



Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Required Report - public distribution

Date: 4/28/2000

GAIN Report #FR0036

France

Tobacco and Products

Annual

2000

Prepared by:

Frank J. Piason

U.S. Embassy

Drafted by:

Marie-Cecile Henard

Report Highlights:

French unmanufactured tobacco production declined by 2 percent from 26,484 MT in 1998 to 25,869 MT in 1999, mainly due to less favorable weather conditions. The French tobacco manufacturer SEITA merged with the Spanish tobacco manufacturer TABACALERA in 1999, creating ALTADIS. This new company is expected to expand its cigar sales in the United States. France is a net importer of unmanufactured and manufactured tobacco products, and imports U.S. cigarettes from the Netherlands, where Philip Morris plants are located. In 1999, Philip Morris and SEITA were the leaders in the French market for cigarettes, with 35.9 percent and 33.1 percent market share, respectively. In France, total sales of manufactured tobacco products increased by 5 percent to USD 13.5 billion in 1999, of which USD 10.1 billion was government taxes.

Includes PSD changes: Yes

Includes Trade Matrix: Yes

Annual Report

Paris [FR1], FR

Executive Summary	1
Section I: Situation and Outlook	1
Production	1
Consumption	2
Consumption of Raw Tobacco Products by SEITA for Processing	2
Consumption of Manufactured Tobacco by French Consumers	3
Trade	4
Section II: Statistical Tables	6
1. PS&D Tables	6
2. Trade Matrices	10
3. Production Table	14
4. Price Table	14

Executive Summary

French unmanufactured tobacco production declined by 2 percent from 26,484 MT in 1998 to 25,869 MT in 1999, mainly due to less favorable weather conditions. Blond tobacco production increased at the expense of dark tobacco production, as in the previous year, to adjust consumer demand. The French tobacco manufacturer SEITA, which merged with the Spanish tobacco manufacturer TABACALERA to create ALTADIS, purchased 38 percent of domestically-grown tobacco in 1999. Total sales of manufactured tobacco products increased by 5 percent to USD 13.5 billion in 1999, of which 92.5 percent was cigarette sales. SEITA's market share in 1999 in the French market for cigarettes amounted to 33.1 percent, ranking second after Philip Morris (35.9 percent). Government revenue generated by taxes on tobacco products in 1999 amounted to USD 10.1 billion.

Exchange rates used in this report are the following:

1998 1 USD = 5.90 FF; 1 ECU = FF 6.68769

1999 1 USD = 6.15 FF; 1 ECU = FF 6.55957

Section I: Situation and Outlook

Production

French tobacco growers recently opened an internet site where economic and technical information on tobacco production is available in English and French. The site address is <http://www.france-tabac.com>

French unmanufactured tobacco production decreased by 2 percent from 1998 to 1999, due to unfavorable weather conditions. This included a decline in dark air and sun cured tobacco production, partially offset by an increase in flue-

cured tobacco production, which is the long-term trend meeting consumer demand. In 2000, such trend is likely to continue and Burley production is also expected to grow, as demand for this tobacco category is increasing for processing cigarettes.

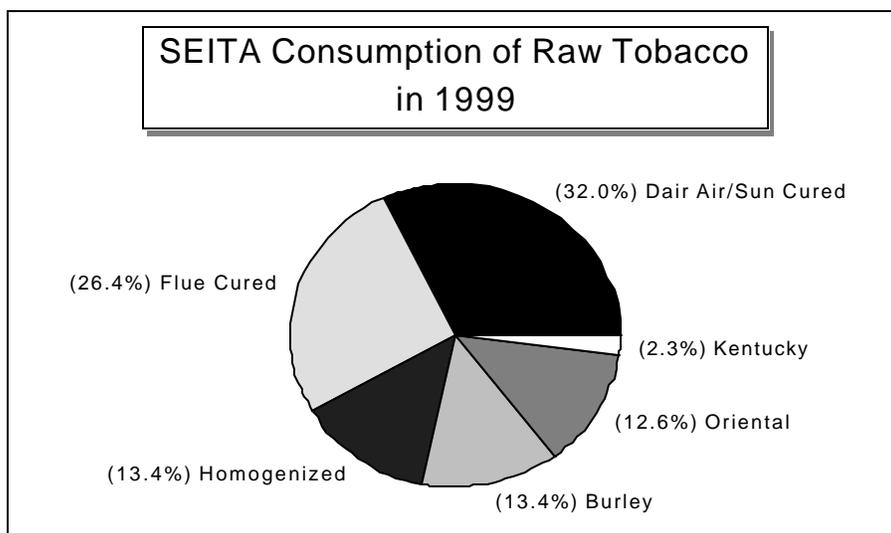
SEITA, the French tobacco producing company, reduced its cigarette production by 2 percent from 1998 to 1999. At the same time, the share of blond cigarettes increased from 59 to 60 percent, and the share of filter-tipped cigarettes increased from 59 to 60 percent, in response to consumer demand.

In October 1999, the French SEITA and the Spanish TABACALERA merged to create the company ALTADIS. ALTADIS represents 13.4 percent of the cigarette market in Western Europe, and 25 percent of the world market for cigars. The company aims to strengthen its cigar sales in the United States, and to increase its Gauloises Blondes cigarette sales in Spain.

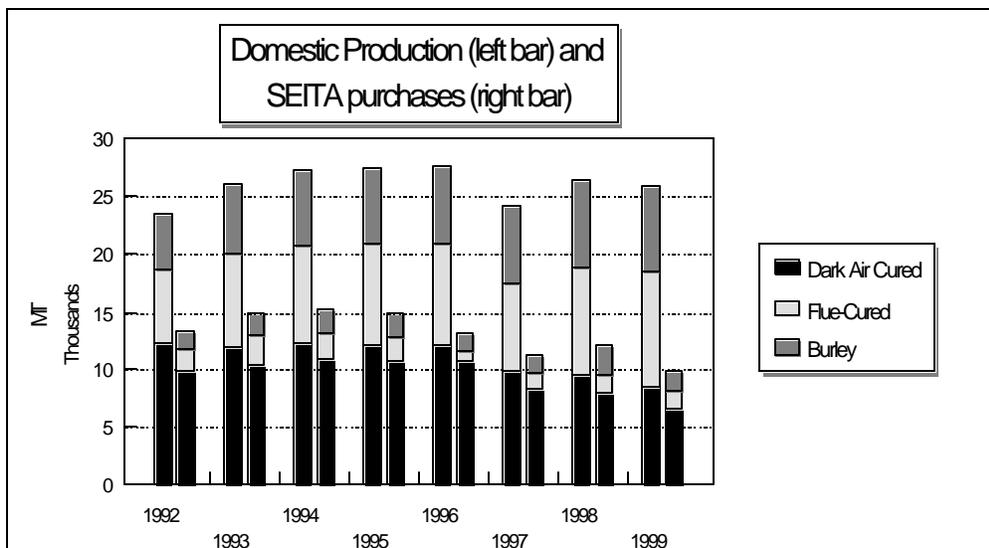
Consumption

Consumption of Raw Tobacco Products by SEITA for Processing

SEITA's consumption of unmanufactured tobacco in 1999 amounted to 35,823 MT and was broken down as follows:



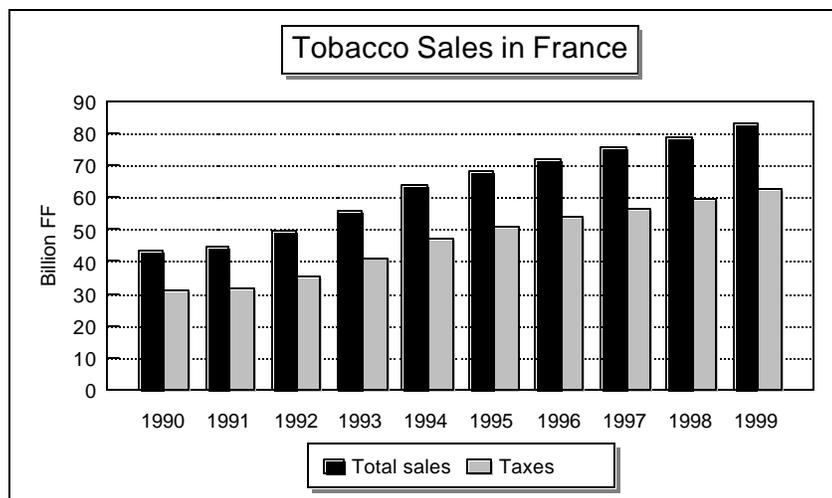
In 1999, SEITA purchased 77 percent of domestically-grown dark air and sun cured tobacco, 16 percent of domestically-grown flue-cured tobacco, and 23 percent domestically-grown Burley. SEITA's purchases of total tobacco accounted for 38 percent of total domestically-grown tobacco. The graph below presents fluctuations of SEITA's purchases of French tobacco from 1992 to 1999:



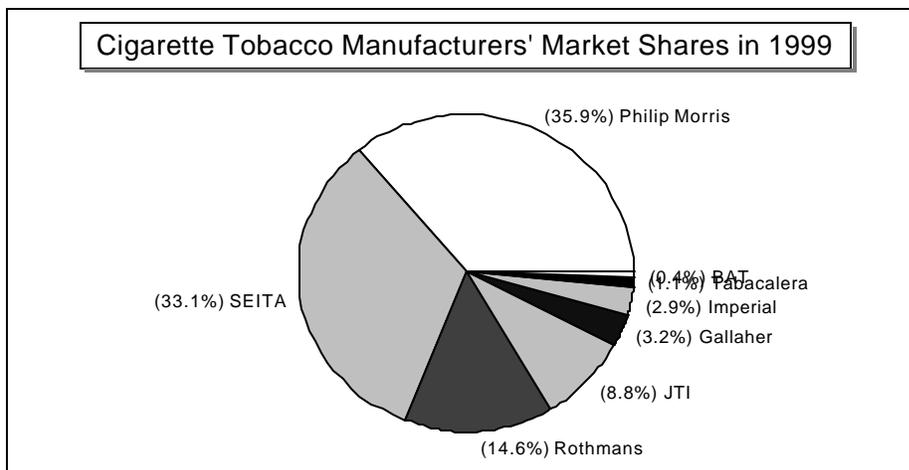
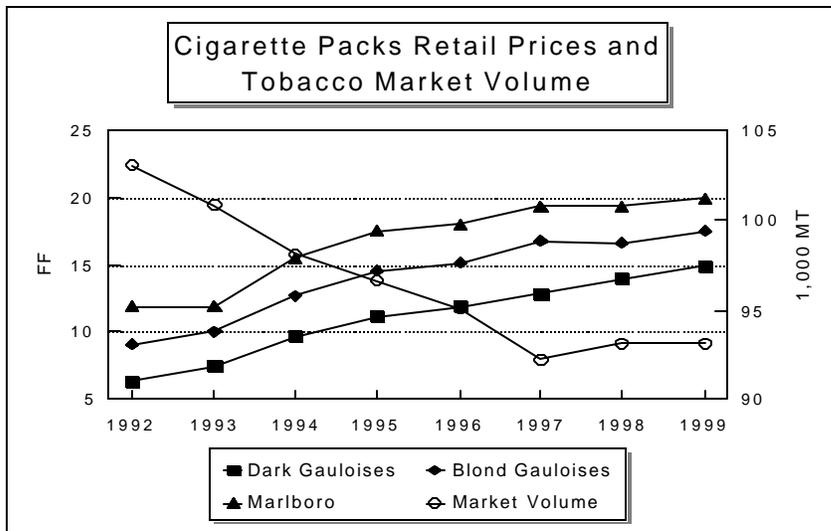
Consumption of Manufactured Tobacco by French Consumers

Total sales of manufactured tobacco products increased by 5 percent from FF 79.1 billion (USD 13.4 billion) in 1998 to FF 83.03 billion (USD 13.5 billion) in 1999. The bulk of the French market for tobacco products was cigarette sales (92.5 percent). The remainder consisted of smoking and cut tobacco (4.2 percent) and cigars (3.1 percent).

The French Government's (GOF) revenue generated by taxes on tobacco products amounted to FF 62.4 billion (USD 10.1 billion) in 1999, a 5 percent increase from 1998. The GOF is the leading beneficiary of tobacco sales in France, as more than 70 percent of the retail price of tobacco products is taxes. For example, a pack of 20 blond cigarettes Gauloises Blondes (produced by SEITA) was sold at FF 18.20 (USD 2.96) in December 1999, including 76.5 percent taxes, 15.5 percent manufacturers' share, and 8 percent retailers' share.



The value of French tobacco sales has increased significantly over the past years. This was due to the increase in tobacco retail prices, which offset the decline in the quantity of tobacco products sold on the French market. The two following graphs illustrate these facts.



The distribution of various tobacco manufacturers' market shares for cigarettes was the

following in 1999:

Trade

France is a net importer of unmanufactured tobacco. Brazil and Argentina are France's leading suppliers of raw tobacco in 1999, and the United States ranked third. The following table shows the distribution of French imports and exports of raw tobacco to and from the United States in 1998 and 1999 (in MT):

			IMPORTS		EXPORTS	
			1998	1999	1998	1999
Flue-Cured		Total	8,092	8,767	5,358	7,966
		U.S.	838	953	232	407
Light-Air-Cured	Burley	Total	1,773	1,269	3,981	4,427
		U.S.	242	121	0	0
	Other	Total	1,918	2,933	0	51
		U.S.	489	714	0	0
Dark-Air-Cured		Total	5,587	6,206	1,447	1,642
		U.S.	8	0	316	356
Fire-Cured	Kentucky	Total	97	177	2	0
		U.S.	97	177	0	0
	Other	Total	1,601	1,744	2	267
		U.S.	82	91	0	0
Oriental		Total	3,476	3,901	35	308
		U.S.	0	0	0	0
Other Tobacco		Total	551	355	766	997
		U.S.	0	0	448	820
GRAND TOTAL		Total	22,998	25,352	11,591	15,658
		U.S.	1,756	2,056	996	1,583

Source: French Customs

France is also a net importer of cigarettes. The Netherlands is France's leading supplier of cigarettes, which mostly come from Philip Morris plants in Holland.

Section II: Statistical Tables

1. PS&D Tables

PSD Table						
Country	France					
Commodity	Tobacco, Unmfg., Total				(HA)(MT)	
	Revised	1998	Preliminary	1999	Forecast	2000
	Old	New	Old	New	Old	New
Market Year Begin		01/1998		01/1999		01/2000
Area Planted	9067	9067	9040	9454	0	9200
Beginning Stocks	51867	51867	47455	47483	44358	43697
Farm Sales Weight Prod	26513	26484	26348	25869	0	25700
Dry Weight Production	22483	22511	22343	22343	0	22197
U.S. Leaf Imports	1756	1756	1800	2056	0	2000
Other Foreign Imports	21242	21242	21200	23296	0	23000
TOTAL Imports	22998	22998	23000	25352	0	25000
TOTAL SUPPLY	97348	97376	92798	95178	44358	90894
Exports	11591	11591	11590	15658	0	13000
Dom. Leaf Consumption	10145	10145	10150	8896	0	8000
U.S. Leaf Dom. Consum.	1648	1648	1700	1630	0	1620
Other Foreign Consump.	26509	26509	25000	25297	0	25000
TOTAL Dom. Consumption	38302	38302	36850	35823	0	34620
TOTAL Disappearance	49893	49893	48440	51481	0	47620
Ending Stocks	47455	47483	44358	43697	0	43274
TOTAL DISTRIBUTION	97348	97376	92798	95178	0	90894

PSD Table						
Country	France					
Commodity	Tobacco,Un mfg.,Flue Cured				(HA)(MT)	
	Revised	1998	Preliminary	1999	Forecast	2000
	Old	New	Old	New	Old	New
Market Year Begin		01/1998		01/1999		01/2000
Area Planted	3480	3435	3520	3788	0	3900
Beginning Stocks	16869	16869	16560	17910	17340	17977
Farm Sales Weight Prod	8400	9257	9500	9900	0	10330
Dry Weight Production	7391	8145	8360	8710	0	9090
U.S. Leaf Imports	800	838	800	953	0	900
Other Foreign Imports	7200	7254	7000	7814	0	7500
TOTAL Imports	8000	8092	7800	8767	0	8400
TOTAL SUPPLY	32260	33106	32720	35387	17340	35467
Exports	5500	5358	5400	7966	0	8000
Dom. Leaf Consumption	930	511	700	498	0	500
U.S. Leaf Dom. Consum.	700	793	780	855	0	900
Other Foreign Consump.	8570	8534	8500	8091	0	8100
TOTAL Dom. Consumption	10200	9838	9980	9444	0	9500
TOTAL Disappearance	15700	15196	15380	17410	0	17500
Ending Stocks	16560	17910	17340	17977	0	17967
TOTAL DISTRIBUTION	32260	33106	32720	35387	0	35467

PSD Table						
Country	France					
Commodity	Unmfg.,Dark Air & Sun Cured				(HA)(MT)	
	Revised	1998	Preliminary	1999	Forecast	2000
	Old	New	Old	New	Old	New
Market Year Begin		01/1998		01/1999		01/2000
Area Planted	3150	2996	2710	2756	0	2500
Beginning Stocks	47311	47317	48815	50225	49782	53850
Farm Sales Weight Prod	9760	9444	8548	8444	0	7880
Dry Weight Production	8004	7744	7009	6924	0	6462
U.S. Leaf Imports	5	8	8	0	0	0
Other Foreign Imports	7995	9055	8000	10107	0	9000
TOTAL Imports	8000	9063	8008	10107	0	9000
TOTAL SUPPLY	63315	64124	63832	67256	49782	69312
Exports	1500	1482	1550	1950	0	2000
Dom. Leaf Consumption	4500	4003	4000	3373	0	3000
U.S. Leaf Dom. Consum.	0	0	0	0	0	0
Other Foreign Consump.	8500	8414	8500	8083	0	8000
TOTAL Dom. Consumption	13000	12417	12500	11456	0	11000
TOTAL Disappearance	14500	13899	14050	13406	0	13000
Ending Stocks	48815	50225	49782	53850	0	56312
TOTAL DISTRIBUTION	63315	64124	63832	67256	0	69312

PSD Table						
Country	France					
Commodity	Tobacco, Mfg., Cigarettes				(MIL PCS)	
	Revised	1998	Preliminary	1999	Forecast	2000
	Old	New	Old	New	Old	New
Market Year Begin		01/1998		01/1999		01/2000
Filter Production	34500	34167	0	33755	0	32800
Non-Filter Production	9500	9137	0	8651	0	8300
TOTAL Production	44000	43304	0	42406	0	41100
Imports	54000	60684	0	61974	0	63250
TOTAL SUPPLY	98000	103988	0	104380	0	104350
Exports	18000	20152	0	20705	0	20900
Domestic Consumption	80000	83836	0	83675	0	83450
TOTAL DISTRIBUTION	98000	103988	0	104380	0	104350

2. Trade Matrices

Trade matrices for total unmanufactured tobacco:

Export Trade Matrix			
Country	France		
Commodity	Tobacco, Unmfg., Total		
Time period	Jan-Dec	Units:	MT
Exports for:	1998		1999
U.S.	996	U.S.	1583
Others		Others	
Germany	3722	Germany	4359
Belgium	1894	Netherlands	2570
Netherlands	1518	Belgium	2296
Poland	835	Poland	1263
		UK	625
Total for Others	7969		11113
Others not Listed	2626		2962
Grand Total	11591		15658

Import Trade Matrix			
Country	France		
Commodity	Tobacco, Unmfg., Total		
Time period	Jan-Dec	Units:	MT
Imports for:	1998		1999
U.S.	1756	U.S.	2056
Others		Others	
Brazil	3729	Brazil	3401
Argentina	2480	Argentina	2759
Turkey	1481	Turkey	2016
Greece	1241	Zimbabwe	1900
Indonesia	1228	Italy	1651
Zimbabwe	1211	Greece	1589
Italy	1120	Indonesia	1272
Bulgaria	965	Malawi	1188
Thailand	938	Paraguay	873
China	906	China	843
Total for Others	15299		17492
Others not Listed	5943		5804
Grand Total	22998		25352

Trade Matrices for flue cured tobacco:

Export Trade Matrix			
Country	France		
Commodity	Tobacco, Unmfg., Flue Cured		
Time period	Jan-Dec	Units:	MT
Exports for:	1998		1999
U.S.	232	U.S.	407
Others		Others	
Germany	2110	Germany	2797
Netherlands	825	Netherlands	1816
Poland	721	Poland	632
Belgium	456	UK	625
UK	444	Belgium	567
Egypt	158	Uruguay	297
		Egypt	257
		Spain	238
Total for Others	4714		7229
Others not Listed	412		330
Grand Total	5358		7966

Import Trade Matrix			
Country	France		
Commodity	Tobacco, Unmfg., Flue Cured		
Time period	Jan-Dec	Units:	MT
Imports for:	1998		1999
U.S.	838	U.S.	953
Others		Others	
Brazil	1614	Zimbabwe	1900
Zimbabwe	1211	Brazil	1560
Italy	691	Argentina	1351
Argentina	667	Italy	767
Spain	426	Malawi	362
Tanzania	349	Tanzania	304
Greece	299	China	268
Thailand	283	India	214
China	261	Greece	149
Kenya	236	Kenya	146
Total for Others	6037		7021
Others not Listed	1217		793
Grand Total	8092		8767

Trade matrices for dark air and sun cured tobacco:

Export Trade Matrix			
Country	France		
Commodity	Unmfg., Dark Air & Sun Cured		
Time period	Jan-Dec	Units:	MT
Exports for:	1998		1999
U.S.	316	U.S.	356
Others		Others	
Belgium	581	Belgium	732
Germany	211	Poland	248
Netherlands	135	Germany	235
Switzerland	75	Netherlands	223
Total for Others	1002		1438
Others not Listed	164		156
Grand Total	1482		1950

Import Trade Matrix			
Country	France		
Commodity	Unmfg., Dark Air & Sun Cured		
Time period	Jan-Dec	Units:	MT
Imports for:	1998		1999
U.S.	8	U.S.	0
Others		Others	
Argentina	1813	Turkey	2016
Brazil	1772	Brazil	1787
Turkey	1440	Argentina	1408
Bulgaria	965	Greece	1223
Greece	942	Paraguay	873
Paraguay	734	Colombia	598
Colombia	358	Philippines	463
Cuba	299	Bulgaria	372
		Italy	312
		Cuba	308
Total for Others	8323		9360
Others not Listed	732		747
Grand Total	9063		10107

Trade matrices for cigarettes:

Export Trade Matrix			
Country	France		
Commodity	Tobacco, Mfg., Cigarettes		
Time period	Jan-Dec	Units:	MT
Exports for:	1998		1999
U.S.	0	U.S.	20
Others		Others	
Germany	4593	Germany	5043
Turkey	3042	Belgium	1224
Moldovia	1086	Mauritania	858
Belgium	564	Arab Emirates	830
Spain	448	Turkey	742
Mauritania	421	Russia	618
Austria	368	Moldovia	560
Italy	334	Austria	467
Netherlands	298	Spain	447
Cambodia	240	Italy	370
Total for Others	11394		11159
Others not Listed	3324		4612
Grand Total	14718		15791

Import Trade Matrix			
Country	France		
Commodity	Tobacco, Mfg., Cigarettes		
Time period	Jan-Dec	Units:	MT
Imports for:	1998		1999
U.S.	0	U.S.	3
Others		Others	
Netherlands	43775	Netherlands	44858
Germany	9821	Germany	10604
UK	3657	UK	4113
Belgium	1742	Belgium	1582
Spain	753	Spain	814
Total for Others	59748		61971
Others not Listed	371		357
Grand Total	60119		62331

3. Production Table

Product	Area (ha)			Production (MT)		
	1998	1999	2000	1998	1999	2000
Flue-Cured	3,435	3,788	3,900	9,257	9,900	10,200
Burley	2,636	2,910	3,300	7,784	7,525	9,000
Oriental	0	0	0	0	0	0
Dark Air/Sun Cured	2,996	2,756	2,000	9,444	8,444	6,500
Light Air- Cured	0	0	0	0	0	0
Dark Air-Cured, Cigar	0	0	0	0	0	0
Dark Fired -Cured	0	0	0	0	0	0
Total	9,067	9,454	9,200	26,484	25,869	25,700

4. Price Table

EU Premium	Flue-Cured		Burley		Dark Air Cured	
	ECU/MT	USD/MT	ECU/MT	USD/MT	ECU/MT	USD/MT
1998	2,709.65	3,071.41	2,167.48	2,456.85	2,167.48	2,456.85
1999	2,709.65	2,890.10	2,167.48	2,311.83	2,167.48	2,311.83