

WW OVERVIEW ON TOBACCO MARKET SITUATION (PRODUCTION, IMPORTS/EXPORTS) – MARCH 2017

SOURCE: SUMMARISED FROM PUBLICLY AVAILABLE INFORMATION IN 1 Q 2017¹

Below terminology:

2016E = estimated tobacco volume production

2017P = projected tobacco volume production

All Tobacco Types – world total:

2014: 6.301 million kilos

2015: 5.873 million kilos

2016 (E) 5.416 million kilos

“Over the long term, we believe that global tobacco production will remain relatively stable to meet slightly declining total demand”.

1. Flue Cured Virginia (FCV) projected world production for 2017 is estimated at 3.964 million kilos, a slight increase vs. the estimated 2016 volumes of 3.909 million kilos, but still considerably lower than the production totalled in the previous years (2014= 4.548 and 2015 = 4.271)

■ North and Central Americas + Caribbean: volumes slightly decreasing:

2016E	2017P
218 million kilos	212 million kilos

US volumes for 2017 are projected at 190 million kilos.

■ South America: volumes increase:

2016E	2017P
540 million kilos	706 million kilos

Brazil's projection for 2017 is considerably higher than the estimates for 2016 (620 vs 460)

¹ <http://investor.universalcorp.com/annuals.cfm>

■ Europe + CIS volumes: slightly declining

2016E	2017P
130 million kilos	127 million kilos

■ Africa + Middle East: slightly decreasing

2016E	2017P
360 million kilos	354 million kilos

After the heights of the years 2014 – 2015, the declining trend continues.

■ Asia (including China) + Oceania volumes: significantly declining

2016E	2017P
2.661 million kilos	2.565 million kilos

The decrease is mainly due to projections for China: from 2.150 million kilos (2016 estimate) to 2.050 million kilos (projected). However, the level of domestic stocks in China is still quite significant and may continue to influence the global supply/demand balance due to efforts to reduce production and imports there.

2. Burley world production is projected to decrease from 583 million kilos in 2016 to 557 million kilos in 2017. Burley crops decreased by about 13% in fiscal year 2016 (vs 2015).

■ North and Central Americas volumes: clearly increasing

2016E	2017P
79 million kilos	92 million kilos

Volumes increase due mainly to projected increased crops in the US (from 55 to 65 million kilos).

■ South America volumes: clearly increasing

2016E	2017P
94 million kilos	119 million kilos

Volumes in Brazil are expected to significantly increase from 55 to 75 million kilos.

■ Europe + CIS volumes: stable

201E	2017P
34 million kilos	34 million kilos

■ Africa + Middle East: significantly decreasing

2016E	2017P
284 million kilos	220 million kilos

■ Asia (including China) + Oceania: slightly decreasing (stable)

2016E	2017P
92 million kilos	93 million kilos
China = decrease from 5 to 4 million kilos.	

3. Oriental tobaccos : World Total production: declining trend continues.

2014 = 202
2015 = 184
2016^E = 170