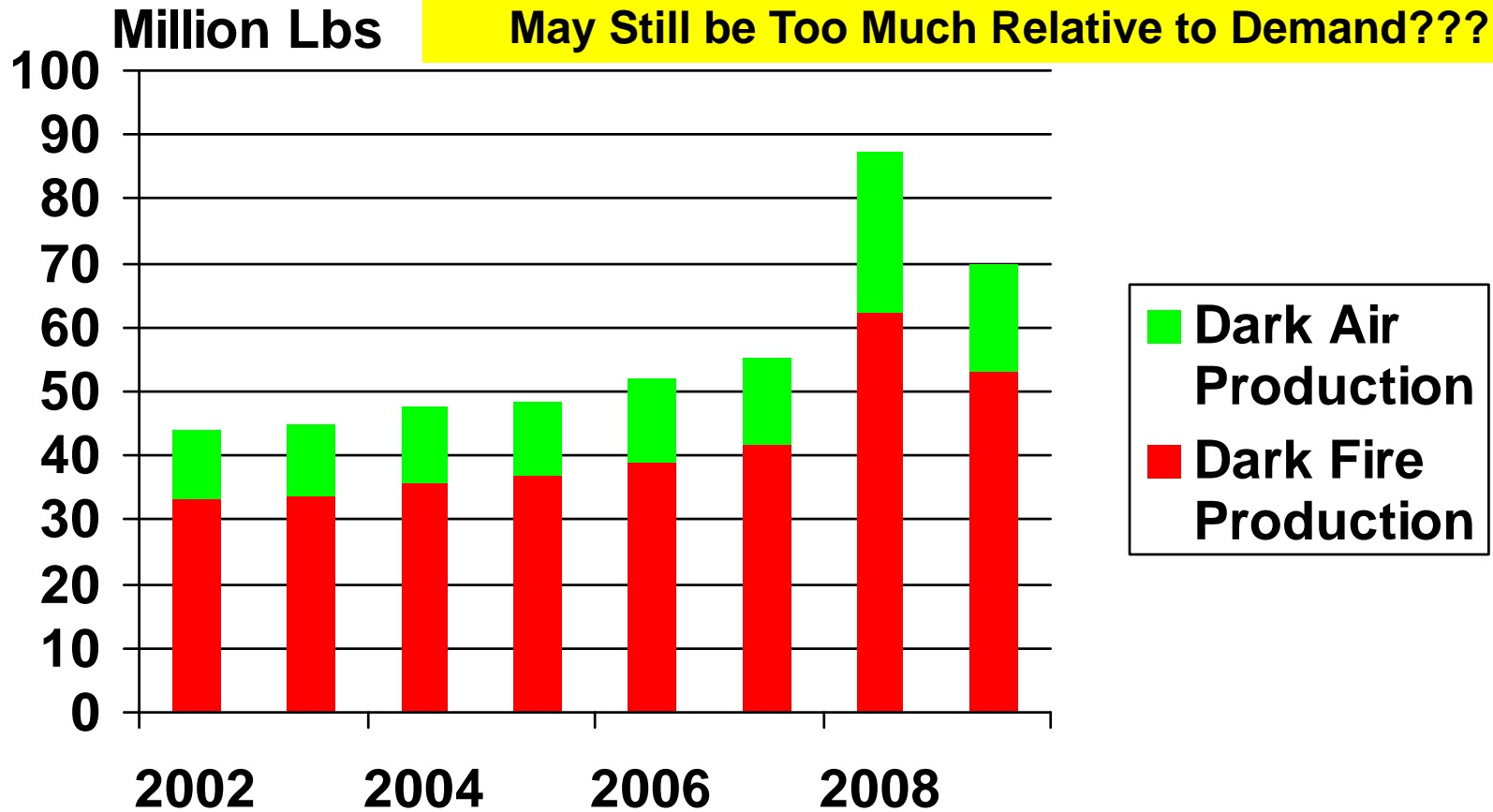
US Dark Tobacco Acres



Source: NASS/USDA

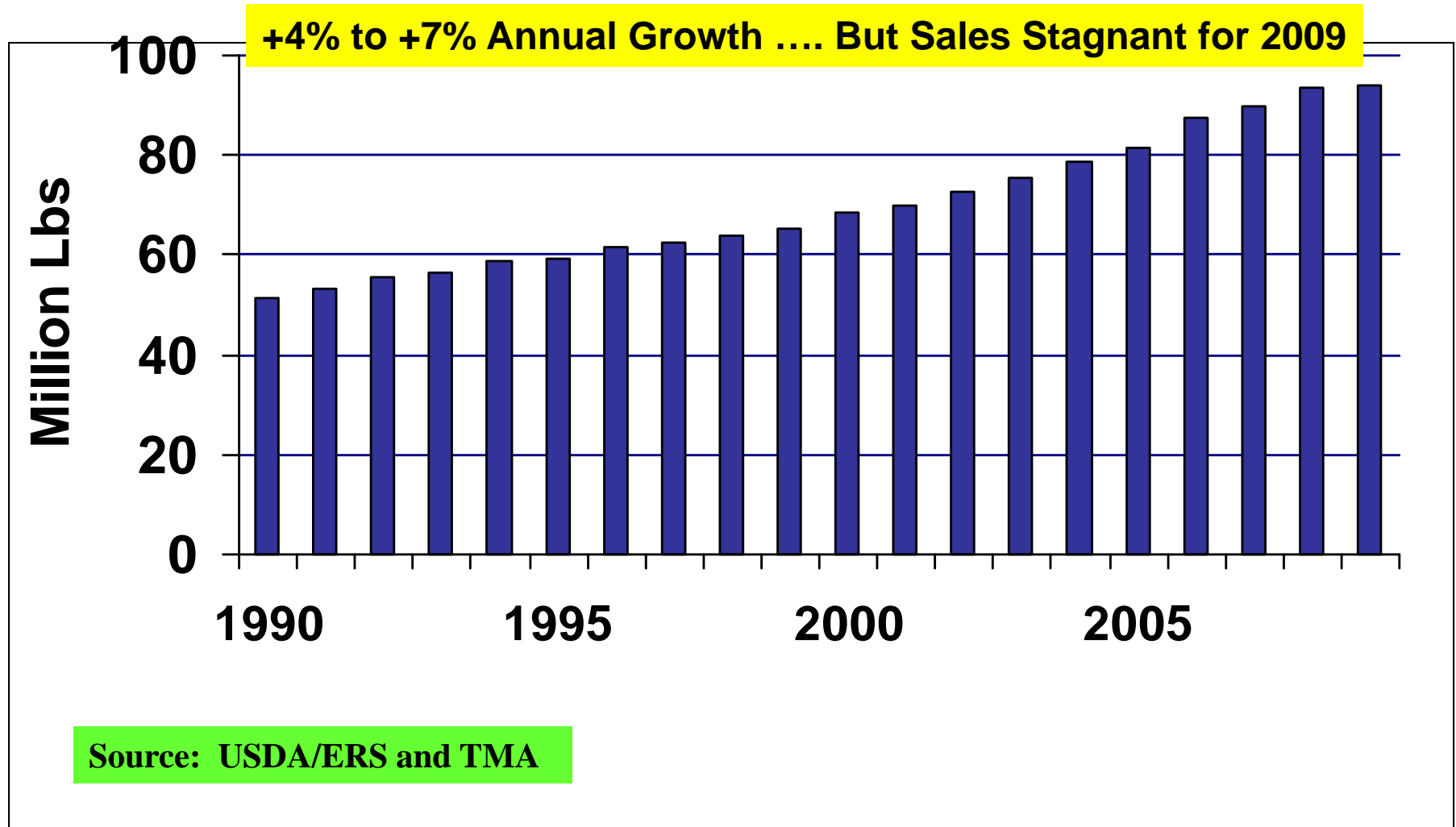
U.S. Dark Tobacco Production

2009 Estimates May Be Too High ... But Supplies
May Still be Too Much Relative to Demand???

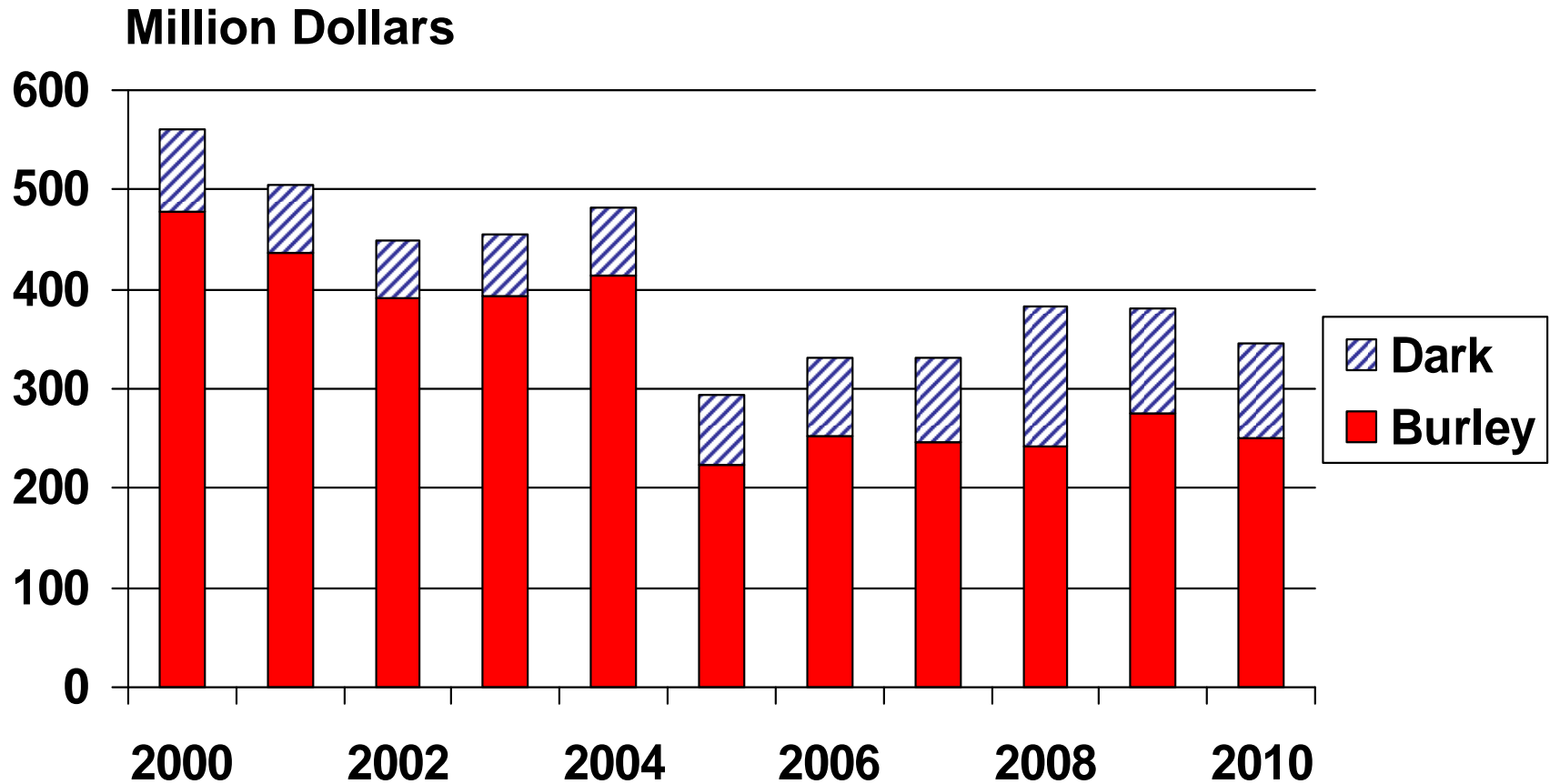


Source: ERS/NASS/USDA, 2009 Estimates Based on January 2010 Crop Report Summary

U.S. Snuff Tobacco Consumption



Value of Kentucky Tobacco Production



Source: Ky Ag Stats/NASS, 2009 and 2010 Estimates by UK

Challenges/Opportunities for the Future

- **Economics**
 - Labor Costs/H2A Program
 - Yields
 - Quality
- **FDA**
 - Change in Production Practices ???
 - Variety Adoption
 - Fertilizers/Chemicals
 - Curing Practices
 - Recordkeeping Requirements Will Likely Be Enhanced
 - Can Foreign Tobacco Producers Adjust???
- **Relationship with Contracting Company**