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Tobacco Annual Report

Belgium & Luxembourg - 1999

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Report Highlights:

With total turnover of the overall Belgian-Luxembourg (BLEU) tobacco industry increased by 9 percent; growing domestic consumption of cigarettes and higher exports of cigars and cigarillos, the BLEU tobacco industry in 1998 remains stable and is forecast to be kept at present levels in 1999.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
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Summary	2
Statistics	3
-Tobacco, Unmfg, Flue Cured	4
-Tobacco, Unmfg, Burley	6
-Unmfg, Dark Air Cured,Cigar	8
Production	10
General	10
Crop Area	10
Weather and Crop Quality	10
Policy	10
Production Policy	10
PRICES	12
Stocks	12
-Unmfg, Dark Air & Sun Cured	13
-Tobacco, Unmfg, Total	15
Competitors Activities	18
Stocks	18
-Tobacco, Mfg, Cigarettes	19
Production	21
General	21
Other	21
Consumption	22
General	22
Distribution	24
Prices	24
Marketing	26
Market Development Opportunities	26
-Mfg,Cigar,Cheroot,Cigarell	27
Consumption	29
General	29
Prices	29

Summary

Total area planted to tobacco in 1998 was 377 HA which produced 1,318 MT (farm sales weight), compared to 1,086 MT in 1997 from an area of 345 HA. Due to favorable weather conditions total tobacco production was above average, with yields in 1998 almost 20 percent above yields in 1997. While Belgium only produced dark-air-cured tobacco in the past, marginal production (approximately 24 HA) of light-air-cured-tobacco, Burley type began in 1994. Domestically produced leaf represented approximately 4 percent of total manufacturer requirements. Total area devoted to tobacco in 1999 is expected to slightly decrease to 375 HA.

Overall, tobacco products in BLEU (Belgium and Luxembourg Economic Union) increased 9 percent with a total on a value basis, of BF 115,226 million (\$ 3,168 million) in 1998 versus BF 105,850 million in 1997 (\$2,962 million). This was mainly because of an increase in total turnover, value basis, of cigarettes (+ 8 %) and of smoking tobacco (+ 13%). On a volume basis, the cigarette consumption increased by 3.3 percent and smoking tobacco by almost 10 percent. The sharper increase, on value, was probably due to an increase in taxes/duties on tobacco products. Total volume of tobacco used by the BLEU tobacco industry is estimated at 26,000 MT. The Belgian-Luxembourg Federation of the Tobacco Processing Industries (FEDETAB), due to the industry's confidential practices, no longer provides data related to production of tobacco products, manufacturing of stocks.

Overall activity for the BLEU tobacco industry in 98/99 is forecast to remain at 1998 levels.

Besides continued tax increases on tobacco products, the tobacco industry is feeling pressure from anti-smoking campaigns and restrictions on advertising.

Exchange Rate: -US \$1 versus Belgian Francs-		
1996	1997	1998
30.94	35.74	36.31

Statistics

General Comments Concerning the Statistical Data in this Report:

1. Since 1993 trade data are defined as:
 - A/ INTRA EU: Data between the Belgium -Luxembourg Economic Union (BLEU) to and from other Member States. Data is compiled from declarations made by trading companies. Companies with a relatively small trade volume have been exempted from this trade reporting requirement.
 - B/ EXTRA EU: data from BLEU trade with non Member-states. Data are compiled from customs declarations.
2. Since 1995, national statistics are no longer handled by the National Institute of Statistics (NIS) The Belgian Office of Foreign Trade (BOFT) is editing BLEU national statistics from data received by the National Bank of Belgium. The transition of the Belgian organizations responsible for compilation of the trade data, which is also linked to the change in sourcing of data, may provide unrealistic trade data. Contacts in the tobacco federation, and in industry have generally agreed that current national statistics do not reflect a realistic picture of BLEU tobacco markets.
3. Stock data are not available and therefore are estimated by the AgOffice.
4. FEDETAB, The Belgian-Luxembourg Federation of the Tobacco Industry, restructured its organization and no longer collects or reports industry information. FEDETAB is now composed of three independent offices covering cigarettes, cigars and cigarillos and smoking tobacco. Production and consumption figures in this report are estimated figures received from Fedetab.

-Tobacco, Unmfg, Flue Cured

PSD Table						
Country	Belgium-Luxembourg					
Commodity	Tobacco, Unmfg., Flue Cured				(HA)(MT)	
	Revised	1997	Preliminary	1998	Forecast	1999
	Old	New	Old	New	Old	New
Market Year Begin		01/1997		01/1998		01/1999
Area Planted	0	0	0	0	0	0
Beginning Stocks	9783	9783	9747	9747	9597	10500
Farm Sales Weight Prod	0	0	0	0	0	0
Dry Weight Production	0	0	0	0	0	0
U.S. Leaf Imports	2433	2433	2400	1379	0	1400
Other Foreign Imports	17067	17067	17050	13933	0	14000
TOTAL Imports	19500	19500	19450	15312	0	15400
TOTAL SUPPLY	29283	29283	29197	25059	9597	25900
Exports	8703	8703	8700	4327	0	5000
Dom. Leaf Consumption	0	0	0	0	0	0
U.S. Leaf Dom. Consum.	2433	2433	2400	1379	0	1400
Other Foreign Consump.	8400	8400	8500	8853	0	8800
TOTAL Dom. Consumption	10833	10833	10900	10232	0	10200
TOTAL Disappearance	19536	19536	19600	14559	0	15200
Ending Stocks	9747	9747	9597	10500	0	10700
TOTAL DISTRIBUTION	29283	29283	29197	25059	0	25900

Export Trade Matrix			
Country	Belgium-Luxembourg		
Commodity	Tobacco, Unmfg., Flue Cured		
Time period	CY	Units: Metric tons	
Exports for:	1997		1998
U.S.	96	U.S.	10
Others		Others	
Total EU	2,941	Total EU	912
Lithuania	934	Lithuania	503
Poland	667	Poland	541
Ukraine	828	Ukraine	454
Kazakhstan	2,004	Kazakhstan	80
Brazil	335	Brazil	216
		South Africa	615
Total for Others	7709		3321
Others not Listed	898		995
Grand Total	8703		4326

Import Trade Matrix			
Country	Belgium-Luxembourg		
Commodity	Tobacco, Unmfg., Flue Cured		
Time period	CY	Units: Metric tons	
Imports for:	1997		1998
U.S.	2433	U.S.	1,379
Others		Others	
Total EU	8,754	Total EU	4,497
Zimbabwe	2421	Zimbabwe	2,076
Malawi	417	Malawi	173
Brazil	2,561	Brazil	2,394
Argentina	301	Argentina	172
India	1,173	India	2,265
China	316	China	517
Canada	490	Canada	726
Total for Others	16433		12820
Others not Listed	634		1113
Grand Total	19500		15312

Source: Belgian Office of Foreign Trade

-Tobacco, Unmfg, Burley

PSD Table						
Country	Belgium-Luxembourg					
Commodity	Tobacco, Unmfg., Burley				(HA)(MT)	
	Revised	1997	Preliminary	1998	Forecast	1999
	Old	New	Old	New	Old	New
Market Year Begin		01/1997		01/1998		01/1999
Area Planted	0	0	0	0	0	0
Beginning Stocks	1870	1870	886	886	1036	750
Farm Sales Weight Prod	0	0	0	0	0	0
Dry Weight Production	0	0	0	0	0	0
U.S. Leaf Imports	921	921	1200	395	0	400
Other Foreign Imports	3962	3962	4000	4303	0	4500
TOTAL Imports	4883	4883	5200	4698	0	4900
TOTAL SUPPLY	6753	6753	6086	5584	1036	5650
Exports	1696	1696	1000	3005	0	2900
Dom. Leaf Consumption	0	0	0	0	0	0
U.S. Leaf Dom. Consum.	921	921	1200	395	0	400
Other Foreign Consump.	3250	3250	2850	1434	0	1500
TOTAL Dom. Consumption	4171	4171	4050	1829	0	1900
TOTAL Disappearance	5867	5867	5050	4834	0	4800
Ending Stocks	886	886	1036	750	0	850
TOTAL DISTRIBUTION	6753	6753	6086	5584	0	5650

Export Trade Matrix			
Country	Belgium-Luxembourg		
Commodity	Tobacco, Unmfg., Burley		
Time period	CY	Units:Metric Tons	
Exports for:	1997		1998
U.S.	0	U.S.	0
Others		Others	
Total EU	1,696	Total EU	125
		Brazil	1,157
		Kazakhstan	507
		Hungary	491
		Russia	396
Total for Others	1696		2676
Others not Listed			329
Grand Total	1696		3005

Import Trade Matrix			
Country	Belgium-Luxembourg		
Commodity	Tobacco, Unmfg., Burley		
Time period	CY	Units: Metric Tons	
Imports for:	1997		1998
U.S.	921	U.S.	395
Others		Others	
Total EU	2,762	Total EU	3,166
Malawi	110	Malawi	139
Brazil	648	Brazil	349
India	112	India	149
Sri Lanka	105	Sri Lanka	90
		China	212
Total for Others	3737		4105
Others not Listed	225		198
Grand Total	4883		4698

Source: Belgian Office of Foreign Trade

-Unmfg, Dark Air Cured,Cigar

PSD Table						
Country	Belgium-Luxembourg					
Commodity	Unmfg., Dark Air Cured, Cigar				(HA) (MT)	
	Revised	1997	Preliminary	1998	Forecast	1999
	Old	New	Old	New	Old	New
Market Year Begin		01/1997		01/1998		01/1999
Area Planted	322	322	320	355	0	350
Beginning Stocks	1086	1086	886	886	698	700
Farm Sales Weight Prod	1280	1039	1180	1266	0	1225
Dry Weight Production	1152	935	1062	1139	0	1102
U.S. Leaf Imports	0	0	0	0	0	0
Other Foreign Imports	4981	4981	5000	5031	0	5000
TOTAL Imports	4981	4981	5000	5031	0	5000
TOTAL SUPPLY	7219	7002	6948	7056	698	6802
Exports	698	698	600	700	0	600
Dom. Leaf Consumption	850	850	850	850	0	850
U.S. Leaf Dom. Consum.	0	0	0	0	0	0
Other Foreign Consump.	4785	4568	4800	4806	0	4675
TOTAL Dom. Consumption	5635	5418	5650	5656	0	5525
TOTAL Disappearance	6333	6116	6250	6356	0	6102
Ending Stocks	886	886	698	700	0	700
TOTAL DISTRIBUTION	7219	7002	6948	7056	0	6802

Export Trade Matrix			
Country	Belgium-Luxembourg		
Commodity	Unmfg., Dark Air Cured, Cigar		
Time period	CY	Units: Metric Tons	
Exports for:	1997		1998
U.S.	543	U.S.	461
Others		Others	
Total EU	122	Total EU	135
Uruguay	29	Uruguay	19
Total for Others	151		154
Others not Listed	4		30
Grand Total	698		645

Import Trade Matrix			
Country	Belgium-Luxembourg		
Commodity	Unmfg., Dark Air Cured, Cigar		
Time period	CY	Units: Metric Tons	
Imports for:	1997		1998
U.S.	0	U.S.	0
Others		Others	
Total EU	2,451	Total EU	2,861
Domenican Rep.	308	Domenican Rep.	260
Columbia	188	Columbia	260
Brazil	406	Brazil	452
Paraguay	539	Paraguay	557
Sri Lanka	815	Sri Lanka	378
Philippines	183	Philippines	141
Total for Others	4890		4909
Others not Listed	91		122
Grand Total	4981		5031

Source: Belgian Office of Foreign Trade

Production

General

BELGIUM: TOBACCO AREA, GROWERS, YIELD, PRODUCTION DATA				
Year	AREA (HA)	GROWERS (NUMBER)	YIELD (KG/HA)	TOTAL PRODUCTION (METRIC TONS)
1997 (total)	345	280	3.148	1,086
Dark-air-cured	322			1,039
Light air cured	23			47
1998 (total)	377	265	3.495	1,318
Dark-air-cured	355			1,266
Light air cured	22			99
1999 <i>Forecast</i>				
Total	375	260	3.400	1,275
Dark-air-cured	350			1,250
Light air cured	25			75

SOURCE: NIS/Ministry of Agriculture

Crop Area

The Belgian tobacco federation anticipates that total area devoted to tobacco planting in 1999 will be kept slightly below the 1998 level, at approximately 375 HA.

Weather and Crop Quality

The quality of the 1998 tobacco crop is considered good. However, mainly because of unfavorable drying circumstances (major rainfalls from mid September through end November) the average quality of the tobacco is one quality class below the quality of the 1997 tobacco output.

Policy

Production Policy

A. RAW TOBACCO GENERAL:

The production and marketing of tobacco in Belgium is governed by the EU Common Agricultural Policy (CAP) under a mixed intervention and deficiency payment system. Initial CAP regulations are EEC 727/70 as of April 21, 1970. There is no commercial production of tobacco in Luxembourg. Belgian tobacco production is traditionally considered as a "minor commodity". Domestic tobacco production represents about three percent of total manufacturers' requirements. Belgian tobacco is a "filler" and primarily used as a loose "smoking tobacco".

Until 1994, there is no flue cured or burley tobacco produced in Belgium. All domestically produced tobaccos are dark air cured and are classified under EU category 4 B. The Phillipine variety accounts for 98 percent of production and Appel terre, Semois, Petit Grammont and Paraguay for the rest. Category EU 4 B is defined as tobacco varieties which have unreliable external markets and which are partly sent into intervention. In 1994/95, Belgium started producing a marginally amount of light-air-cured, type Burley tobacco (BURSANICA). The EU market organization measures for tobacco were instituted in 1970 and they consist of price and intervention measures, community preferential regulations and measures to limit production. The Belgian dark-air-cured tobacco fall under Paraguay type tobacco for which the EU quota are set as follows. Total quota are to be divided among Belgium, France and the Germany. Belgium's guaranteed tobacco production was estimated at 2,000 MT. In the framework of EU production thresholds by tobacco type, the maximum guaranteed quantity is set at 370,000 MT for 1993 and at 350,000 MT for the period 1994-1997 and then extended through 1998. This reduced the Belgian quota from 2,000 MT to 1,900 MT.

EU regulations 1636/98 of the Council of July 20, 1998 amending EU regulation 2075/92 will apply to the 1999 tobacco production. Revised EU regulation provides for (1) continuation current policy that links the value of subsidies to the quality of the tobacco; (2) reinforcement of controls and (3) simplification of paperwork which should lead to improve quality of overall EU tobacco production and reduce export of tobacco of inferior quality. The re-distribution of the guaranteed maximum production, by type of tobacco, is based on previous production outputs.

BELGIUM: Premiums for tobacco follow -in ECU/KG -				
Type Tobacco	1997 (basic)	Extra Premium Harvest 1997	1998	Extra Premium Harvest 1998
Dark-air-cured	2167	0.316	2167	0.316
Light-air-cured	2167	0.679	2167	0.679

GREEN RATES: 1 ECU = BF 40.9321 (Jan 1, 1998)

1 ECU = BF 40.3399 (Jan 1, 1999)

PRICES

Average price paid to growers of dark air cured tobacco in 1997 was BF/KG 48.65 versus BF/KG 41.39 in 1996. However, total prices received by the producers after overall calculation (net prices, premiums and deduction of payments to growers organizations) reached BF/KG 164.33 in 1997 versus BF/KG 154.54 in 1996. Prices are for tobacco with a humidity degree as is at time of delivery. At reference humidity degree, prices were BF/KG 155.98 in 1997 versus BF/KG 146.73 in 1996.

Average price paid to growers of light air cured tobacco in 1997 was BF/KG 44.70 versus 41.46 in 1996. Total prices received by the producers after overall calculation (net prices, premiums and deduction of payments to growers organizations) reached BF/KG 174.08 in 1997, BF/KG 169.15 in 1996. Prices are for tobacco with a humidity degree as is at time of delivery. At the reference humidity degree, price was BF/KG 169.15 in 1997, BF/KG 163.07 in 1996. Average prices for 1998 are not yet available.

Stocks

Official stock data are not available. Stock data in this report are estimated and/or residual figures.

-Unmfg, Dark Air & Sun Cured

PSD Table						
Country	Belgium-Luxembourg					
Commodity	Unmfg., Dark Air & Sun Cured				(HA)(MT)	
	Revised	1997	Preliminary	1998	Forecast	1999
	Old	New	Old	New	Old	New
Market Year Begin		01/1997		01/1998		01/1999
Area Planted	322	322	320	355	0	350
Beginning Stocks	1430	1430	216	216	311	311
Farm Sales Weight Prod	1280	1039	1180	1266	0	1200
Dry Weight Production	1152	935	1062	1139	0	1108
U.S. Leaf Imports	0	0	0	0	0	0
Other Foreign Imports	8953	8953	10000	7218	0	7800
TOTAL Imports	8953	8953	10000	7218	0	7800
TOTAL SUPPLY	11535	11318	11278	8573	311	9226
Exports	4696	4696	4350	1528	0	2000
Dom. Leaf Consumption	850	850	850	850	0	850
U.S. Leaf Dom. Consum.	0	0	0	0	0	0
Other Foreign Consump.	5773	5556	5767	5884	0	5943
TOTAL Dom. Consumption	6623	6406	6617	6734	0	6753
TOTAL Disappearance	11319	11102	10967	8262	0	8753
Ending Stocks	216	216	311	311	0	420
TOTAL DISTRIBUTION	11535	11318	11278	8573	0	9213

Export Trade Matrix			
Country	Belgium-Luxembourg		
Commodity	Unmfg., Dark Air & Sun Cured		
Time period	CY	Units: Metric Tons	
Exports for:	1997		1998
U.S.	543	U.S.	461
Others		Others	
UK	2,804	UK	518
other EU	105	other EU	235
Poland	294	Brazil	127
Hungary	198	Turkey	44
Ukraine	163	Venezuela	30
Russia	452	Hungary	66
Total for Others	4016		1020
Others not Listed	137		47
Grand Total	4696		1528

Import Trade Matrix			
Country	Belgium-Luxembourg		
Commodity	Unmfg., Dark Air & Sun Cured		
Time period	CY	Units: Metric Tons	
Imports for:	1997	Metric Tons	1998
U.S.	0	U.S.	
Others		Others	
Netherlands	1,458	Netherlands	1,718
Greece	3,230	Greece	1,070
other EU	1,096	other EU	1,549
Turkey	524	Turkey	551
Domenican Rep.	308	Domenican Rep.	260
Brazil	406	Brazil	452
Paraguay	539	Paraguay	557
Sri Lanka	815	Sri Lanka	378
Philippines June 9, 1999	184	Philippines	141
Total for Others	8560		6676
Others not Listed	393		542
Grand Total	8953		7218

Source: Belgian Office of Foreign Trade

-Tobacco, Unmfg, Total

PSD Table						
Country	Belgium-Luxembourg					
Commodity	Tobacco, Unmfg., Total				(HA)(MT)	
	Revised	1997	Preliminary	1998	Forecast	1999
	Old	New	Old	New	Old	New
Market Year Begin		01/1997		01/1998		01/1999
Area Planted	322	345	320	377	0	375
Beginning Stocks	23257	23257	17756	17756	15118	20500
Farm Sales Weight Prod	1280	1086	1180	1318	0	1275
Dry Weight Production	1152	977	1062	1186	0	1148
U.S. Leaf Imports	4580	4580	4580	2823	0	3000
Other Foreign Imports	49272	49272	49500	49619	0	48500
TOTAL Imports	53852	53852	54080	52442	0	51500
TOTAL SUPPLY	78261	78086	72898	71384	15118	73148
Exports	32685	32685	30000	20984	0	22000
Dom. Leaf Consumption	850	850	850	850	0	850
U.S. Leaf Dom. Consum.	4580	4580	4580	2823	0	3000
Other Foreign Consump.	22390	22215	22350	26227	0	28298
TOTAL Dom. Consumption	27820	27645	27780	29900	0	32148
TOTAL Disappearance	60505	60330	57780	50884	0	54148
Ending Stocks	17756	17756	15118	20500	0	19000
TOTAL DISTRIBUTION	78261	78086	72898	71384	0	73148

Export Trade Matrix			
Country	Belgium-Luxembourg		
Commodity	Tobacco, Unmfg., Total		
Time period	CY	Units: Metric Tons	
Exports for:	1997		1998
U.S.	789	U.S.	863
Others		Others	
Total EU	16,361	Total EU	10,922
Poland	1,013	Lithuania	503
Hungary	1,698	Poland	821
Ukraine	1,703	Czech Republic	309
Russia	1,330	Ukraine	661
Kazakhstan	2,977	Russia	840
Guinea	407	Brazil	2,731
Australia	198	Australia	245
Total for Others	25687		17032
Others not Listed	6,209		3,089
Grand Total	32685		20984

Import Trade Matrix			
Country	Belgium-Luxembourg		
Commodity	Tobacco, Unmfg., Total		
Time period	CY	Units: Metric Tons	
Imports for:	1997		1998
U.S.	4,580	U.S.	2,823
Others		Others	
Total EU	31,826	Total EU	30,008
Turkey	616	Turkey	645
Zimbabwe	3,376	Zimbabwe	3,155
Malawi	1,177	Malawi	860
Canada	528	Canada	986
India	1,321	India	2,606
Indonesia	1,086	Indonesia	1,445
Philippines	262	Philippines	840
Brazil	4,305	Brazil	4,286
Sri Lanka	923	Paraguay	603
Total for Others	45420		45434
Others not Listed	3,852		4,185
Grand Total	53852		52442

Source: Belgian Office of Foreign Trade

According to industry officials, consumption of U.S. tobacco is estimated at 15 percent of total use. BLEU tobacco imports as registered from the Netherlands and Germany are mostly transit shipments of U.S. and other non-EU tobacco.

The tobacco industry reports that overall activity in the BLEU tobacco industry in 1999 will maintain activities to the 1998 level.

Marketing

Development Opportunities

According to Belgian tobacco officials overall production of tobacco products will always require a traditional quantity of U.S. quality tobacco, and therefore BLEU imports of "quality" tobacco are not expected to undergo a major decline soon. However, the actual purchases of U.S. tobacco largely depend on the Dollar/Bf rate and qualities offered by U.S. growers/exporters. High prices and/or lower quality will limit purchases to strict needs. Tobacco manufacturers have also reported that due to new measures applicable in the U.S. (U.S. manufactured cigarettes must contain 75 percent of U.S. domestically grown tobacco) the availability of U.S. tobacco -for export, may shrink due to increased U.S. domestic consumption. Furthermore, Belgian tobacco officials believe that the U.S., while using more domestically grown tobacco, will import less foreign tobacco. Belgian buyers expect that countries like Brazil and Argentina will, as a result of this, offer larger quantities of their tobaccos.

Because of EU's 1993 legislation for maximum levels for tar/nicotine (applicable since 1998), there may be a minor shift to lighter tobaccos. Appropriate machinery and specific filters have been designed also to adapt to new legislation related to tar/nicotine requirements.

Nevertheless, the tobacco trade states that there is still a niche market for top quality tobacco in BLEU. BLEU tobacco buyers regret harvest conditions that have created grading problems of U.S. tobacco in the past. The BLEU tobacco trade declares that it is prepared to pay competitive prices for quality tobacco and that U.S. tobacco for them still is synonymous with flavor and quality. BLEU buyers stated that the current low dollar value versus the local currency and a stable trade situation in the U.S. are assets for continued imports of tobacco from the U.S.

However, BLEU tobacco buyers are also "traditional buyers" and go to the same source as much as crop conditions permit and as long as the price/quality relation is right. Another reason to favor traditional import sources, according to the trade, is the fact that their machinery is adjusted to mixing and/or blending of these specific tobaccos. Tobacco buyers also regret the local and/or regional structure character of tobacco auction places. Buyers contend that combined auction sites would greatly facilitate purchase efforts and would substantially decrease costs. Recently, however, tobacco buyers have noted with satisfaction that some tobacco warehouses have closed as several firms have consolidated.

The tobacco industry is pulling out all the stops in an effort to counteract a declining market and falling profits. The tobacco trade says that the declining production/consumption is also part of official and unofficial "smuggling". Substantial quantities of cigarettes are from border sales. And, Belgium has been plagued by "contraband" cigarette sales

Competitors Activities

According to trade contacts, Malawi, Zimbabwe major producers of tobacco and major African suppliers of tobacco to BLEU, rely on government entities that help to structure the tobacco export market, i.e. organization for collecting the tobacco from tobacco farms, manage the grading of the tobacco and the auction floors. One trade contact has stated that the grading of these markets is to their liking and that the auctions are very well organized. Some developing countries like Thailand give export credit to exporting companies. Other than that, according to contacts, there are no other official or unofficial activities/programs that help exports of unmanufactured tobacco.

Tobacco dealers/brokers also report that there is substantial change in the overall structure of the tobacco market. The number of in-between-traders has significantly diminished. They also opine that overproduction and higher demand for inexpensive tobacco's have reduced international competition. They further note that currently there is a higher demand for lower quality and cheaper tobacco. This is likely related to the production of tobacco products for East European countries and developing countries where the average per capita income is low.

Stocks

FEDETAB indicates that official stock data are not available due to the industry's confidential practices. Companies may also have a substantial amount of tobacco stocked, not customs cleared yet, at TABAKNATIE S.M. at the port of Antwerp.

Tabaknatie is not a direct importer of raw tobacco and tobacco products (including cigarettes) It is, however, a major company dealing world wide with importers & exporters of raw tobacco , and, also with manufacturers/exporters of tobacco products Tabaknatie owns highly adequate and huge storage facilities at the port of Antwerp. It handles the storage, transshipments, shipments, clearance, packing etc for tobacco and tobacco products of any origin or destination.)

-Tobacco, Mfg, Cigarettes

PSD Table						
Country	Belgium-Luxembourg					
Commodity	Tobacco, Mfg., Cigarettes				(MIL PCS)	
	Revised	1997	Preliminary	1998	Forecast	1999
	Old	New	Old	New	Old	New
Market Year Begin		01/1997		01/1998		01/1999
Filter Production	16300	16678	16300	16700	0	16750
Non-Filter Production	1800	2000	1800	2000	0	2000
TOTAL Production	18100	18678	18100	18700	0	18750
Imports	8246	8246	8200	9427	0	9300
TOTAL SUPPLY	26346	26924	26300	28127	0	28050
Exports	14130	14130	14000	11118	0	11120
Domestic Consumption	12216	12794	12300	17009	0	16930
TOTAL DISTRIBUTION	26346	26924	26300	28127	0	28050

Export Trade Matrix			
Country	Belgium-Luxembourg		
Commodity	Tobacco, Mfg., Cigarettes		
Time period	CY	Units: Million pieces	
Exports for:	1997		1998
U.S.	36	U.S.	41
Others		Others	
France	1,069	France	1,235
Netherlands	5,882	Netherlands	4,034
Germany	3,411	Germany	2,320
UK	314	UK	260
Greece	106	Greece	75
Spain	172	Spain	162
Finland	1,402	Finland	1,177
Total Africa	1,066	Total Africa	942
Total Asia	282	Total Asia	274
Total for Others	13704		10479
Others not Listed	390		598
Grand Total	14130		11118

Import Trade Matrix			
Country	Belgium-Luxembourg		
Commodity	Tobacco, Mfg., Cigarettes		
Time period	CY	Units: Million pieces	
Imports for:	1997	Million pieces	1998
U.S.	1	U.S.	9
Others		Others	
France	502	France	532
Netherlands	4,820	Netherlands	5,725
Germany	2,069	Germany	1,897
UK	51	UK	585
Spain	669	Spain	605
Total for Others	8111		9344
Others not Listed	134		74
Grand Total	8246		9427

NOTE: FEDETAB advised that Statistical data on production of specific tobacco products is not available due to the industry's confidential practices. Production data included in S & D table are estimated by AgAffairs office, derived from 1996 data and based on industry trends. Source of trade data: Belgian Office of Foreign Trade. Consumption data is residual figure.

Production

General

The bulk of BLEU output is concentrated in five multinational companies in Belgium and one manufacturing unit producing in Luxembourg. Of the five companies in Belgium, only three companies have a production unit. The tobacco industry operates largely on a direct contractual basis with its customers.

Other

Current tobacco products labeling requirements have been reinforced in the course of 1993. All tobacco products must bear the statement:

- Smoking causes cancer
- Smoking causes heart and vascular diseases
- Smoking harms the health of your fellow man
- Smoking causes fatal diseases

The producing firm's name is also required to be printed on each package, as well as the respective date of the Royal Decree (Ministry of Public Health, AR 14.04.93)

In addition, cigarette packs must indicate the nicotine and tar content expressed in milligrams. From December 31, 1992 through December 31, 1997, the maximum tar and nicotine content allowed in cigarettes is 15mg and 1.5 mg.respectively. Cigars, cigarillos and smoking tobacco must bear a label stating that "smoke contains tar and nicotine".

All publicity related to tobacco and products must be cleared and approved by the Ministry of Public Health prior to use. Poster and billboard advertisements for tobacco products must state that "tobacco is seriously harmful to your health"

The sale of tobacco products by means of vending machines is prohibited except in places where tobacco may be purchased and consumed such as in cafes, restaurants, etc.

The regulation of tobacco and tobacco products is under the authority of the National Ministry of Public Health. The anti-tobacco campaigns are largely controlled and encouraged by regional ministries. The Regional Ministries of the Wallonia and Flanders distribute pamphlets and documentation on how to stop smoking and other facts about smoking and tobacco. All promotional activities from the tobacco industry are governed and/or restricted by the Ministry of Public Health.

Regulations in force require that tobacco advertisements on posters and billboards be limited to certain areas (not allowed in public areas such as train stations, airports etc.). Since September 1, 1987, the Ministry of Public Health has applied a prohibition on smoking in all public buildings and offices i.e. public premises with enclosed space. Violation of this regulation may be subject to a fine ranging from BF 1,560 to 18,000. Advertisements in newspapers are limited to no more than half a page in one newspaper for all cigarette ads.

As of January 1, 1991, publicity related to tobacco products may only show the tobacco products and its packing as such; slogans referring to a certain "lifestyle" are no longer authorized. Publicity campaigns related to tobacco products have to be approved by the Secretary of State of the Ministry of Public Health who apparently gives priority to "health concerns" over the economic impact. Transitional measures covering a two year period (January 1, 1993 through December 31, 1994) have been established. Billboard advertisements for tobacco products must already indicate that "tobacco is seriously harmful to your health". The size of the letters must cover at least 15 percent of the total surface of the billboard and at least 50 percent of the space which is used for advertising the tobacco product.

The Belgian Ministry of Employment and Labor has been instructed by Royal Decree, to announce measures to fight harmful effects from smoking. These were applied in 1993. The text of the Decree is considered vague. To summarize the Decree, enterprises in the framework of general rules related to the protection of labor and employment, are obliged to take "measures appropriate to their situation" in order to restrain the harmful impact from smoking.

While the regulation is vague, actions may range from partial to complete prohibition of smoking, suggestions to smoke less or to go to special smoking rooms, and assistance to help employees to stop smoking, etc.

Belgium voted in December of 1997 that, as of January 1, 1999 all advertising related to tobacco products, including the free distribution of tobacco products are to be banned. Also to be banned are "soft" publicity using names of services or makes of products that are indirectly related to tobacco products, the introduction of new products or products of the same name. In addition there is an EU directive 98/43/EG dated June 6, 1998 to ban all advertising related to tobacco products. Member states should translate the directive into a national legislation within the next three years. As of October 2006 a total ban will apply on all advertisement and sponsoring related to tobacco.

Consumption

General

BLEU: Consumption Data of Cigarettes & Smoking Tobacco		
	1997	1998
Cigarettes -million pieces-	16,741	17,297
Cigarettes -million BF-	81,553	88,218

Source: FEDETAB

Note: Consumption data in the S&D table "Cigarettes" are residual figures

Anti-smoking campaigns directly addressed to the "young" potential consumers, reinforcement in law/regulations, heavy price increases and, growing social intolerance vis-a-vis to smokers initially were expected to further decrease total tobacco consumption in Belgium and the EU, according to the tobacco trade. However, according to the media, most of the anti-tobacco campaigns prove to have a negative effect, because of their "patronizing" message. The smoking behavior of youngsters, especially females is alarming. In 1990 only 13 percent of 17 to 18 year old girls would smoke compared to 22 percent in 1998.. Notable is that the consumption of young boys has diminished.

According to FEDETAB, overall consumption of cigarettes increased 3,3 percent in 1998 compared to 1997.

Cigarettes with a low tar content (10 mg) constitute one fourth of the Belgian market. The market share of filter-type cigarettes is approximately 90 percent of the total BLEU cigarette market. Although the market share (64 percent) of the 25 cigarette pack is still representative on the domestic market, the share of the 20 cigarette pack has increased to 36 percent.

Distribution

High prices resulted in major changes in distribution patterns of tobacco products. Manufacturers of tobacco products now also function as wholesalers & distributors and deal directly with retailers. Currently Belgium accounts approximately 100 wholesale distributors of tobacco products, while in the early seventies the total number exceeded 400.

Prices

Average retail price of Cigarettes & Smoking tobacco		
	1997	1998
Cigarettes -piece-	4.86	5.10
Smoking Tobacco (kg)	2,051.41	2,123.47

Source: Fedetab

Belgium: Price & Taxe Structure for Sigarettes Popular Type Cigarette - Package of 25 pieces		
	% Retail Price	in BF
Price per package of 25 cigarettes		138
Price per 1,000 cigarettes		5,520
TAXES: EXCISE ad valorem	47,36	2,614
SPECIAL EXCISE ad valorem	0	0
Total Excise ad valorem	47.36	2,614
SPECIFIC EXCISE		214
SPECIAL SPECIFIC EXCISE		307
Total Specific Special Excise	(1) 12.73	521
TOTAL EXCISE	56.79	3,135
VALUE ADDED TAXES (VAT)	17.36	958
TOTAL	74.15	4,093
PRIVATE: Distribution	7.50	414
Manufacturer	18.35	1,013
TOTAL	25.85	1,427

Note: (1) % nominal of total taxation

Source: FEDETAB

Luxembourg: Price & Taxe Structure for Cigarettes Popular Type Cigarette - Package of 25 pieces		
	% Retail Price	in BF
Price per package of 25 cigarettes		100
Price per 1,000 cigarettes		4,000
TAXES: EXCISE ad valorem	47.36	1,894
SPECIAL EXCISE ad valorem	1.21	48
Total Excise ad valorem	48.57	1,943
SPECIFIC EXCISE		214
SPECIAL SPECIFIC EXCISE		130
Total Specific Special Excise	8.60	344
TOTAL EXCISE	57.17	2,287
VALUE ADDED TAXES (VAT)	10.71	428
TOTAL	67.88	2,715
PRIVATE: Distribution	10.90	434
Manufacturer	21.22	851
TOTAL	32.12	1,285

Source: FEDETAB

Marketing

Market Development Opportunities

U.S. exports of cigarettes to BLEU, according to USDA statistics are quite important. However, these USDA data on cigarettes do not reflect the actual situation. There is significant "transit" movement through the port of Antwerp. The marketing of U.S. imported cigarettes are extremely limited since BLEU is a major manufacturer/exporter of tobacco products.

Belgium, however, is a trading nation. Major brokers/traders in agricultural and non-agricultural commodities may also include cigarettes in their trading with principally, African, Middle Eastern and ex-East Bloc countries. However, according to the BLEU tobacco industry, a major impediment is that consumers in ex-East Bloc countries are not strong enough financially to purchase quality cigarettes.

-Mfg,Cigar,Cheroot,Cigarell

PSD Table						
Country	Belgium-Luxembourg					
Commodity	Mfg.,Cigar,Cheroot,Cigarell				(1000 PCS)	
	Revised	1997	Preliminary	1998	Forecast	1999
	Old	New	Old	New	Old	New
Market Year Begin		01/1997		01/1998		01/1999
Production	2000000	2190420	2000000	1980873	0	1950000
Imports	390698	390698	390000	745087	0	740000
TOTAL SUPPLY	2390698	2581118	2390000	2725960	0	2690000
Exports	1834515	1834515	1840000	1965900	0	1930000
Domestic Consumption	556183	746603	550000	760060	0	760000
TOTAL DISTRIBUTION	2390698	2581118	2390000	2725960	0	2690000

NOTE: FEDETAB advised that Statistical data on production of specific tobacco products is not available due to the industry's confidential practices. Production data included in S & D table are estimated by AgAffairs office, derived from 1996 data and based on industry trends. Source of trade data: Belgian Office of Foreign Trade. Consumption data is residual figure.

Export Trade Matrix			
Country	Belgium-Luxembourg		
Commodity	Mfg., Cigar, Cheroot, Cigarell		
Time period	1997	Units: 1,000 pieces	1998
Exports for:			1
U.S.	4,150	U.S.	632
Others		Others	
France	293,146	France	342,252
Netherlands	1,472,348	Netherlands	1,545,639
Germany	17,350	Germany	19,202
Portugal	5,469	Portugal	5,386
Spain	6,300	Spain	8,589
Total for Others	1794613		1921068
Others not Listed	35,752		44200
Grand Total	1834515		1965900

Import Trade Matrix			
Country	Belgium-Luxembourg		
Commodity	Mfg., Cigar, Cheroot, Cigarell		
Time period	CY	Units: 1,000 pieces	CY
Imports for:	1997		1998
U.S.	73	U.S.	69
Others		Others	
France	7,083	France	8658
Netherlands	356,878	Netherlands	712723
Germany	12,393	Germany	11541
Italy	6,642	Italy	269
Denmark	2,570	Denmark	3104
Cuba	3,110	Cuba	3274
Dominican Rep	1,419	Dominican Rep	1690
Total for Others	390095		741259
Others not Listed	530		3759
Grand Total	390698		74508

Source: Belgian Office of Foreign Trade

Consumption

General

BLEU consumption data on cigars and cigarillos		
	1996	1997
	-in 1,000 pieces-	-in 1,000 pieces-
Cigars	48,938	44,647
Cigarillos	564,414	557,962
	-in mill BF-	-in mill BF-
Cigars	1,154	1,209
Cigarillos	3,512	3,577

Source: Fedetab

Prices

Average retail price of cigars and cigarillos -in BF/piece-		
	1997	1998
Cigares	23.59	27.07
Cigarillos	6.22	6.41

Source: Fedetab

BELGIUM: Fiscal Revenue on Total Tobacco Products -in million BF-						
	Excise Duties		Value Added (VAT)		Total Taxes	
	1997	1998	1997	1998	1997	1998
Sigarettes	35,475	38,631	10,850	11,797	46,325	50,428
Cigars	110	117	191	202	301	319
Cigarillos	327	335	567	581	895	916
Smoking Tobacco	6,847	7,619	3,163	3,518	10,010	11,137
TOTAL	42,759	46,702	14,772	16,099	57,530	62,800

SOURCE: Fedetab

Turnover of the Overall Tobacco Industry in Belgium and Luxembourg				
Tobacco Products	1997		1998	
	Volume in mill pieces	Value -mill BF-	Volume in mill pieces	Value -mill BF-
Cigarettes	16,742	81,553	17,297	88,218
Cigars	49	1,154	45	1,209
Cigarillo's	564	3,512	558	3,547
Smoking Tobacco (kg)	9,569	19,630	10,479	22,252
TOTAL		105,850		115,226

SOURCE: Fedetab (Data is based on the acquisition/purchasing of
tax/fiscal taxbands)