

Turkish Oriental – Samsun type **2009 Crop Report**

Production:

The total Samsun 2009 crop production is estimated at 8,250 tons, which is a decrease of -9% from the 2008 crop of 9,050 tons. The dealers contracted -12 % less or 7,400 tons than the 2008 crop of 8,400 tons. Tekel (Turkish Monopoly) did not contract as the government decided since the cigarette factories were sold to discontinue to contract any types.

The crop size of 8,250 tons is an increase of 11% in comparison to the contracted volume of 7,400 tons. The reason for this increase is the higher yields achieved due to excessive rainfall through out the region.

We as Sunel contracted 700 tons and we bought a total of 800 tons or 14% more than what we actually contracted.

Quality:

The Black Sea area was badly affected by continuous rainfall through out the season. This negatively affected all stalk positions predominately the lower and mid stalks are thin bodied, over sized and light in colour. The top hands they are mid sized, with some brown/chocolate colour and medium ripe. The 2009 crop quality can be considered as below average crop.

Market:

The dealers paid only one advance of approx. 10 percent during the month of September in comparison to last year two advances totaling 25 percent of the estimated green purchase value.

The deliveries started the 2nd week of March. Due to the very weak demand there was a lot of pressure on the leaf buyers from the farmers to sign new contracts for the 2010 crop. But as demand is down by 58 percent or down to only 3,500 tons this was not feasible.

Top Prices:

	2008 Crop		2009 Crop		% Change	
	TL/KG	USD/KG*	YTL/KG	USD/KG**	In TL	In USD
<u>Top Price</u>	8,00	\$4.62	8,58	\$5.64	+7.3%	+22.1%

* At exchange rate of YTL/USD 1,73 CBT rate on March 11th, 2009

** At exchange rate of YTL/USD 1,52 CBT rate on March 15th, 2010

The dealers expect the following village average for the 2009 crop:

	2008 Crop	2009 Crop	% Change
<u>YTL/KG</u>	YTL 7,65	YTL 6,90	+9.8%
Equiv. in USD	\$5.10 ⁽¹⁾	\$4,56 ⁽²⁾	-10.5%

⁽¹⁾ YTL/USD 1,50 anticipated dealer's average exchange rate for the 2008 crop.

⁽²⁾ YTL/USD 1,51 anticipated dealer's average exchange rate for the 2009 crop

The decrease of -10,5% in USD terms is the second price decline in a row. The drop as mentioned above is due to the very weaker demand and mixed quality i.e. high KP percentage. We expect the export prices to decline but will not take the full green price reduction as the KP and KK yields will be high due to the mix crop this will offset some of the reduction.

Turkish Oriental – Basma type **2009 Crop Report**

Production:

The total Basma 2009 crop production is estimated at 3,900 tons, which is an increase of 36,8% from the 2008 crop of 2,850 tons. The total contracted is +15,6 % more or 3,700 tons than the 2008 crop of 3,200 tons.

The crop size of 3,900 tons is an increase of 5,4% in comparison to the contracted volume of 3,700 tons. The reason for this increase is the higher yields achieved due to excessive rainfall throughout the region.

We as Sunel contracted 100 tons and we bought a total of 100 tons.

Quality:

The Basma that is grown in the Black Sea area was also badly affected by continuous rainfall throughout the season. This negatively affected all stalk positions, predominantly the lower and mid stalks are thin bodied, oversized and light in colour. The top hands are mid sized, with some orange/brown colour and medium ripe. The 2009 crop quality can be considered as below average crop.

Market:

The dealers paid no advances for the 2009 crop.

The deliveries started the 2nd week of March. Due to strong demand there is pressure to expand the growing area. The Exporters Federation has asked the Tobacco Regulatory Board to give permission to grow Basma seed in a certain section of the Bafra area. So trials will be conducted this year and according to the results we will decide to expand.

Top Prices:

	2008 Crop		2009 Crop		% Change	
	TL/KG	USD/KG*	YTL/KG	USD/KG**	In TL	In USD
<u>Top Price</u>	7,70	\$4.45	8,30	\$5.46	+7.8%	+22.7%

* At exchange rate of YTL/USD 1,73 CBT rate on March 11th, 2009

** At exchange rate of YTL/USD 1,52 CBT rate on March 15th, 2010

The dealers expect the following village average for the 2009 crop:

	2008 Crop	2009 Crop	% Change
<u>YTL/KG</u>	YTL 7,30	YTL 6,60	-9.6%
Equiv. in USD	\$4.87 ⁽¹⁾	\$4,37 ⁽²⁾	-10.3%

⁽¹⁾ YTL/USD 1,50 anticipated dealer's average exchange rate for the 2008 crop.

⁽²⁾ YTL/USD 1,51 anticipated dealer's average exchange rate for the 2009 crop

The decrease of -10,3% in USD terms is due to the very mixed quality i.e. high KP percentage. We expect the export prices to decline but same as in Samsun will not take the full green price reduction as the KP and KK yields will be high due to the mix crop this will offset some of the reduction.

Turkish Semi Oriental – Şark type **2009 Crop Report**

Production:

The dealers for the first time contracted semi oriental type tobaccos. As in the past Tekel was only involved in these types so the private sector did not commit to any new crop. Now that Tekel is no more involved in growing tobacco so the manufactures that have a requirement have also given indications for these types.

Total Şark 2009 crop production is estimated at 750 tons, which is a an increase of 50% from the 2008 crop of 500 tons.

The actual contracted for 2009 crop was 1,300 tons is an increase of 160% in comparison to the 2008 crop of 500 tons. The actual produced volume was down by - 42 percent as the farmers sold part of their crop to illicit traders that use this kind of tobaccos for producing counterfeit cigarettes. We warned the Tobacco Regulatory Board and they have since raided several under the counter operations.

We as Sunel contracted 500 tons and we bought a total of 350 tons or -30% less than what we actually contracted.

Quality:

The Şark was negatively affected by rains that prevailed during the curing season. This negatively affected all stalk positions predominately the lower and mid stalks are thin bodied, over sized and light in colour. The top hands they are mid sized, with some orange colour and medium ripe. The 2009 crop quality can be considered as below average crop.

Market:

The deliveries started the 1st week of March. Due to the mixed crop we tried to implement the four price range by quality as stipulated in the contract and had a lot of resistance. As in the past the prices were stable no matter what the quality was. So it will take a long time to educate these farmers to the standards that exists in the İzmir and Black Sea regions. Also they we offered 20 / 30 percent more than our prices from the elicit traders which did not help the matter.

We had to take delivery of the tobaccos as soon as possible as the crop started to disappear. This caused an additional problem with high moisture. The tobaccos were not properly stored / packed therefore as they arrived to our central warehouses in İzmir we had to pre-process in order to stabilize the moisture levels.

Top Prices:

	2008 Crop		2009 Crop		% Change	
	TL/KG	USD/KG*	YTL/KG	USD/KG**	In TL	In USD
<u>Top Price</u>	5,00	\$3.33	5,50	\$3.62	+10%	+8.7%

* At exchange rate of YTL/USD 1,50 CBT rate on March 11th, 2009

** At exchange rate of YTL/USD 1,52 CBT rate on March 15th, 2010

The dealers expect the following village average for the 2009 crop:

	2008 Crop	2009 Crop	% Change
<u>YTL/KG</u>	YTL 4,30	YTL 4,25	+1.2%
Equiv. in USD	\$2.87 ⁽¹⁾	\$2,81 ⁽²⁾	-2.1%

⁽¹⁾ YTL/USD 1,50 anticipated dealer's average exchange rate for the 2008 crop.

⁽²⁾ YTL/USD 1,51 anticipated dealer's average exchange rate for the 2009 crop

The decrease -2% in USD terms is due to the mixed crop i.e. high percentage of KP and KK. Under normal conditions the prices should have been reduced even further but the farmers were reluctant to sell unless we kept the price at these levels. The yields will be down due to the mixed crop and high moisture so we expect that the export price will increase.