

# Flue-Cured Tobacco: Outlook and Situation

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# Flue-Cured Production: (million pounds)

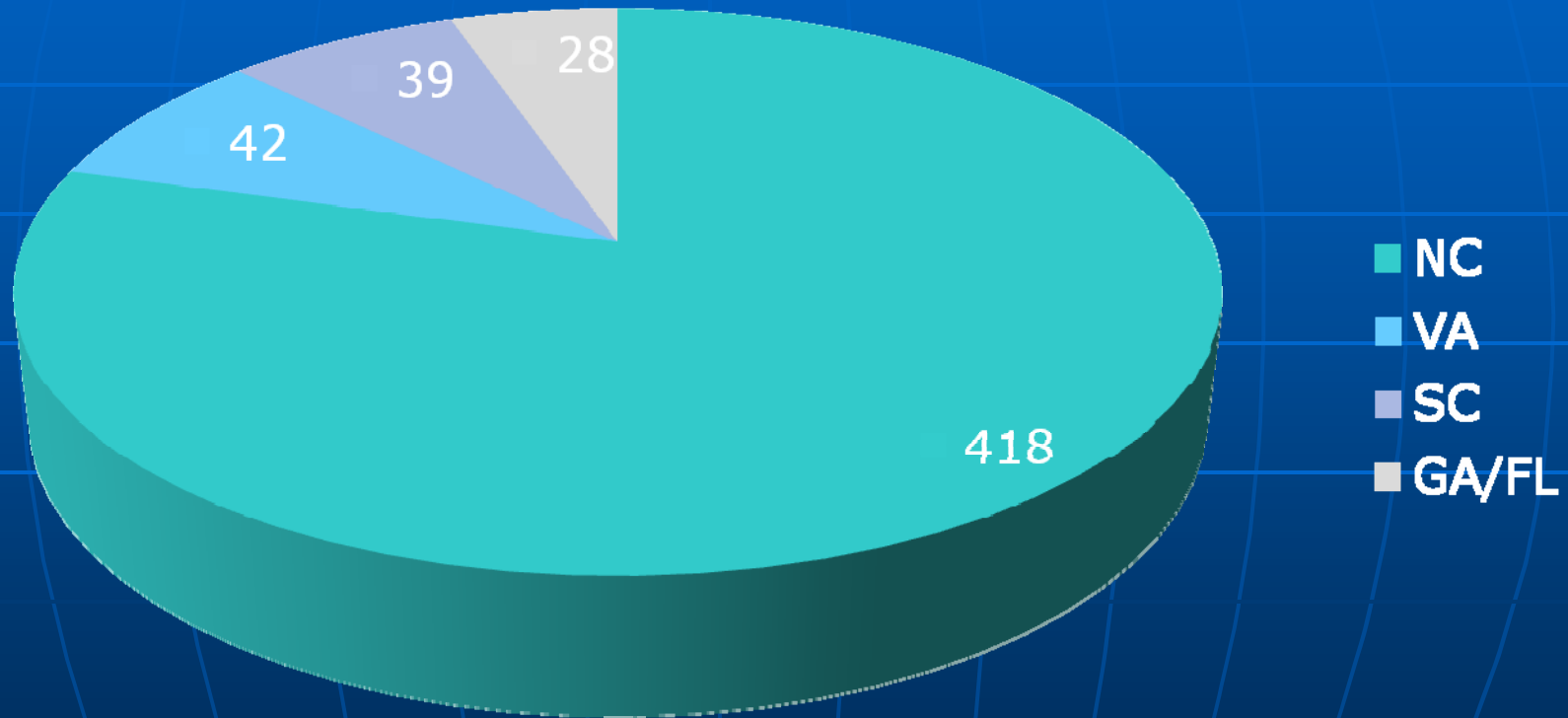
	2005	2006	2007	2008	2009
US <sup>1</sup>	380	447	504	499	526
NC <sup>1</sup>	272	324	377	385	418
Brazil <sup>2</sup>	1,529	1,393	1,377	1,399	1340

<sup>1</sup> USDA-NASS

<sup>2</sup> Universal Corp. Crop Reports

# Flue-Cured Production by State

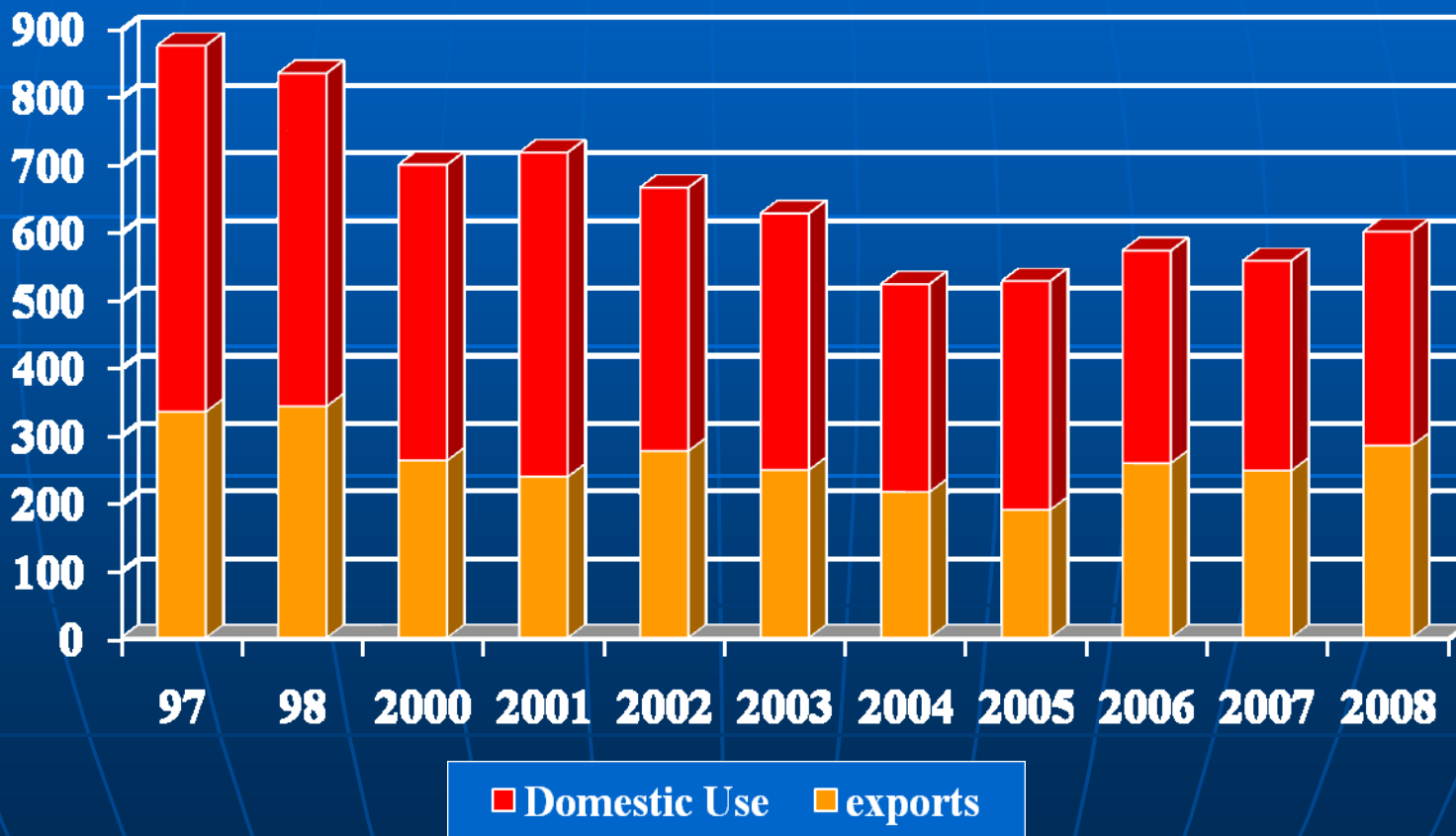
(million pounds)



# Input Costs

- Energy prices may increase slowly, but remain relatively low
  - Curing costs remain relatively low
  - Nitrogen prices remain relatively low
- Phosphate remains reasonable
- Potash supplies continue tight
- Labor
  - Continued availability
  - H-2A: available but at what wage?

# Flue-Cured Domestic Use and Exports



# Prices

- 2009
  - \$1.75 - \$1.80
- 2010
  - Same as 2009?

# Flue-Cured Volume 2010

- Few Contracts announced
- Reductions in PMI contracts
- Some reduction expected from domestic buyers?
- JTI presence...net increase or just a shift in buying?
- Overall some reduction...can 2010 support a 500 million lb crop?

# FDA Issues

- Make up and tenor of Scientific Advisory Committee
- Hurdles for new tobacco products and modified risk tobacco products
- Tobacco product standards
- Timeline for implementation?



# Domestic Demand for Flue-Cured Tobacco

- Demand lower due to:
  - Lower cigarette consumption
  - Less tobacco used per cigarette
- Have manufacturers
  - Over compensated for FDA Impact?
  - Under compensated?
  - Correctly anticipated?

# Export Demand

- Developed countries continue on steady downward consumption trend?
- Or are there significant shifts in demand?
- Exchange rates

# Issues for Flue-Cured Growers

- Will I have a contract?
- Will my volume be reduced?
- How secure is my contract?
- Should I invest in new curing infrastructure...wait and see...or just use up my current equipment and quit?