

UDC: 633.71:339.13 (100)
original scientific paper



Acta Agriculturae Serbica, Vol. X, 20 (2005) 73-81

Tendencies on the Tobacco and Tobacco Products Market

Biljana Zornic, S. Petrovic

Faculty of Agronomy Cacak, Serbia and Montenegro

N. Novkovic

Faculty of Agriculture, Novi Sad, Serbia and Montenegro

Abstract: Leaf tobacco and its products are important products in international commodity trade occupy a leading position in the economy of some countries. The international leaf tobacco trade involves almost all world countries classified into tobacco exporting or tobacco importing countries.

The volume of tobacco production, processing and consumption in the world has made these products transcend the limits of national borders and become items of world importance. In this regard, there is a great pronounced impact of developed countries, North America in particular (the American continent is at the same the homeland of tobacco), in the processes of production, processing technology and marketing. Tobacco production development tendency has changed continually. Over a longer period tobacco industry predominated in developed countries, whereas in the last decade there has been an increasingly prominent tendency of translocating this industry into developing countries, which has induced a significant increase in tobacco leaf production in these countries. Central and Eastern Europe have turned into a very interesting region for tobacco production development. The paper gives a concise analysis of the current state and development tendencies on the tobacco and tobacco products world market.

Key words: tobacco, tobacco products, production, market, import, export.

Introduction

The tobacco industry occupies an important position in the industry and economy of many countries. Tobacco is a monopoly crop because many countries governed and taxed tobacco production by the formation of state

monopolies. They controlled trade of tobacco products and tax on tobacco and tobacco products was always considered an important budget item. Also, exports of tobacco and tobacco products brought significant export earnings.

Tobacco is an economically important product in national economies of many world countries (both developed countries such as the U.S.A., Greece, Italy and developing ones such as China, Turkey, India, Brazil, Zimbabwe etc.). As a trade and marketing commodity, leaf tobacco has exhibited all characteristics of world market commodities. Tobacco and its products have become universal consumption commodities in a relatively short period of time. Tobacco consumption is present in all world countries. However, many countries in the world are mainly tobacco importers because of limited production conditions.

Market is an important economic factor influencing to a large extent the development and improvement of tobacco industry. Following primary production and the process of treatment and processing, great importance is given to the conditions of further marketing and trade of leaf tobacco and its products on both domestic and world market. Market development has a considerable impact on the development of tobacco production.

Data sources and work methodology

Official statistical data (Agricultural Statistics USDA, Tobacco Journal International statistics, FAO stat-data) were used for the analysis of tobacco and tobacco product markets tendencies and processed by statistical methods. Based upon computed average values, standard deviation, variation coefficient, calculation was made of the change rates accompanying trends in export, import and trade of tobacco and tobacco products. Analysis was made of the percental share of tobacco and tobacco products in the total world export and import, pointing to major exporting and importing countries, with the entire discussion being based on the data used.

Tobacco products market

Tobacco as a raw material and its products play an important role in the economic development of a country. The improvement of tobacco production is essentially dependent upon its broader inclusion in international market and marketing trends. An analysis of the tobacco trade mostly involves two groups of products:

- leaf tobacco – non-processed tobacco (primary production product, dried but non-processed);
- tobacco products – processed tobacco (processed and fermented tobacco and tobacco products).

Tobacco has always been an attractive agricultural crop which has been frequently used for trading in the world. With the increase in tobacco production and consumption, the value of export and import also increased. Europe has had the highest share in the world tobacco import in the last couple of years, being 58.39%, followed by Asia (18.44%) and North and Central America (14.05%).

The specific conditions for tobacco production have limited the export to a relatively small number of countries, whereas tobacco import is the activity of almost all world countries. Historically, the fifty-year mean (1909-1959) for the world tobacco export was 546,000 t which was at that time worth 800 million dollars. In the 1971/74 period, the world export average was doubled to 1,210,900 t (Ikononovski, 1970), and in the 1990/2001 period, the world tobacco export averaged 1,893,161 t (Biljana Veljkovic, 2003).

North and Central America have for a number of years ranked first in tobacco export. As a way of illustration, in 1971/74 the share of the continent in world export was 365,900 t or 30.28% (Georgievski, 1977). The volume of tobacco leaf exported by the continent has been maintained and the average for 1990/2001 period was 331,548 t, but the percental share in the world export has considerably decreased to 17.5% of the total world export, likely due to an export increase in other continents (Biljana Veljkovic, 2003).

The European continent is characterized by pronounced tobacco import and its registered share in the world tobacco leaf import is 58.39%. Tobacco leaf import in other continents has mainly increased, with the exception of North and Central America where tobacco import has been decreasing at the rate of -4.71% on an annual basis (Table 1).

The European continent is a large importer ranking at the same time first in tobacco export in the world, due to the fact that certain European countries (Greece, Italy, Spain, former Soviet Union countries), the so-called oriental production area, have very favourable agroecological conditions for tobacco leaf production.

Tobacco export on other continents has mainly increased, except in South America, where there has been a decrease in tobacco export at the annual rate of -2.59%. Almost all continents except Australia have a considerable share in the world tobacco leaf export with approximately equal percentages of share recorded in the last dozen years (table 2).

The greatest tobacco leaf importer on the Asian continent for years has been Japan (and Hong Kong at the time of legal and state independence) and the greatest exporters have been India, China, Turkey, Thailand, Indonesia, the Philippines and Singapore.

Tables 1. and 2. present tobacco leaf import and export trends by continents over the 1990-2001 period.

Of the African continent countries exporting leaf tobacco, Zimbabwe ranks first with its export share on the continent of 54 % in the last ten years. Malawi ranks second with its share in the production and export of tobacco leaf of 32 % of the total export on the continent. Malawi is also the world's large exporter of Berley which is of superior quality and which satisfies all world standards, with its export only to the U. S. A. amounting to about 12,000 t annually (Tobacco Journal 01/05). A very rapid development of tobacco industry in this country over a relatively short time has been registered, owing primarily to investments by foreign companies as well as to long-term tradition and extraordinary agroecological conditions. The main initiator and organizer of tobacco production in these regions is Limbe Leaf Tobacco Company which has used traditional tobacco cultivation to turn the region into a developed tobacco

area. In 1979, a new modern plant for purchase, storage and further processing of tobacco was constructed. Investments by the company are focused on high technology and good quality control. This serves as an explanation of the fact that tobacco leaf produced in these regions satisfies world standards, so that this country considerably exports not only to the American market, but also to the European Union countries and Japan. The Berley produced by Malawi has priority on the American market because of the low nicotine content in the tobacco leaf and its good filling properties. (Weiss, 2000.).

Tab. 1. Changes in the world tobacco leaf import in the 1990-2001 period

Continents	Average in t	Variation interval		Var. Coef. %	Change rate%	Share in the world %
		Min.	Max.			
Europe	1,148,109	924,624	1,368,099	14.44	2.95	58.39
Asia	356,384.2	310,275	438,806	11.48	1.29	18.44
Africa	135,767.3	115,026	160,207	9.59	1.69	6.91
North and Cen.America	276,231.5	214,615	382,036	22.16	-4.71	14.05
South America	26,203.5	17,260	39,547	27.82	2.73	1.33
Australia	17,360.8	11,799	19,641	13.58	4.89	0.88
Total	1,966,124	1,756,116	2,277,383	9.67	1.06	100.00

Source: Tobacco Journal 2/1997; TJ 1/2002; Agricultural Statistics 2000, USDA

Tab. 2. Changes in the world tobacco leaf export in the 1990-2001 period

Continents	Average in t	Variation interval		Var. Coef. %	Change rate%	Share in the world %
		Min.	Max.			
Europe	512,514.7	452,959	585,555	9.22	2.07	27.07
Asia	397,194.7	336,359	458,587	9.64	2.3	20.98
Africa	328,017	277,773	376,462	8.35	2.14	17.34
North and Cen.America	331,548.6	249,392	439,466	22.1	3.16	17.51
South America	322,481.5	252,392	408,616	17.65	-2.59	17.03
Australia	1,254.9	356	4,051	87.31	11.72	0.07
Total	1,893,161	1,714,512	2,101,438	7.24	1.62	100.00

Source: Tobacco Journal 2/1997; TJ 1/2002 ; Agricultural Statistics 2000, USDA

Of other countries in Africa with a considerably lower tobacco leaf export mention should be made of Tanzania, Uganda, Zambia and Cameroon.

The largest importer on the continent for the 1990-2001 period was Egypt, followed by Algeria, South Africa and Morocco, whereas other countries imported considerably lower quantities.

The North American continent, covering the region of Central America, is characterized by a relatively balanced tobacco leaf import and export position. In 1992, the countries of this continent imported 19.8% and exported 18.98%, and in 1996 and 1998, import amounted to 14.3% and 10.6% and export to 15.1 % and 15.7 % of the total world import and export, respectively. In general, it

could be concluded that import percentage decreased and export percentage increased in the period mentioned.

The U.S.A. ranked first in the production and marketing of tobacco leaf. In 1994, the U.S.A. imported 94% and also exported 94% of tobacco leaf, in 1998 it imported 75% and exported 76%, and in 2001 it imported 92% and exported 72.5% of the total import and export on the continent. Of the rest of the countries on this continent dealing with importing and exporting mention should be made of Canada, Mexico, Dominican Republic and Cuba.

America is the original homeland of this crop and tobacco production is therefore also organized in climatically warmer regions of South America mostly exporting tobacco leaf (about 20% of the total export in the world, Finger, 1981, Schrimper, 2001). Of the countries producing and exporting tobacco, Brazil ranks first, followed by Argentina, Columbia and Paraguay.

Australia with Oceania is mostly engaged in tobacco imports. The quantities produced on the continent are mainly consumed for domestic tobacco industry, and export from this continent is insignificant.

Leaf tobacco stocks are of great importance for both tobacco importing countries and exporting ones. They are necessary for keeping up the tobacco supply continuity for tobacco industry needs for certain types of tobacco of adequate quality. Tobacco stock manipulations can cause harmful consequences on the world market, a severe fall in the prices or further production restrictions. It is in the interests of the countries to maintain steady tobacco stocks, but great funds are required for their maintenance and replenishment, so that these stocks are owned mainly by developed countries. The U.S.A. has all tobacco types in stock for the needs of tobacco industry, the types being Virginia, Berley, dark fire-cured and air-cured tobacco, cigar tobacco and other imported tobaccos. In 1998, in order to replenish tobacco stocks, the U.S.A. imported 173,359 t of cigarette tobacco leaf (mostly from Turkey, Brazil, Greece, Malawi, Canada, Indonesia, Dominican Republic, Italy, Thailand and other countries in considerably lower amounts), 938 t of rolling tobacco (from Indonesia, Equador, Dominican Republic and other countries, but as cigar consumption and production decreased the demand for these types of tobacco decreased too). That year, lower quality tobacco was imported, as well -13,414 t of scrap and 35,792 t of stems (Agricultural Statistics 2000, USDA).

Tobacco and tobacco products trade tendencies in the Euro-Asian region

Of the European countries, the greatest leaf tobacco importer has been Germany with 1%, followed by Great Britain with 12% of the total European import in the last ten years. The importing countries include the Russian Federation, Ukraine, the Netherlands, Switzerland, Poland etc. The percentage of smokers in the world is increasing, particularly in Central and Eastern Europe, so that tobacco industry in this region, as predicted, will have brighter future regardless of the very severe anti-smoking campaign in the world.

Tobacco import and export in Europe can be analyzed for several different groups of countries: developed countries or the EU countries, Eastern

European countries (including the Balkan ones) and the former Soviet Union countries. Table 3. presents tobacco leaf export trends in certain European countries in the 1990-2001 period.

Tab. 3. Tobacco leaf export trends in certain European countries

Countries	Average in t	Std. Dev.	Var. Coef. in %	change rate in %	share in %
Greece	107,424	16,569.7	15	-4.09	24.3
Italy	116,157	16,499.4	14	-2.05	26.3
Germany	32,635	15,950.3	49	12.1	7.4
Spain	23,450	6,677.5	28	6.92	5.3
France	26,118	11,076.5	42	5.36	5.9
Bulgaria	23,116	6,417	28	-5.32	5.2
Croatia	5,439	18,72.4	34	2.04	1.2
Slovenia	671	6,51.8	97	53.84	0.2
Macedonia	15,132	3,253	21	0.18	3.4
Yugoslavia	1,997	1,458.1	73	-50.26	0.5

Source: Agricultural statistics FAO Stat.

Of the European tobacco exporting countries Greece and Italy particularly stand out; they are also great producers of tobacco, especially of Oriental tobacco, in Europe. The two countries together export about 50% of the total tobacco leaf export in Europe. The developed EU countries that particularly stand out are Germany (as tobacco leaf importing and exporting country), Spain and France. As regards the Eastern European countries, records have been made for the former Yugoslav countries, their share in the total tobacco export in Europe being 0.5%. In the last ten years tobacco export in our country has pronouncedly decreased, at the annual rate of as much as -50.26%.

Tobacco is being imported to Yugoslavia in order to satisfy tobacco industry needs and in the 1992/2001 period the annual tobacco leaf import averaged 3,163 t or 0.3% of the total European import. It has turned from the exporting country into a great tobacco importer.

Developed European countries have never wanted to renounce incomes from the production and marketing of tobacco and its products. Tobacco industry in Europe is a necessary and integral part of the European Union economy (George, Burr, 1990). This is also confirmed by the fact that a great number of workers, as many as 1.42 million (of directly or indirectly employed workers in this industry) are engaged in cultivation, production and processing of tobacco, which was in 1994 1% of the total number of employed people in the European Union (Tritschler, 1997).

The number of European Union workers directly engaged in tobacco processing was 66,577 in 1994 which was 2% of the total number of employed people in the EU. Interestingly, the tobacco sector employees in Greece make up 11% (Fisher, 2001) of the total number of employed people. In the countries with developed tobacco production (Italy, Greece, Spain etc.) the production is being

performed mainly on small family farms, which is also illustrated by the fact that this production requires intensive engagement and a higher number of workers.

Europe has the highest share in the world cigarette trade. Its share in the total world import and export in 1997 was 51.6% and 43.3%, respectively. Cigarette consumption in the world increased in all countries by 8.2% on the average in the 1995-2000 period reaching the level of 590 billion of cigarettes annually (Tobacco Journal 2/97, Anon, 1990).

Cigarette consumption in the Eastern and Central European countries in the 1980-1995 period was 542 billion of cigarettes on an annual basis, practically meaning that one-third of the population in these countries smoked 1,582 cigarettes per capita annually. Such cigarette consumption is a justification of the considerably higher cigarette trade particularly being pronounced in the Eastern and Central European countries. As a way of comparison, it should be mentioned that cigarette consumption in developed countries, e. g. in Germany, was 1,647 cigarettes per capita annually, compared to the average annual consumption per capita in the U.S.A. of 1,878 cigarettes.

A high share of smokers in the total population was also registered in former Yugoslav countries. The average cigarette consumption per capita was highest in Croatia, followed by Poland – about 1,582 cigarettes per capita on an annual basis. Investments in tobacco production development by great tobacco companies resulted in a considerable production increase in Poland, the Czech Republic and Slovakia.

Owing to increasing investments by multinational companies (British American Tobacco, Philip Morris, R.J. Reynolds International, Reemtsma and Rothmans of Pall Mall) in the Euro-Asian region, Russia became the greatest cigarette producer with 141 billion of cigarettes produced or 27% of the total production.

The former Soviet Union countries were increasingly engaged in tobacco leaf exports. As a way of illustration, in the period till 2001, Moldavia increased tobacco export at the rate of 27.74% annually, and tobacco export also increased in Azerbaijan and Kirghistan (Tobacco Journal, 2002).

Based on world statistical investigations, intensive tobacco industry in Eastern and Central Europe is envisaged, which is confirmed by the fact that Russia has the greatest smoker population of 42 million people which is three times that in any other country or region. Russia is followed by Ukraine and Poland with their 12 million smokers and Romania with almost 9 million smokers. The smoker population in other countries ranges between 1-4 million smokers (Biljana Veljkovic, 2002; Veljkovic et al., 2004).

Conclusion

Developed tobacco and tobacco products market has a significant impact on the development of primary tobacco leaf production. The current state and tendencies on the tobacco market in the world and in the region exert a great effect on the tobacco industry development in the Balkan countries and former republics.

Investments by multinational tobacco companies into European countries such as Poland, the Czech Republic, Slovakia, Balkan countries (Slovenia and, in the

last several years, other former republics, as well) and the Euro-Asian ones (Ukraine, Russia, Moldavia, Azerbaijan etc.) have induced to a great extent changes in the tobacco market and tobacco product trade tendencies. Great companies have been guided by economic principles and profit and have brought the tobacco industry closer to potential markets of less developed countries with a pronounced tobacco product demand, thus securing a gradual translocation of this industry from developed countries.

References

- Anon: Tobacco important to third world, Tobacco International, April, 1990.
Finger, W., Books, L.: The tobacco industry in transition, North Carolina, 1981
Fisher, B.: The Greek leaf industry rolls with the changes, Tobacco Reporter, February, 2001.
George, W., Burr, P.: World cigarette production and trade, U.S. Dept. of Agriculture, Foreign Agricultural Service, World tobacco situation, August, 1990.
Georgievski, K.: Duvan na svetskom tržištu sa posebnim osvrtom na Jugoslovenski duvan, Skopje, 1977.
Ikonomovski, A.: Duvan u svetskoj i Jugoslovenskoj privredi, Beograd, 1970.
Schrimper, R.: Economics Agricultural Markets, North Carolina State University Prentice Hall, 2001.
Tritschler, R., Toet, R.: Tobacco sector of vital importance for European Economy, Tobacco Journal, vol.4, 1997.
Weiss, E., Daka, M.: Trading with tradition, leaf tobacco production in Malawi, Tobacco Journal, vol.3, 2000.
Biljana Veljković: Tendencije, mogućnosti i ograničenja proizvodnje duvana u Srbiji, Doktorska disertacija, Agronomski fakultet, Čačak, 2003.
Biljana Veljković: The situation and some tendency in the largest tobacco industry in the world, New lessons in Agricultural Economics, agribusiness and Agrarian Law, USDA Washington, 2002.
Biljana Veljković, Petrović, S., Sparić M.: Analiza i razvojne tendencije tržišta duvana i duvanskih proizvoda u svetu, Naučno stručno svjetovanje agronoma Republike Srpske Teslić, 2004.
Agricultural Statistics, United States Department of Agriculture, 2000.
Data UN FAO, Food and Agriculture Organization of The United Nations
Tobacco Journal International Statistics, 1995, 1997, 1998, 2001, 2002.

TENDENCIJE NA TRŽIŠTU DUVANA I DUVANSKIH PROIZVODA

- originalni naučni rad -

Biljana Zornić, S. Petrović

Agronomski fakultet, Čačak

N. Novković

Poljoprivredni fakultet, Novi Sad

Rezime

Duvan u listu i njegove preradevine predstavljaju značajne proizvode u međunarodnom robnom prometu, a u privredi pojedinih zemalja zauzimaju vodeće mesto. U međunarodnoj razmeni duvana u listu učestvuju gotovo sve zemlje sveta, pri čemu se izdvajaju zemlje uvoznice i zemlje izvoznice duvana.

Obim proizvodnje, prerade i potrošnje duvana u svetu učinili su da ovi proizvodi prevazilaze okvire nacionalnih granica i postaju artikli od svetskog značaja. Pri tome se ističe veliki uticaj razvijenih zemalja, naročito severne Amerike (američki kontinent je ujedno i postojbina duvana) u procesima proizvodnje, tehnologije prerade i prometu na tržištu. Dinamika razvoja proizvodnje duvana se kontinuirano menjala. U jednom dužem periodu duvanska industrija je dominirala u razvijenim zemljama. Dok u zadnjoj deceniji sve je očiglednija tendencija da se ova industrija premešta u zemlje u razvoju, što je znatno uticalo i na povećanje proizvodnje lista duvana u ovim zemljama. Veoma interesantno područje za razvoj duvanske proizvodnje postaje Centralna i Istočna Evropa. U radu je data sažeta analiza stanja i razvojnih tendencija na svetskom tržištu duvana i duvanskih proizvoda.