

 **INDIA NEWS**

Karnataka: Farmers Term Cut In Authorized Crop Illogical

Tobacco growers from Karnataka's Mysore and Hassan districts are opposing the Tobacco Board of India's decision to cut the 2012-13 authorized crop volume in the State to 97.5 million kg., terming it unreasonable and illogical. The contention of farmers is that the leaf cultivated in Mysore-Hassan region is of high quality and in demand in the international market. More than 57,000 planters will be affected by the sudden decrease. Karnataka produced 104.2 million kg. this season.

Maharashtra: Minister Slashes VAT On Bidis, Gutkha

The Maharashtra State government announced a 7.5% roll-back in the Value-Added Tax (VAT) on bidis and branded tobacco sachets, following an appeal from tobacco representatives. Last month, the State Finance Minister Ajit Pawar had levied a VAT of 12.5% and 20%, respectively, on bidis and gutkha.

Rajasthan: Govt. Urged To Ban Gutkha Containing Tobacco

Soon after the Madhya Pradesh State government banned the manufacturing and sale of gutkha with tobacco, activists and pulmonary experts in Rajasthan are raising the demand for a similar prohibit on such products in the State.



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WORLD HIGHLIGHTS

AMERICAS

US: Cigarette Rates Expected To Surge In Coming Months

Cigarettes prices in the US are expected to climb by between 5-cents and 7-cents in the coming months of May or June, according to a survey of tobacco industry retailers and wholesale traders by Wells Fargo Securities. Bonnie Herzog, managing director of Beverage, Tobacco & Consumer Research at Wells Fargo, foresees tobacco major Altria Group's Philip Morris USA division taking the lead. The Securities firm continues to believe the industry has pricing power, and that the hike will help "offset some pressure on margins stemming from the 'Battle of the Brands' in the second tier." With regard to individual brands, Wells Fargo investigation showed that *Marlboro* volumes seem to be stabilizing driven by better promotions and innovation. And with *Marlboro Special Blends* and *Marlboro Black* driving the volume activity. Reynolds American's *Pall Mall* is also stepping up promos, but Herzog says it has the most to lose as the 'Battle of the Brands' among the second tier keeps heating up. Lorillard's *Newport Menthol* is projected to exhibit a strong growth trajectory with mid-to-low double digit development in the first quarter.

US: Lorillard To Release First Quarter Earnings On April 25th

US's third largest manufacturer of cigarettes Lorillard Inc. stated in a press release that it will present first quarter results on April 25, 2012. A live webcast of the conference call will be available for replay in its entirety through May 2, 2012.

US: Illinois Governor Proposes US\$1 A Pack Boost

Illinois Governor Pat Quinn outlined on April 19th a plan to overhaul the State's health care system for the poor, by imposing a US\$1-a-pack charge on cigarettes coupled with deep cuts that will sharply curtail services.

Canada: Manitoba Cigarettes To Be Dearer

Cigarettes and gas are set to go up in the Canadian province of Manitoba as the NDP administration struggles to bridge a C\$1-billion deficit. In the budget tabled on April 17th by Finance Minister Stan Struthers, smokers will pay 63 cents more per pack.



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Canada: Former Imperial President Says Onus On Government

Imperial Tobacco's former president Jean-Louis Mercier maintained that the Canadian government, not the tobacco companies, was at fault for allowing the sale of cigarettes, that allegedly lead to high health care costs. Testifying on April 19th at the trial in which Quebec smokers are claiming C\$27 billion in damages from Canada's three big tobacco multinational's, Mercier noted that the government, which has made billions of dollars over the years from tobacco sales, should have put some of that money into researching how the purported effects of smoking could be reduced. The former president admitted in a confidential internal document of 1987 that the tobacco industry lost the health debate because it was "clearly constrained by the basic flaw that it could not argue smoking is good for you."

EUROPE

Belarus: Quotas To Be Allocated For Tobacco Product Sales

Belarus is set to allocate quotas for domestic tobacco products sold within the country, under a decree approved by the President restraining the manufacture, sale and consumption of tobacco merchandise. The regulation will not be applied to export of tobacco products.

referential period in which tobacco growers receive money by another year. Filev added that NATP is developing a long-term strategy for tobacco cultivation in the country.

Bulgaria: Tobacco Production To Increase By 20-40% In 2012

Tobacco production in Bulgaria is expected to soar by 20%-40% this year, following amendments to the Tobacco and Tobacco Products Act, leading to liberalization of the market and the removal of the licensing regime. The National Association of Tobacco Producers Chairperson Tsvetan Filev said the government has extended the

Czech Republic: Cigarette Duty Hike May Be Implemented In Two Stages

The Czech Republic Finance Ministry is proposing to implement in two stages the mandatory minimum excise rate of 2,229 Kč (\$120/90 euro) per 1000 cigarettes, required under European Union rules as of 2014, so that it is phased-in from 2013, rather than applied as a single raise in 2014. The move will also take into consideration the imminent spike in the Value-Added Tax (VAT). A single jack up could mean a record price jump of as much as 7 Kč per pack.



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Macedonia: Imperial Tobacco To Invest In Local Unit

Bristol-headquartered Imperial Tobacco plans to invest 23 million euro (US\$30 million) in its Macedonian unit this year to ramp up manufacturing and packaging processes to enhance the annual output of the plant from 6 billion to 10 billion cigarettes.

Russia: Liberal Democratic Party Calls For Clamp Down On Tobacco, Alcohol Advertising

Russia's Liberal-Democratic Party (LDPR) submitted a bill in the State Duma seeking to completely outlaw advertising of alcohol and tobacco products.

Russia: Putin Favors Gradual Rise In Tobacco Excise

Russian Prime Minister Vladimir Putin stressed the government should gradually bolster excise taxes on alcohol and tobacco products, coordinating measures to curb them with Russia's customs union partners Kazakhstan and Belarus.

Switzerland: Asia Is Main "Growth Engine," Says PMI CFO

"Asia is our principle growth engine," Philip Morris International's Chief Financial Officer Hermann Waldemer said in a conference call with investors. "The region as a whole is benefiting from a solid economic environment, a growing adult population in many markets, and greater than ever consumer purchasing power," he said.

Switzerland: Philip Morris International 1Q 2012 Net Up 13% On Improved Volumes, Year View Trimmed

Top selling cigarette brand *Marlboro* producer Philip Morris International Inc. reported first-quarter earnings rose 13% beating analysts' estimates on higher cigarette volumes led by Asia, and the benefit of price increases in numerous markets. For the three months to March 2012, net income was US\$2.16 billion, or US\$1.25 a share, up from US\$1.92 billion or US\$1.06 a year earlier. Analysts had polled an average of US\$1.19. Excluding excise taxes, total sales in the first quarter spiraled 9.7% to US\$7.4 billion from US\$6.79 billion, driven by a strong demand in Asia. Shipments of PMI's 10 biggest cigarette brands, including *Marlboro* and *L&M* grew 5.4% overall, while it climbed 12% in Asia, 3.6% in Eastern Europe, Middle East and Africa and 2.9% in Latin America and Canada. Volumes dipped 1.5% in the European Union. Market share improved or remained stable in many key areas, while higher fares lifted revenue in each of the company's four geographic regions. Philip Morris trimmed the full-year earnings forecast because of a stronger U.S. dollar, to between US\$5.20 and US\$5.30 per share, down from a February projection of US\$5.25 to US\$5.35.

Switzerland: Stifel Nicolaus Sets Philip Morris Price Target At US\$95

Stifel Nicolaus analysts maintained a "buy" rating on cigarette conglomerate Philip Morris International, even as they advanced the target price on the stock from US\$88.00 to US\$95.00 in a report released this week.



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United Kingdom: Imperial To Contest Unbranding Of Tobacco Products

Davidoff and *JPS* cigarettes maker Imperial Tobacco Group PLC said this week that it is ready to fight the UK government's bid to introduce plain packaging for tobacco products, following the launch of consultation on the policy this week. Imperial said it is opposed to the unbranding of tobacco products and will be setting out detailed views in response to the government's consultation.

ASIA & OCEANIA

Japan: Japan Tobacco Chairman To Quit

World's No.3 tobacco manufacturer Japan Tobacco Inc. Chairman Yoji Wakui is likely to resign from his post, with President Hiroshi Kimura taking over as Chairman, according to company sources. Kimura is currently serving a third term as President, and June will mark six years at the post. Executive Deputy Presidents Yasushi Shingai and Mitsuomi Koizumi are apparently potential successors to Kimura, the sources added.

Japan: Plan Being Discussed For JT Sale

The Japanese government is reportedly charting a schedule to sell State-owned shares in Japan Tobacco Inc. to help pay for earthquake rebuilding and limit extension of the world's biggest public debt, according to Finance Ministry officials.

Japan: Cigarette Volumes Decline In Fiscal 2011

Cigarette sales in Japan dropped 6% in fiscal 2011 from the previous year to 197.5 billion, falling below 200 billion for the first time since 1990. In terms of value, the percentage grew 13.6% to more than 4.1 trillion yen, although the number of smokers declined after the sharp hike in tobacco tax. Japan Tobacco Inc. marketed around 108.4 billion cigarettes in the year, down 19.5%, after plants in the Tohoku and Kanto regions temporarily suspended operations after the March 2011 disaster.

South Korea: JTI Unveils *Mild Seven* In Global Design

The Korean subsidiary of JT International (JTI) launched on April 17th the No. 1-selling charcoal-filtered cigarette brand *Mild Seven* in a new global design for the first time in the world. The Seoul-based firm said the fresh metallic paper design with an embossed arc expresses the



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continuously evolving vision of the flagship *Mild Seven* cigarettes. The latest pack is priced at 2,700 won.

Australia: High Court Judges Reserve Decision In Plain Packaging Legislation

The Australian High Court, that heard this week a legal challenge to the Gillard government's move to strip cigarette packaging of colors and branding, deferred their decision until a later date, yet to be decided. The three-day hearing in the case, brought by British American Tobacco (BAT), Japan Tobacco International, Philip Morris and Imperial Tobacco Australia, saw tobacco lawyers arguing the laws effectively mean the acquisition of their property, in the form of trademarks and logos, and would be unconstitutional unless just compensation was paid. Cigarette makers noted that the drab olive packs would "extinguish" their brands and destroy the worth of their trademarks. Japan Tobacco International's representative Gavan Griffith QC, drew the court's attention to the fact that the warning on a pack of even rat poison was very modest compared with what was required for cigarettes under the government's plain packaging legislation. Tobacco companies are concerned that other countries might follow Australia's lead if the government wins. BAT believes the battle will be a test case for the validity of unbranded regulation. Meanwhile, government sources are optimistic it will survive the High Court lawsuit, as the big four have failed to land a killer legal blow.

South Korea: KT&G Market Share Up 4.8%

South Korean tobacco giant KT&G registered a record 4.8% growth in market share during the first quarter of 2012, the maximum in the past decade. The company captured 62.1% of the nation's tobacco market in the quarter, compared to 57.3% in the 2011 fourth quarter. KT&G sold about 633.2 million packs in the three months to March, up 8.8% from like period last year. Sales of the *Bohem Cigar* surged 93.6% year-on-year, followed by *Davidoff* with 19.4%, followed by *One, Raison* and *Esse* with 8.5%.

New Zealand: Cabinet Agrees In Principle To Non-Branded Packs

The New Zealand Cabinet agreed in principle to introduce bare packaging for all tobacco products in the country, in line with a similar move in Australia, and despite the court action there. The packaging will display health warnings and the contact details for Quitline, Associate Health Minister Tariana Turia said. Reacting to the announcement, tobacco producers said they will fight the rules, arguing non-branded packets could increase smoking levels among young people. Philip Morris said the elimination of logos would "trigger a variety of adverse consequences, and violates numerous international laws and trade treaties." A public consultation process is likely before a final decision is made.



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MIDDLE EAST

Oman: Graphic Images On Cigarettes From August 9th

The Oman Ministry of Commerce and Industry issued a directive approving the Gulf Technical Regulation requiring graphic images to be placed on cigarette and tobacco packages from August 9th. The health warnings will cover sweetened tobacco, fruit flavored tobacco, tobacco derivatives, snuff tobacco, mixed tobacco for pipes, cigars, Tuscany cigars and the Cigartos. The stipulation will be implemented in all the GCC countries from the same date.

AFRICA

Zimbabwe: Leaf Sales 25% Higher

A total of 54.98 million kg. of Flue-cured tobacco valued at US\$207.6 million has been sold since auction floors opened in Zimbabwe at the start of the marketing season in February, compared with last year's 44 million kg., the Tobacco Industry Marketing Board said this week. Leaf

was fetching an average rate of US\$3.78 per kg ahead of prior season's US\$2.93. Prices have been favorable this season peaking at US\$5.70 under the contract buying system and US\$4.99 at the auctions.



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