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TOBACCO NEWS
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# India News

## New Delhi: Small Vendors Protest Health Ministry Directive

Scores of small vendors, corner shops and kiosk owners nationwide are protesting the Indian Health Ministry's order prohibiting the sale of non-tobacco products alongside cigarettes and other tobacco merchandize. The Ministry of Health and Family Welfare in a letter issued in September 2017 called on all the State governments to license or assign "permission/authorization" to retail outlets for the sale of cigarettes and other tobacco products, and to ensure that such licensed shops are not permitted to market non-tobacco items, such as soft drinks, wafers, chocolates, bread, eggs, juices, or snacks. Small retailers are seeking the intervention of the Prime Minister, saying the families are mainly dependent on the sale of tobacco and non-tobacco products. And if the restrictions are enforced, it would mean a major loss of livelihood as mono-product shops will not attract enough customers to make the business viable.

## New Delhi: Illicit Cigarettes Trade Up, Says FICCI, PMI Proposes Funds Under Impact Initiative

The market of illicit cigarettes and tobacco trade in India continues to rise at an alarming rate, according to a recent report by industry body FICCI and consultancy firm KPMG. Data based on seizures from the Directorate of Revenue Intelligence revealed that the illegal cigarette business in the country rose by Rs.5,775 crore between 2010 and 2015, worth about Rs.25,000 crore, derived from estimating the value of one stick unit at an average of Rs.10.5. The report, while attributing the escalating growth of the grey market to higher taxation, availability of cheaper alternatives, lack of awareness and enforcement mechanisms, called for more inter-governmental efforts and public-private partnership to identify approaches for the development of a holistic strategy. Meanwhile, global tobacco major Philip Morris International has said it will fund proposals under its US$100 million global initiative to support third-party projects dedicated to fight illegal trade. Illicit cigarettes account for around 20% of the total cigarette sales in India, the *Marlboro* cigarettes maker noted.

## Assam: Guwahati High Court Sets Aside 2013 Smokeless Tobacco Ban

The High Court of Guwahati struck down the State government mandated Assam Health Act of 2013, which banned the consumption and trade of all forms of smokeless tobacco products. The Court declared that the Assam Health (Prohibition of Manufacturing, Advertisement, Trade, Storage, Distribution, Sale and Consumption of Zarda, Gutkha, Pan Masala, etc, containing Tobacco and Nicotine) Act, 2013, was ultra vires or beyond the State's authority. The petitioners pointed out that the State Legislature lacks the

Constitutional power to enact the legislation, and that the authority to promulgate such laws lies exclusively with Parliament. The law came into effect in February 2014, and contravention was a cognizable and non-bailable offence, carrying a minimum prison term of three years.

### Bihar: Patna Municipal Corporation Mandates Licenses For Tobacco Vendors

The Patna Municipal Corporation in the State of Bihar has issued a directive limiting the sale of all tobacco products in the Corporation area to only licensed vendors. The order under Bihar Municipal Act 2007 mandates that stockists, wholesalers and retailers of cigarettes and tobacco products are now required to obtain a license from the Corporation and meet the necessary conditions for trading of tobacco and tobacco products. With the compulsory requirement, the government aims to restrict the number of shops selling tobacco products. The move is expected to further strengthen the regulation of underage tobacco sales, of tobacco products within 100 yards of educational institutions as well as smokeless tobacco, under the Cigarette and Other Tobacco Product Act 2003 (COTPA).

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# World Highlights

## NORTHERN AMERICA

### US: Altria Group Three And Nine Months Earnings Rise

US tobacco major Altria Group Inc. announced 2017 three and nine months to September 2017 business results, posting a massive 70.7% jump in net earnings of US$1.87 billion in the third quarter against US$1.09 billion in Q3 of 2016. Reported diluted EPS increased 73.2% to US$0.97. Net revenues, however, decreased by 2.5% to US$6.7 billion, from like period of 2016, primarily driven by poor sales in the smokeable products segment. The parent company of cigarette manufacturer Philip Morris USA, cigar producer John Middleton and the Sherman Group said the smokeable products segment's net revenues fell by 2.8% to US$5.97 billion in the three months to September 30th, 2017, as lower volume was partially offset by higher pricing. PM USA's domestic cigarette shipments dwindled by 6.2% in the quarter to 30.82 billion sticks, impacted by the industry's rate of downturn, trade inventory movements, and retail share dips. While cigar volumes at John Middleton expanded by 6.6% to 385 million units. Sales of Philip Morris' flagship *Marlboro* cigarettes plummeted 6%, resulting in America's leading brand losing a half percentage point in market share. *Marlboro* accounted for 26.5 billion sticks, of the total shipments. *Marlboro*'s market share slipped to 43.2% along with that of other premium brands, owing to higher cigarette excise taxes in California and "increased competitive activity." Altria's U.S. Smokeless Tobacco Company saw net revenues advance by 4.2% in the quarter, to US$550 million aided by better pricing and lesser promotional investments, partly balanced off by a drop in quantities and unfavorable mix. Domestic sales shrunk by 1.8% to 212.6 million cans and packs, mainly because of *Skoal* (61.6 million against 66.2 million sold in 3Q16), even as *Copenhagen* (134.1 million) grew retail share to 33.9%. At the e-vapor Nu Mark unit, supplies of *MarkTen* spiked 50% on extensions in distribution and category growth.

For the January to September months of 2017, Altria said earnings rose 32.6% to US$5.26 billion with reported diluted EPS at US$2.72, up from US$3.96 billion in the nine months of 2016. The 2017 nine month's net revenues decreased 0.1% to US$19.5 billion. Even as the smokeable products - cigarette and cigar net revenues at US$17.35 billion were essentially unchanged as improved pricing offset weak volumes and enhanced promotional expenses. Cigarette business was down by 4.0% to 90.12 billion sticks, while that of cigars spiraled 10.6% to 1.15 billion units for the first nine months of 2017. In the smokeless segment, net revenues were up 3.3% to US$1.58 billion. USSTC's reported domestic deliveries slumped 1.7% to 629.4 million cans and packs in the nine months period, chiefly on a sharp 7.2% decline in moist-snuff brand *Skoal* shipments. Altria reaffirmed guidance for 2017 full-year adjusted diluted EPS to be in a range of US$3.26 to US$3.32.

"Altria delivered outstanding performance in the third quarter and for the first nine months of 2017 as our core tobacco operating companies generated strong income growth," Martin Barrington, Altria's Chairman, Chief Executive Officer and President said. "Our financial performance continues to strengthen in the second half, as we expected," he noted.

## US: Universal Improves Half Year Net Income

Global leaf supplier Universal Corporation released on November 7th, 2017 results for the second quarter of fiscal year 2018 and for the six months to the end of September 2017, recording a rise in net income of US$26.2 million, or US$1.02 per diluted share, compared with the prior year's second quarter of US$25.3 million. Second fiscal quarter continued to see the benefits of higher current crop sales and processing volumes and lower factory unit costs from the recovery in leaf production volumes this year in Brazil, Universal stated. For the six months ended September 30, 2017, net returns surged to US$29.7 million, or US$1.16 per diluted share, against US$19.8 million, for the same period the previous fiscal year. Consolidated revenues swelled by US$20.5 million to US$772.9 million for the first half of fiscal year 2018, and by US$31.3 million to US$488.2 million for the three months to September, from like period the prior year. Universal Chairman, President, and CEO, George C. Freeman, III, said the six months results were in line with expectations and reflected slightly higher total sales volumes and decreased selling, general, and administrative costs. During the second half of the current fiscal year, sales of African tobaccos would be impacted by reduced Burley production volumes in Africa, which mainly ship in the third and fourth fiscal quarters, he said. "Less African Burley leaf was grown this fiscal year due to excess production and low grower prices in fiscal year 2017 and unfavorable weather conditions this fiscal year," he stated, adding that, "We are estimating that this fiscal year's global Burley production declines will recover in next year's crop." Freeman, however, expects total lamina sales volumes for fiscal year 2018 to take a dip.

## US: FDA Extends Ingredient Listings Deadlines, For Cigar Makers Affected By Hurricanes As Well

The US Food and Drug Administration declared on November 7, 2017 a six-month extension to Ingredient listing requirements for domestic manufacturers and importers of deemed tobacco products due to "technical issues users encountered" with the online system. The extra time applies to both large scale and small scale producers, with May 8th, 2018 the new deadline for large scale units and November 8th, 2018 for small scale ventures, and pertains only to products on the market before August 8th, 2016. Weeks ago, in October, the Federal agency also granted cigar makers and importers located in areas impacted by natural disasters, Hurricanes Harvey and Irma and the recent wildfires, an additional six-months to comply with two provisions outlined in the Final Deeming Rule. The compliance timeframes relate to the ingredient listing and health document submission requirements. The list of areas that the FDA recognizes as affected by the natural disasters are the Caribbean Island nations as well as many counties in California, Texas and Florida, where the majority of US cigar importers are headquartered. The new deadline for larger cigar firms to file their Ingredient Listings is now May 8, 2018, while small-scale producers (that employ 150 or fewer full-time equivalent employees) have until November 8, 2018 to submit. While the closing date for Health Documents for larger units is February 8, 2017, and for smaller enterprises May 8, 2018.

## US: Alliance One Gross Profit Jumps

Morrisville, North Carolina-located independent leaf merchant Alliance One International reported a jump in second quarter and first six months to the end of September 2017 gross profit and sales, of US$447.3 million in sales for the three months, up 14.9% on that of like period of September 2016. Attributing it to a larger South American crop and a 12.4% increase in average selling price due to favorable product mix. Gross profit soared 37.9% to US$69.3 million. Net income for the quarter was US$1.0 million and adjusted EBITDA improved 40.5% to US$49.9 million.

For the first half 2017, total kilos sold rose 2.1% to 153.2 million kg. and proceeds were up 11.3% to US$724.3 million against last year, as a result of better customer demand from Asia and Europe, and a 9.5% boost in average sales rate due to positive product mix. Gross profit spiraled 16.2% to US$98.0 million.

Announcing the results for the second quarter and six months, President and CEO Pieter Sikkel said Alliance had achieved solid sales growth during the 2Q, and that volumes grew as crop sizes had returned to more normal levels in many key markets. Trade is poised to strengthen throughout the fiscal year, based on the timing of crops and processing in the cultivating regions. Sikkel said that the company was implementing initiatives to develop the business platform, while continuing to enhance its sustainability and track-and-trace capabilities. And had recently made a further investment to expand the e-liquid capability and footprint established initially with investment in Purilum, a leader in e-liquids and flavoring. Purilum won the 2017 Golden Leaf Award for the company most committed to quality, affirming AOI's assurance to top quality next generation products and their future.

## US: FDA Committee To Discuss *IQOS* In January 2018

The US Food and Drug Administration said in a press release that the Tobacco Products Scientific Advisory Committee will discuss on January 24th-25th, 2018, the Modified Risk Tobacco Product Applications (MRTPAs), submitted by Philip Morris Products S.A. for *IQOS* system with *Marlboro Heatsticks*, *IQOS* with *Marlboro Smooth Menthol Heatsticks*, and *IQOS* with *Marlboro Fresh Menthol Heatsticks*.

## US: Manuel Garcia Joins Villiger Cigars

Villiger Cigars has announced that Manuel Garcia will join the Villiger International Handmade Cigar Division, as advisor. Garcia gained global recognition as the Commercial Vice President of Habanos S.A. and has gained critical acclaim for helping shape the image of Cuban cigars worldwide. He was also the General Manager of 5th Avenue Products Trading, the exclusive distributor for Habanos products in Germany from 1991-1995, where he worked alongside Heinrich Villiger. Garcia's will be headquartered in Santo Domingo, Dominican Republic at the ABAM Cigar Factory, where all Dominican Villiger products are made.

## US: 22nd Century Appoints Former Reynolds American Regulatory Expert

Leaf tobacco biotechnology firm 22nd Century Group has appointed former Reynolds American regulatory specialist James Swauger, as Senior Vice President for Science and Regulatory Affairs. Swauger will oversee the re-submission of a modified risk tobacco product application for a very low nicotine cigarette to the US Food and Drug Administration. The New York-based enterprise holds patents on methods to control the level of nicotine in tobacco plants through genetic engineering and plant breeding. 22nd Century markets the *Magic* brand cigarette containing 95% less nicotine.

## US: New Jersey Latest To Enforce Tobacco-21 Law

On November 1, 2017, New Jersey began enforcing the law signed by Governor Christie in July raising the legal age to purchase cigarettes and tobacco products from 19 to 21. The regulation applies to selling and buying tobacco and electronic smoking devices.

## LATIN AMERICA & THE CARIBBEAN

### Uruguay: Neutral Packaging Proposed For Tobacco Products

The government of Uruguay has submitted a bill requiring plain packaging for tobacco products to Congress on November 7th, 2017. Under the regulation, all tobacco packs will have to be standardized in shape, size and material; product information will be restricted to a name displayed in standardized text, and the background will be a neutral, unattractive color. Currently, the law mandates graphic health warnings be displayed on 80% of the front and back of cigarette packages, which makes Uruguay a leading country for this policy. Besides, the tobacco industry is also limited by the 'single presentation' rule – which means tobacco companies can only sell one variant within its brand family. The government expects plain tobacco packs to be in the market by 2019.

### Bahamas: Wind River Tobacco Co. Sets Up New Hub For International Manufacturing, Distribution In Grand Bahama

US tobacco manufacturer Wind River Tobacco Company, in a joint announcement with the government, said it is establishing an overseas hub in Grand Bahama that would become a base for all international distribution and manufacturing activities. The move is expected to create 50 new jobs by mid-2018. The recently renovated facilities in Freeport, in the first phase, will process, and pack, tobacco-based consumer products solely for exports across the globe, Wind River said in a statement. Minister of State for Grand Bahama Sen. Kwasi Thomspon stated that the venture is in line with the government's commitment to bring about economic revitalization in the Grand Bahama.

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## EUROPE

### Russia: BAT Launches *Glo* Device

British American Tobacco has stated that the geographic expansion of G*lo*™ is continuing with the launch in Russia. The company's Saint Petersburg factory has been making the *Kent Neostiks* used in the device. The battery-powered gadget is marketed in five colors with a suggested retail price of RUB 3,500 (EUR 51.8) with the *Neostiks* costing RUB 130 per pack. *Glo* is positioned as simpler to use and consists of just one device that can power more than twenty sticks with a full charge. *Glo* is currently available in Canada, Japan, South Korea and Switzerland, making the Russian market the fifth.

## Sweden: Swedish Match Posts Better Snus, Moist Snuff Business For September Period

Leading snus and moist-snuff maker Swedish Match AB declared three and nine months to the end of September 2017 business outcome, detailing higher-than-expected third-quarter profit as better prices in Sweden on wet snuff snus compensated for a slower growth in cigar volumes in the United States. Profit for the third quarter was 753 MSEK against 2,306 MSEK in like period of 2016, with earnings per share (EPS) at 4.22 SEK (12.32). Sales decreased by 1% to 4,069 MSEK (from 4,118 MSEK). But were up in local currencies, by 1%, for product areas snus and moist snuff and other tobacco products. Snus and moist snuff business increased 3% to SEK 1.4 billion, despite a 6% drop in US shipments that was attributed to reduced promotional activity. The snus market in Scandinavia rose 2% to 61.7 million cans. US moist-snuff volume was down 2.3 million cans to 33.6 million. The August acquisition of Danish smokeless company V2 Tobacco boosted quantities in the European markets outside Scandinavia. US cigar numbers improved slightly by 1% on challenging prior year comparisons, while the US chewing tobacco sector shrunk, with traditional premium varieties down in comparison to value brands that saw an uptick. The company reported continued expansion in *ZYN* nicotine pouches outside Scandinavia. *Zyn*, the nicotine pouch made without tobacco leaf, is doing well in the US market, and plans are afoot to invest more than US$40 million to augment production, Swedish Match stated. Sales for both matches and lighters were lower in the quarter.

For the first nine months of 2017, the *General One* and *Göteborgs Rapé One* snus producer reported that sales climbed by 4% to 12,057 MSEK (up from 11,594 MSEK last year). Profit for the period amounted to 2,495 MSEK, that slid from 4,461 MSEK with EPS of 13.77 SEK. In the snus and moist snuff segment, retail in Scandinavia grew by 1% to 181.2 million cans, while moist snuff dipped in the US by 5% to 99.5 million cans. Cigar volumes soared 11% in the US to 1,232 million sticks even as the market for chewing tobacco slipped 5% to 4,989 thousand pounds. Lighter and matches transactions dwindle, with the latter more than compensated by pricing, mix and positive currency effects compared to the first nine months of 2016.

## Sweden/Norway: Swedish Match Loses Brand Free Packaging Case

Snus manufacturer Swedish Match lost a legal action filed against the Norway government seeking temporary injunction against regulations requiring standardized packaging for snus, a wet snuff tobacco product. The Oslo County Court ruled on November 6, 2017 that the new rules were designed for public health, and is a legitimate measure in line with the EEA Agreement.

## Switzerland: Oettinger Davidoff Opens New Headquarters

Premier cigar creator Oettinger Davidoff AG has opened new headquarters in Basel, Switzerland, named Maison Davidoff. The new seven-floor, 82,500-square-foot building, for which construction began in 2015, replaces the old building that served as the head office for 85 years, and will "encourage inter-divisional collaboration and promote creativity, productivity and innovation, crucially important for the successful global growth of the cigar business," the company stated.

## United Kingdom: Imperial Acquires Nerudia

Leading tobacco company Imperial Brands Plc. has acquired e-liquids producer Nerudia. The Liverpool, England-located vapor business Nerudia, works with manufacturers to ensure products comply with regulatory standards in the European Union and the US. Nerudia was founded in 2013, in partnership with Contraf-Nicotex-Tobacco, provider of pharmaceutical-grade nicotine to the e-cigarette industry. Imperial took over Dragonite e-cigarette unit to gain access to its intellectual property in 2013.

## United Kingdom: Last UK-Made Cigarettes Roll Off JTI Ballymena Line

A last pack of UK-made cigarettes rolled off the production line in the last week of October 2017, (on October 24th) at the Japan Tobacco International's facility in Ballymena, in County Antrim, Northern Ireland. The final product was a pouch of fine-cut tobacco for roll-your-own cigarettes. Japanese multinational JTI took over Gallaher in 2007, and announced the closure of the Ballymena plant in 2014, and shifting of the manufacturing operations to Poland, resulting in the loss of 900 jobs in Northern Ireland. The site will be redeveloped for use by Wrights Group, the Northern Irish busmaker. The closure of the factory, comes after the last tobacco producer in England, Imperial Brands Horizon plant in Nottingham ceased operations in May last year.

## United Kingdom: BAT Next Generation Product Sales To Double In 2018, Parliament Panel To Study Health, Economic Impact Of Products

London-headquartered world's biggest international tobacco group British American Tobacco expects sales of its vaping and tobacco heating products that are running above expectations, to double next year to £1 billion, from £500 million that it aims to make this year. The Next Generation Product business has real momentum and should be breaking even by the end of 2018, and delivering "substantial profit" by 2022, the *Dunhill* and *Rothmans* cigarette maker said. With revenues rising to more than £5 billion by 2022. Meanwhile, the UK Parliament has created a panel to study the health and economic impact of tobacco heaters and electronic cigarettes. With comments submitted to the Science and Technology Committee by December 2017.

## United Kingdom: Imperial Brands To Ramp Up NGP Segment Amid Volume Declines

Bristol-based UK multinational Imperial Brands Plc. has successfully slowed the decline in cigarettes sales in the second half of the year, shipping 265.2 billion sticks equivalents in 2017, down 4.1% on the 276.5 billion sold last year by focusing on key brands and keeping a lid on price rises. The World No. 4 tobacco conglomerate unveiled preliminary results for the year ended September 30th, 2017, stating an increase in consignments of Growth Brands and strong performance in priority markets as reasons behind improvements in revenue and profitability for the second half of the financial year. Growth brand volumes climbed 5.5% on last year with 159.6 billion units dispatched, leading to market share gains in the priority regions such as UK at 41.9%, up 80 base points, on solid sales of *Players* cigarettes and *Gold Leaf* fine cut tobacco. Market shares grew at 33.8% in Australia and 22.4% in Germany, on the back of *JPS* cigarettes. In the US, *Winston* and *Kool* share was up. Imperial said Growth Brands accounted for around 63% of the Group's tobacco net revenue, which jumped 8.2% on 2016 to reach £7.757 billion. Continued progress from Specialist Brands in *Premium Cigars*, *Backwoods*, *Skruf* and *Rizla*, saw Growth and Specialist Brand revenue up 260 bps to 62.7% of reported tobacco net revenue. Chief Executive Alison Cooper called 2017 an "important year of progress." She said that while the e-vapor segment remains priority for the *Blu* e-cigarette maker, with new launches and footprint expansion, the company will begin consumer trials of its own heated tobacco product this year, by December 2017. Even as the acquisition of nicotine products and services group Nerudia further enhances NGP innovation capabilities. The *Gauloise* cigarettes and *Rizla* rolling paper producer said, that it will be "significantly stepping up" activity in the Next Generation Product (NGP) segment in 2018.

## Turkey: Reduced Risk Products Plan Scrapped

Turkey's Minister of Finance Naci Aðbal has confirmed that plans to permit the production, import and sale of 'heat-not-burn tobacco products and electronic nicotine delivery systems (ENDS)' in the country has been annulled. The announcement follows "strong public reaction to the threats posed by the tobacco industry's new strategy to begin importing and producing heat-not-burn and ENDS products …," the statement noted, adding that the use of reduced-risk alternatives to cigarettes had 'increased at an alarming rate among youth and young adults' in recent years.

# ASIA & OCEANIA

## Japan: Govt. Considering Hiking Tobacco Tax To Cover Revenue Shortfalls

The Japanese government is deliberating raising the tax on cigarettes as part of efforts to cover revenue shortfalls that are likely to result post the introduction of the consumption tax in October 2019. Prime Minister Shinzo Abe's administration is set to slash charges on some daily necessities to soften the impact of the higher consumption tax on lower-income households. The consumption tax will go up to 10% from 8% in October 2019, and the cut in rates is expected to reduce revenues by around 1 trillion yen. The government and ruling parties will soon start discussing the tobacco tax hike as part of the annual tax reforms for fiscal 2018 starting next April. The draft reforms will be compiled by the year-end.

## Japan: Japan Tobacco Nine Months Outcome Disappoints

Third largest global tobacco company Japan Tobacco Inc. posted January to the end of September 2017 results, detailing a lower-than-expected profit, following a sharp drop in domestic cigarette sales as more smokers switch to vaping products and the continuing long-term market contraction. Domestic cigarette sales volume at 70.3 billion was down 11.8% on that of January-September 2016, 79.7 billion, despite the cigarette market share of 61%, on a par with that of last year. Core domestic cigarette revenue during the period, at ¥443.1 billion, declined 8.7% from like period 2016, because of a poor market, partially offset by the benefit of a *Mevius* retail price amendment last year and increasing distribution of *Ploom TECH*.

JT's worldwide business Japan Tobacco International's total shipments of cigarettes and cigarette-equivalents (including fine cut, cigars, pipe tobacco and snus, but excluding contract manufactured products, water pipe tobacco and emerging products) during the nine months to the end of September 2017, dipped 2.0% to 298 billion units excluding the takeover in the Philippines. Volumes improved primarily in Iran, Taiwan and emerging markets, but was unable to counteract the impact of a tapering industry mainly in CIS+ countries. Global Flagship Brands sales grew 0.2%, to 216.8 billion units mainly driven by market share gains in several key and developing regions. At the end of September, the vapor business was being operated in 11 countries, outside of Japan.

In announcing the consolidated results, JT's President and CEO, Mitsuomi Koizumi, said the *Natural American Spirit, and Winston* seller continued to generate strong earnings growth in the international tobacco business, led by cost optimization initiatives. And extending geographic reach with the acquisitions in Indonesia and the Philippines. The CEO said JT is bolstering the production capacity of vapor product *Ploom TECH* as it prepares to expand presence nationwide in the first half of 2018, and at the same time investing in emerging products. Japan Tobacco said it now expects to sell fewer cigarettes domestically, around 92 billion in 2017, a decrease of 13.4% from a year ago, around 1 billion less than forecast in August, and 4 billion below the projection at the start of year.

## South Korea: KT&G Unveils Tobacco Heating Device, Govt. Mulls Higher Duties

South Korean cigarette maker KT&G unveiled on September 7th a new tobacco heating device, to hit shelves on November 20th. The new product, *Lil*, heats tobacco without generating smoke using a battery, and will retail for KRW95,000, with a discounted price of KRW68,000 reportedly available. The heat-not-burn (HNB) tobacco market in the country has been burgeoning in recent times with the launch of British American Tobacco's (BAT) *glo* in August and Philip Morris International Inc.'s *IQOS* earlier in June. *Lil* has been positioned cheaper than *IQOS* sold at a markdown cost of KRW 97,000 and *glo* on sale at a discount of KRW 70,000. Meanwhile, amid the rising popularity of the new tobacco devices, South Korea is pushing to increase the tax levied on them from the current 50%-60% of traditional cigarettes to 90%.

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# TOBACCO NEWS

## Indonesia: Bid To Impose 57% Excise Tariff On E-Liquids

The Indonesia government is proposing to enforce a 57% excise tariff on liquids used in vaping devices in 2018, instead of banning electronic cigarettes, as previously planned. Finance Minister Mulyani Indrawati signed a ministerial regulation on the excise of processed tobacco products, known as HPTL, on October 24th, 2017. The new toll for HPTL is expected to come into force next July 1st. Besides e-liquids, snuffs and chewing tobacco products, the government is also considering levying electronic cigarettes, which are increasingly becoming trendy in the country.

## Indonesia: Tobacco Farmers Urge Restrictions On Leaf Imports

Tobacco farmers in Indonesia, lead by the Indonesian Tobacco Farmers Association (APTI) urged the President Joko 'Jokowi' Widodo to control leaf-tobacco imports so as to protect local farmers. In a meeting, APTI members from nine provinces called on the President to permit cigarette companies to import tobacco only after absorbing the local leaf. And set import quotas on a par with the amount of domestic leaf purchased. The volume of overseas leaf bought should not be more than 20% of the total consumption. Local tobacco production is around 247,000 tons annually with prices varying from Rp45,000 (US$3.31) per kg to Rp350,000 per kg, depending on the quality. The increase in imported tobacco had resulted in a lower preference for domestic tobacco and a decline in prices.

## Philippines: BAT May Close Philippines Operations

World's leading multinational British American Tobacco (BAT) is likely to close operations in the Philippine by the end of December 2017, amid a "difficult environment" and post a failed attempt to buy local cigarette manufacturer Mighty Corporation. BAT Philippines started winding down operations after Japan Tobacco International (JTI) acquired Mighty for P46.8 billion in September this year, viewed as a big letdown for the British transnational tobacco company. The domestic market is dominated by PMFTC Inc., while JTI controls more than 25%. "Given our small-scale operation, the highly consolidated nature of the market in the Philippines and the lack of inorganic opportunities, we have concluded that it is not sustainable for us to maintain a presence in the market," BAT confirmed. This is not the first time BAT is pulling out of the Philippine tobacco industry, the maker of *Lucky Strike* cigarettes left the country in 2009 over a decision of the Supreme Court disfavoring one of its brands – *Pall Mall*, but returned in 2012.

## Singapore: Singapore Ups Legal Smoking Age

Starting January 1, 2019, smokers in Singapore need to be at least 19 years old to be able to purchase cigarettes, under a new law passed by Parliament on November 7th, 2017. The new legal age, up from the current 18, will subsequently be raised annually until it is set at 21 in 2021, as part of the nation's effort to "de-normalize" the use of tobacco products over time. In addition, the law will also ban people from buying, using and owning imitation tobacco products, such as e-cigarettes, e-cigars and e-pipes. It broadens existing rules that prohibit the sale, import and distribution of battery-powered devices that heat nicotine-infused liquids to produce a vapor that is inhaled.

## AFRICA

### Ethiopia: First Tobacco Survey Reveals High Prevalence

Ethiopia's first investigation of adult tobacco use, the Global Adult Tobacco Survey (GATS), conducted in conjunction with the Ethiopian government and assessing the 2016 tobacco trend, revealed that more than 3.4 million adults currently use tobacco products, overall, 3.2% of adults (2.2 million) smoked tobacco daily (5.2% among men and 1.1% among women), and 0.5% (350,000) smoked tobacco occasionally (0.9% among men and 0.1% among women). Among all adults, 2.7% or 1.9 million currently light up manufactured cigarette. With the current average manufactured cigarette use at 10.3 cigarettes per day. Around 1.1 million adults consume smokeless tobacco, with daily prevalence at 1.5% and occasional consumption at 0.2%. The analysis further found that nearly one-third of adults are exposed to environmental tobacco smoke at work. With exposure significantly high at bars and nightclubs (60.4%), restaurants (31.1%) and universities (29.4%). Tobacco is also very affordable in Ethiopia with a pack of 20 cigarettes costing less than US$1.

### Zimbabwe: Leaf Exports Top US$667 Million

Overseas earnings from Zimbabwean leaf soared to US$666.8 million from 123.7 million kg., as of October 26, 2017, with much of the leaf sold to South Africa and China since the beginning of 2017. China imported over 27.4 million kg valued at US$217.4 million so far. During the same period in 2016 tobacco sales generated US$591.6 million from 111.9 million kg. Last year, leaf exports topped US$933 million, a marginal surge from US$855 million from the previous season. During the 2017 marketing season, about 189 million kg. of Flue-cured tobacco was delivered to the floors, with contract farmers contributing most of the supply at 158 million kg.





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