

KEY AREA: SECURITY AND ECONOMY OF LEAF SUPPLIES

1. DOMESTIC TOBACCO PRODUCTION

- 1.1 Tobacco production is a strategically important part of any domestic agricultural economy, because it is a cash crop requiring supply inputs and generating employment. It is thus linked to the development and expansion of food and other crops, and cannot be viewed in isolation.
- 1.2 Domestic tobacco crops, caused by operating companies to be grown, must reflect forecasted requirements (quantity; quality) - in particular, the development of a domestic burley crop will be of importance if there is an expected move to blended cigarettes.
- 1.3 A minimum yield of 1200 kilos per hectare must be sought; yield increase must not be to the detriment of quality which is key to achieving competitive superiority.
- 1.4 Prices paid to farmers must reflect realistic input costs (measured by cost of production surveys), so that returns to farmers will stimulate the required level of supply in competition with other cash crops, but without conflicting with essential food crops.
- 1.5 Continuous improvements should be sought in the productivity of crop and processing expenditure, particularly through reduction in manning levels but without prejudicing raw material quality. Where practicable, external finance should be used for farmers advances.
- 1.6 Where required, adequate supplies of wood (fuel; building) must be ensured through farmer planting or afforestation schemes. The economic utilisation of whatever fuel is used in flue curing must also be closely studied and improved.
- 1.7 The selection of and need for crop chemicals must be critically evaluated and updated. BATCo policy on safety in the use and storage of such crop chemicals must be stringently followed.

2. IMPORTED TOBACCOS

- 2.1 Where imported tobaccos are essential to enhance the smoking quality of domestic tobaccos and thus provide a competitive advantage, Government pressure to reduce/eliminate imports (eg through foreign exchange availability) must be resisted.
- 2.2 Production, in those countries from which imported tobaccos are purchased, is envisaged at least in 1992 to be below anticipated demand.

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Assuming that target production is not reduced by weather or by pests and diseases, there does not appear to be a serious risk of BATCo operating companies requirements not being met. Purchases, in some countries, are from BAT tobacco companies; in the remainder, from tobacco dealers with whom firm links have been developed.

However, orders must be placed, through Leaf Department BATCo, by specific dates for each and every country of origin. Orders placed after these specific dates cannot be guaranteed.

- 2.3 In all major exporting countries there will be a continuing reduction of uncommitted stocks held either by dealers or Government organizations from whom, in previous years, out-of-season req
- 2.4 Prices will increase due well as by farmers seeking processing and freight Government intervention. continue to influence companies must make full if this offers savings
- 2.5 Leaf Department BATCo with BATCo operating companies will provide, quarterly, areas and forecasted prices
- 3. EXPORT OF DOMESTIC TOBACCO
- 3.1 Having satisfied the requirements those BATCo operating companies of domestic tobaccos must outlets. Such exports if quality is acceptable, assured, if acceptable crop chemical residues most importantly, if exports
- 3.2 Exports must not lead to crop; exports must be
- 3.3 Leaf Department BATCo with outlets; first refusal given to BAT tobacco companies

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- 2.3 In all major exporting countries there will be a continuing reduction of uncommitted stocks held either by dealers or Government organisations from whom, in previous years, out-of-season requirements could be purchased.
- 2.4 Prices will increase driven by the supply situation as well as by farmers seeking price increases, by increased processing and freight costs and, in some cases, by Government intervention. Exchange fluctuations will continue to influence end user prices. BATCo operating companies must make full use of holding stocks "off-shore" if this offers savings in interest and storage charges.
- 2.5 Leaf Department BATCo will co-ordinate all visits from BATCo operating companies to major producing areas and will provide, quarterly, a review of the major producing areas and forecasted price movements.

### 3. EXPORT OF DOMESTIC TOBACCOS

- 3.1 Having satisfied the requirements of domestic manufacture, those BATCo operating companies involved in the production of domestic tobaccos must continue to seek export outlets. Such exports will only be possible if tobacco quality is acceptable, if continuity of supply can be assured, if acceptable processing facilities exist, if crop chemical residues on the tobaccos are acceptable and, most importantly, if exports are competitively priced.
- 3.2 Exports must not lead to increased costs for the total crop; exports must be profitable.
- 3.3 Leaf Department BATCo will assist in developing export outlets; first refusal of any export tobaccos must be given to BAT tobacco companies.

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