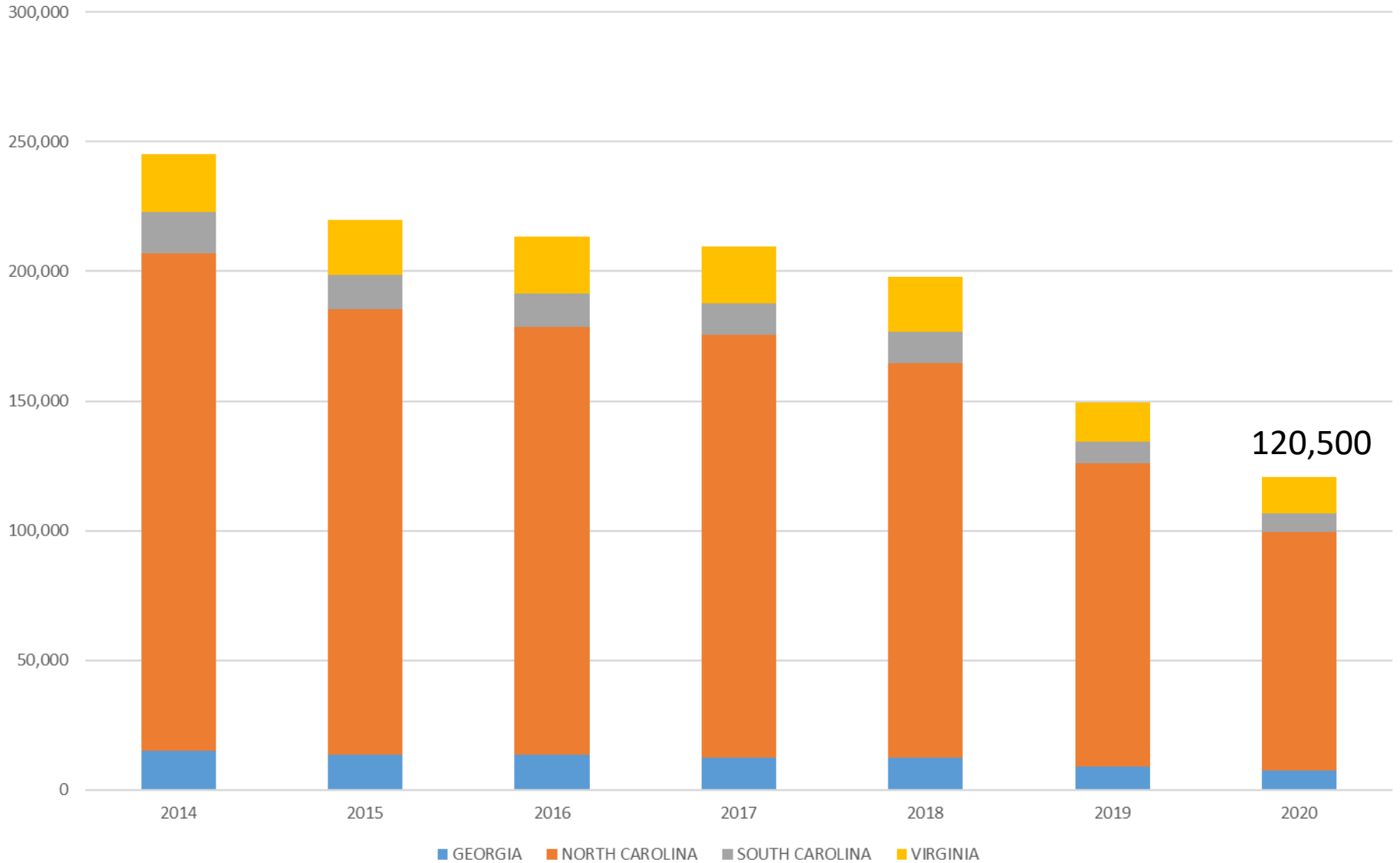


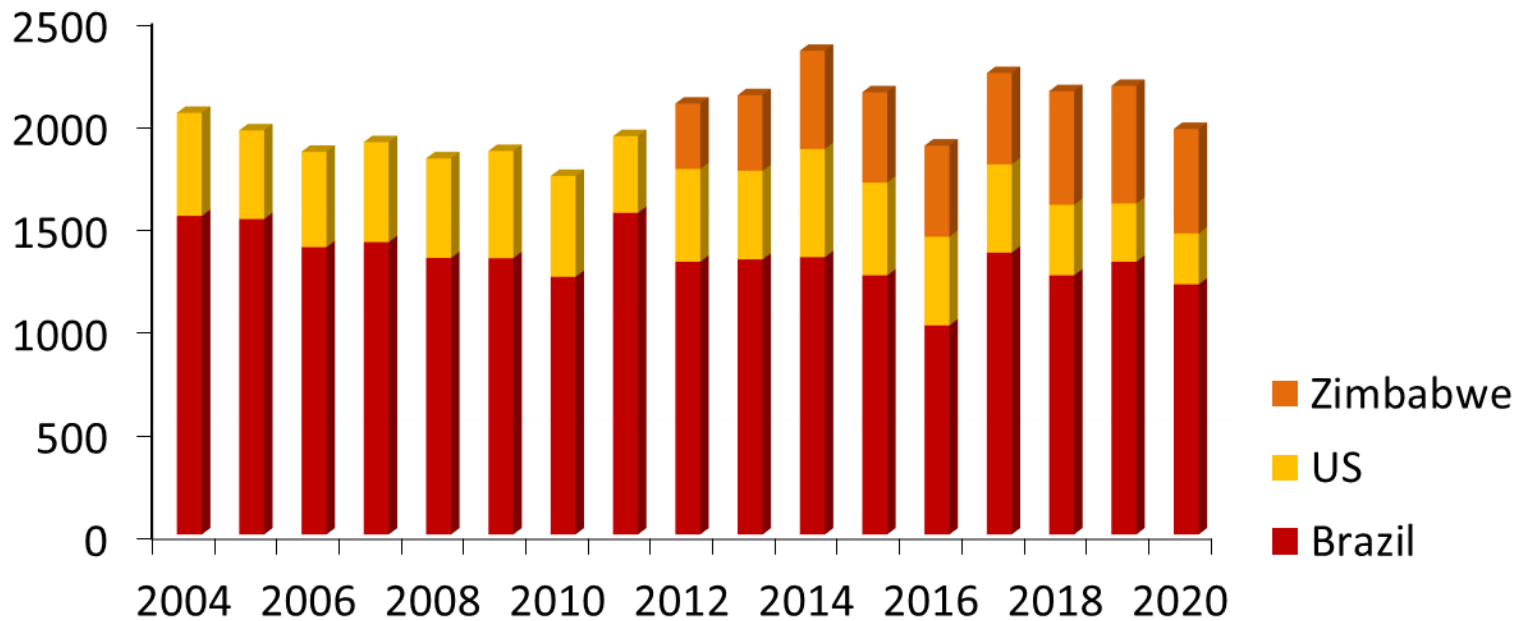
# Flue-Cured Tobacco Situation and Outlook

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**Agriculture & Resource Economics**  
**College of Agriculture & Life Sciences**

# U.S. Flue-Cured Tobacco Acreage



## Global Supply: U.S., Brazil and Zimbabwe Flue-Cured Tobacco Production



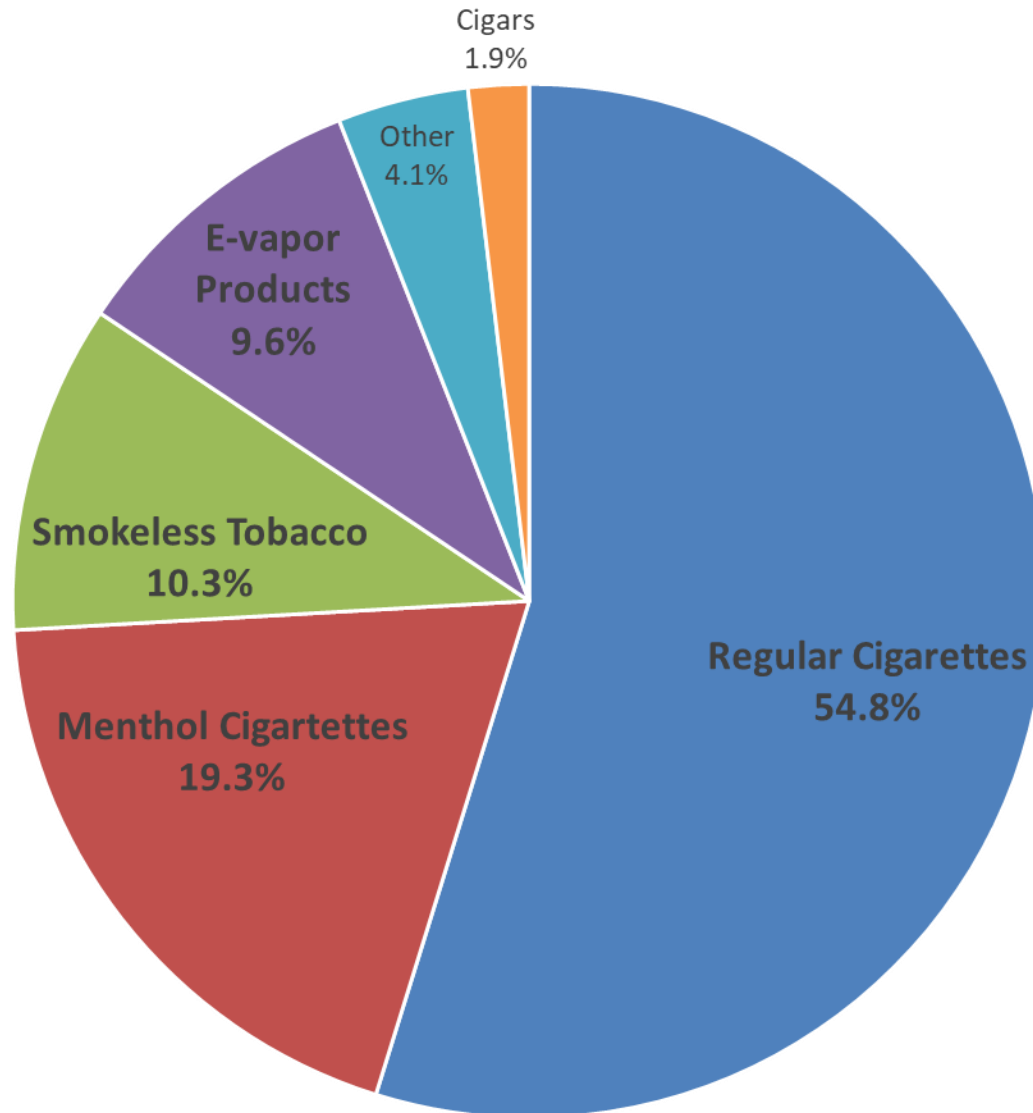
Source Brazil & U.S.: Universal Corporation. "World Leaf Production as of May 2020."

Source Zimbabwe: "Troubled Zimbabwe hopes for some relief in tobacco sales." *Federal News Network* May 8, 2020

# Nicotine Delivery Products...

## U.S. Tobacco Products Market: 2018 Market Segmentation

**Revenue:**  
**\$45.9 billion**



**Profit:**  
**\$19.4 billion**

## Heat-not-burn...

- Will HNB become a major part of the U.S. tobacco products market?
- HNB has 20% market share of Japan tobacco products
- A scenario of with HNB dominating alternative nicotine delivery is better than vaping, but still accelerates erosion of combustibles

# IQOS receives FDA Modified Risk Tobacco Product status

“AVAILABLE EVIDENCE TO DATE:

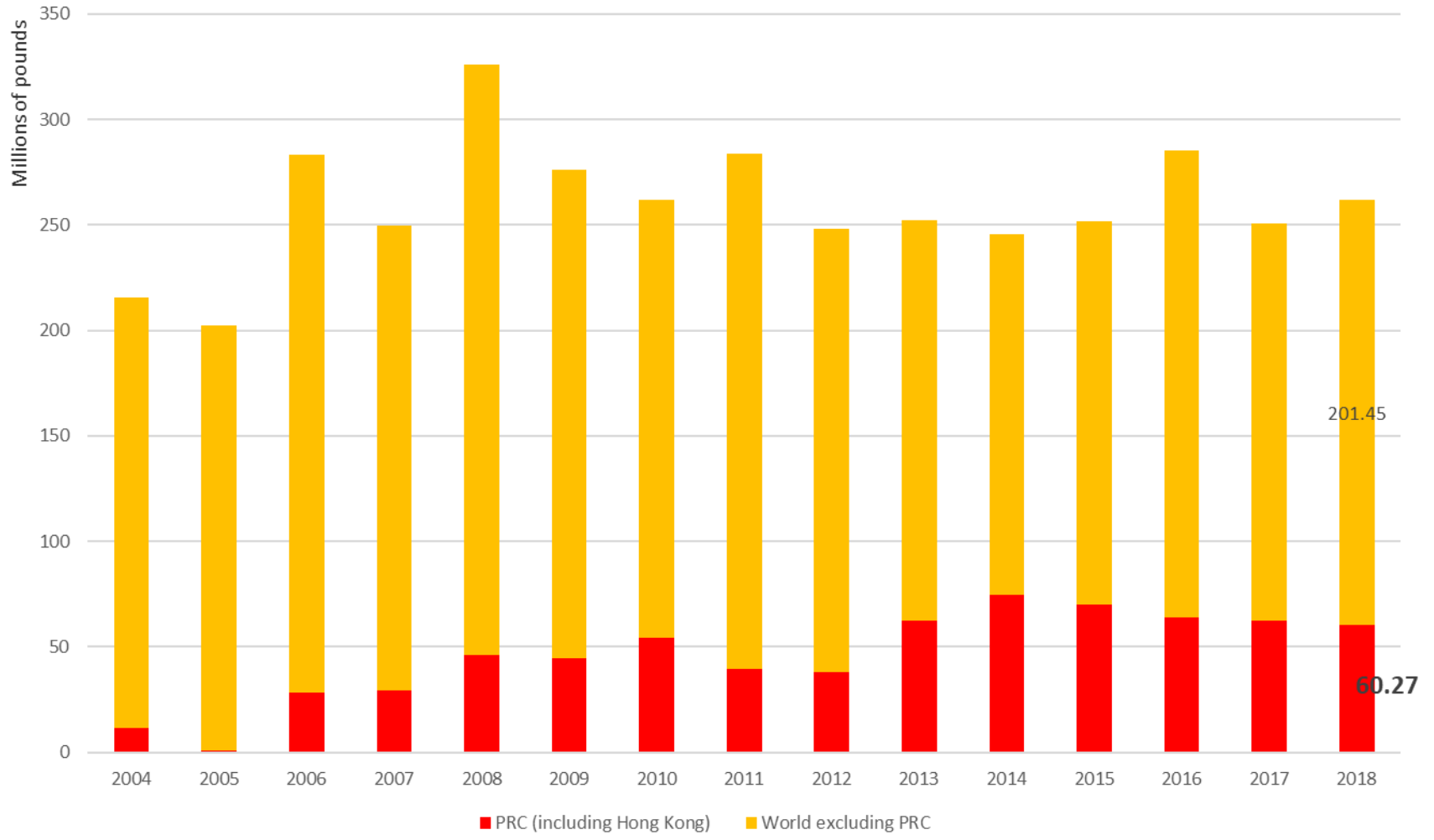
- The IQOS system heats tobacco but does not burn it.
- This significantly reduces the production of harmful and potentially harmful chemicals.
- Scientific studies have shown that switching completely from conventional cigarettes to the IQOS system significantly reduces your body’s exposure to harmful or potentially harmful chemicals.”

# IQOS MRTP

- Receives “Exposure modification” status
- permits the marketing of a product as containing a reduced level of or presenting a reduced exposure to a substance or as being free of a substance when the issuance of the order is expected to benefit the health of the population.



### U.S. Exports of Flue-Cured Tobacco (Unmanufactured, Farm Sales Weight)



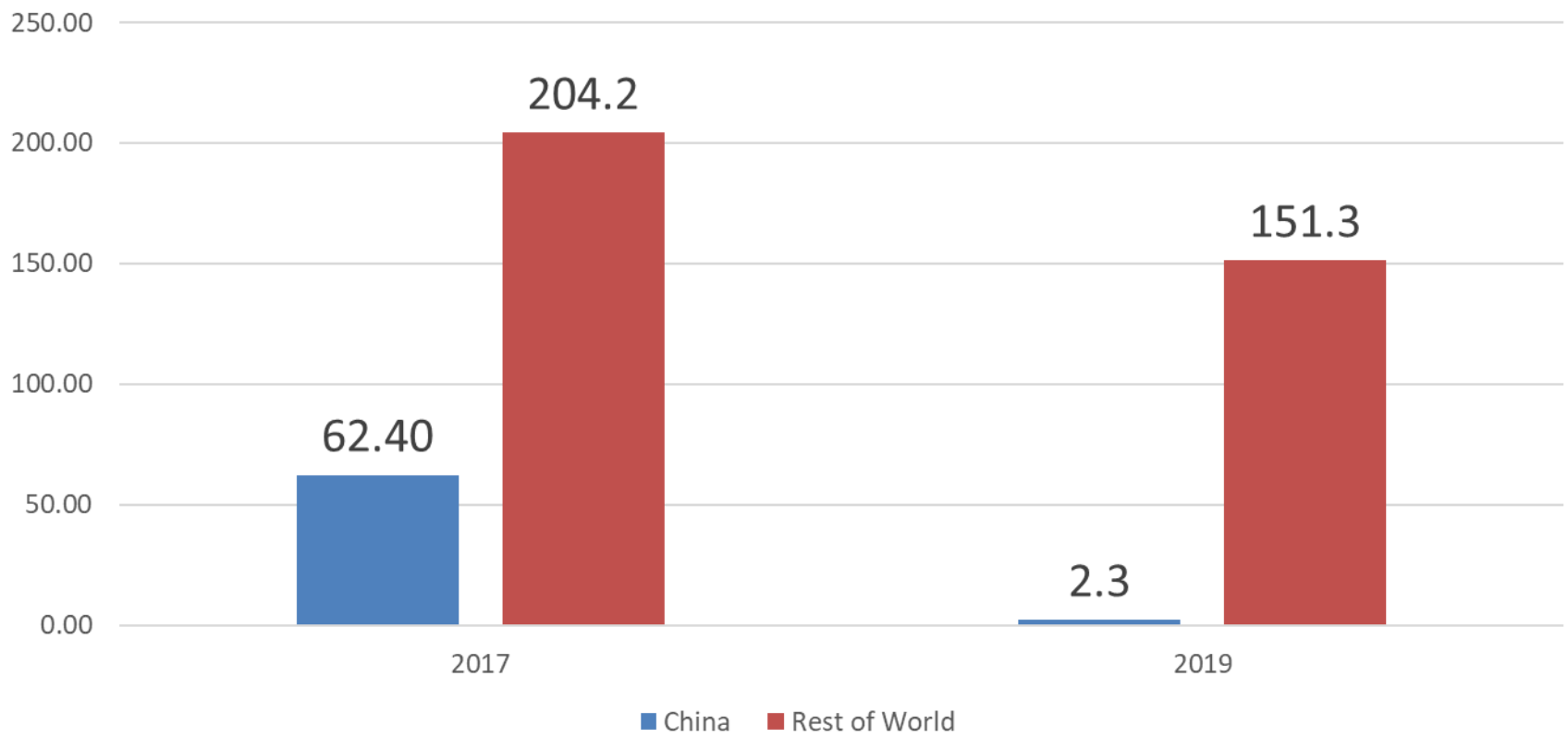
# China Imports of U.S. Flue-Cured Tobacco Resume?

- **To meet \$40 billion in purchases of U.S. food, agricultural and seafood products China will need to increase purchases of many products**
- **In April some hints that purchases could resume, but now China-U.S. relations are deteriorating.**
- ***On June 1 China told state held companies to stop purchases of U.S. agricultural products.***

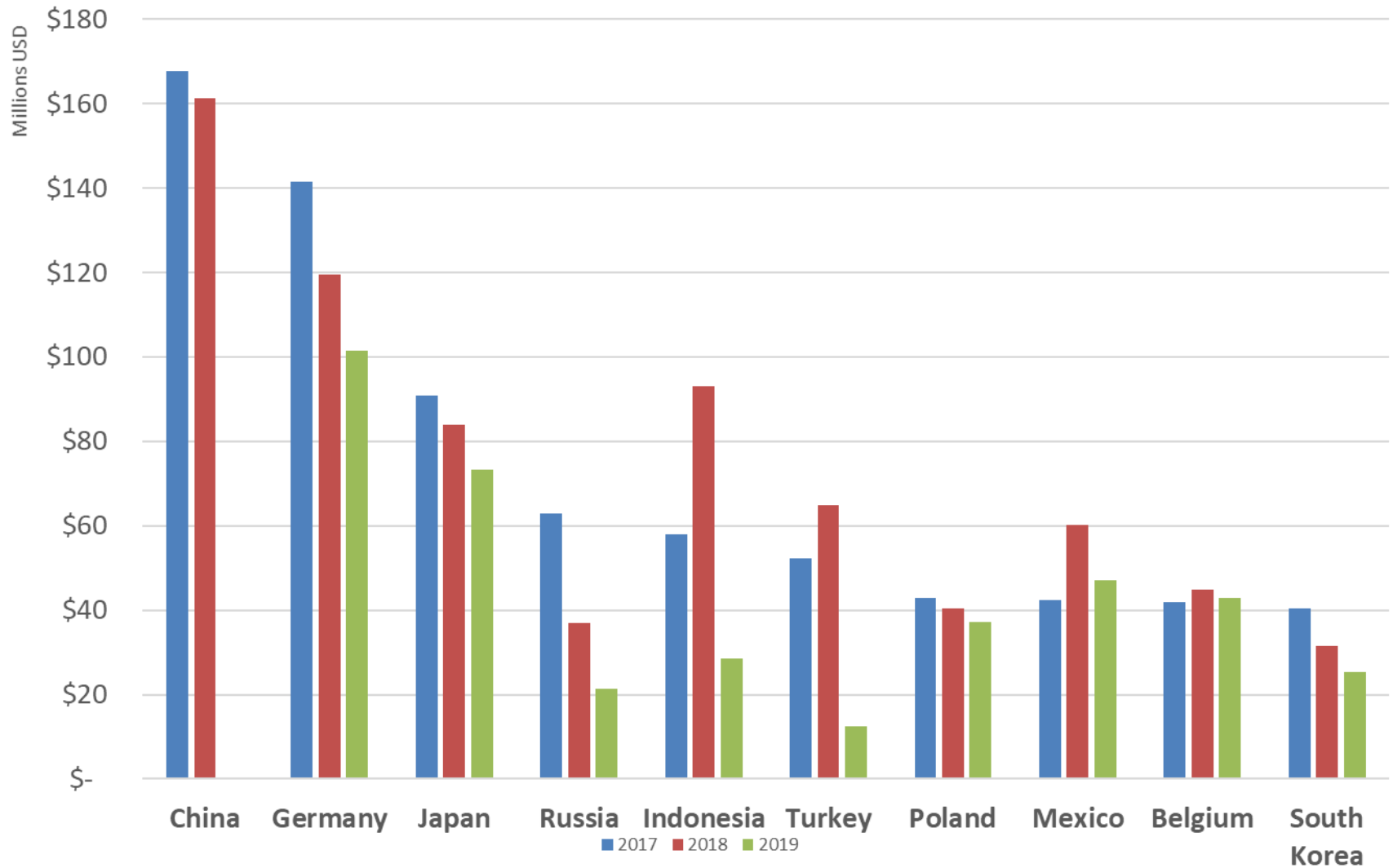
# **Other Export Markets for U.S. Tobacco**

# U.S. Flue-Cured Unmanufactured Exports: Jan-Nov China & Rest of World

(millions of lbs, FSW)



## Value of U.S. Exports of Unmanufactured Tobacco



# Take Aways

- **Accelerated decline in demand for combustibles**

# Take Aways

- Accelerated decline in demand for combustibles
- **All new technologies contain less tobacco per unit**
  - **But IQOS success in the U.S. could slow declining demand**

# Take Aways

- Accelerated decline in demand for combustibles
- All new technologies contain less tobacco per unit
- **China does not resume purchases of U.S. flue-cured in 2020**



# Take Aways

- Accelerated decline in demand for combustibles
- All new technologies contain less tobacco per unit
- China does not return in 2020
- **What about other buyers?**
  - **Exports to ROW are down for 2019**

# Take Aways

- Accelerated decline in demand for combustibles
- All new technologies contain less tobacco per unit
- China does not return in 2020
- Exports to other Buyers down...
- **Bottom Line: overall trend is declining demand**