



Foreign Agricultural Service

**GAIN Report**

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## **Kazakhstan, Republic of**

## **Tobacco and Products**

## **Annual**

## **2000**

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### **Report Highlights:**

**MY 2000 tobacco production is forecast to increase slightly due to increased demand from cigarette manufacturers. Cigarette production is expected to increase to 26.7 billion pieces per year.**

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Includes PSD changes: Yes

Includes Trade Matrix: No

Annual Report

Islamabad [PK1], KZ

**TOBACCO****PRODUCTION**

Total MY 2000 tobacco production is forecast to increase slightly to 8,300 metric tons (MT) in response to increased demand from cigarette manufacturers.

Oriental is the only variety produced and is grown mainly in the Almaty and South Kazakhstan regions. Most tobacco is grown under contract with Philip Morris Kazakhstan (PMK), which has been operating in Almaty since 1993. PMK provides seeds and inputs for farmers. Virtually all production is utilized locally due to the high cost of transportation and the generally low quality of the crop.

**Table 1. Unmanufactured Tobacco PS & D**

PSD Table						
Country:	Kazakhstan , Republic of					
Commodity:	Tobacco, Unmfg.					
		1998		1999		2000
	Old	New	Old	New	Old	New
Market Year Begin		01/1998		01/1999		01/2000
Area Planted	5500	5000	4000	4300	0	4500
Beginning Stocks	5300	7800	7800	7900	0	7900
Farm Sales Weight Prod	10000	8700	8000	8000	0	8300
Dry Weight Production	9000	7700	7100	7100	0	7400
U.S. Leaf Imports	0	0	0	0	0	0
Other Foreign Imports	500	2000	500	2000	0	2000
TOTAL Imports	500	2000	500	2000	0	2000
TOTAL SUPPLY	14800	17500	15400	17000	0	17300
Exports	500	0	800	0	0	0
Dom. Leaf Consumption	6000	7600	6200	7800	0	8000
U.S. Leaf Dom. Consum.	0	0	0	0	0	0
Other Foreign Consump.	500	2000	500	2000	0	2000
TOTAL Dom. Consumption	6500	9600	6700	9800	0	10000
TOTAL Disappearance	7000	9600	7500	9800	0	8000
Ending Stocks	7800	7900	7900	7200	0	7300
TOTAL DISTRIBUTION	14800	17500	15400	17000	0	17300

**CONSUMPTION**

MY 2000 tobacco consumption is forecast to increase to 10,000 MT as a result of increasing demand from cigarette producers. All tobacco produced in Kazakhstan is utilized by PMK to produce local oriental-type brands. All other manufacturers rely on imported cut-filler for their production.

A new factory, backed by Chinese investment, reportedly will begin operating in Almaty in 2000 and is planning to utilize local leaf. If so, production will need to increase in response to this new demand.

## **TRADE**

Imports of unmanufactured tobacco stabilized at 2,000 MT per year. All imported unmanufactured tobacco leaf is oriental tobacco and is blended with local tobacco to improve quality. In 1999, PMK imported 2,000 MT of tobacco from Kyrgyzstan. MY 2000 imports also are forecast at 2,000 MT.

There are no official statistics on leaf exports. Trade sources estimate exports at about 250 MT annually, mainly to neighboring Commonwealth of Independent States (CIS) countries.

## **STOCKS**

No official stock data is available. Observers estimate cigarette manufacturers maintain stocks of 8 to 10 months.

## **CIGARETTES**

### **PRODUCTION**

MY 2000 cigarette production is forecast to increase to 26.7 billion pieces due to expected increases in production capacity and increased export demand. Three cigarette manufacturers, Philip Morris Kazakhstan, R.J. Reynolds and Gallaher (England) currently operate in Kazakhstan. In 1999, PMK completed a modern factory, with a total capacity of 30 billion cigarettes, near Almaty. PMK plans to decrease output at its old factory and to shift production to the new factory. In 1999, PMK produced 16.6 billion cigarettes, including 600,000 non-filter cigarettes.

R.J. Reynolds is located in Chimkent and uses only imported cut-filler from various European and Asian suppliers to produce American blend cigarettes. In 1999, the company produced 6 billion cigarettes and imported 4,000 MT of cut-filler. Gallaher, which began operating in 1999, also relies solely on imported cut-filler for production. In 1999, Gallaher produced 5 billion cigarettes and imported 3,000 MT of cut-filler. A new Chinese firm is planning to establish a small factory in Almaty in 2000 to produce about 200 million local brand cigarettes from local tobacco.

### **Table 2. Cigarettes PS & D**

PSD Table						
Country:	Kazakhstan , Republic of					
Commodity:	Tobacco, Mfg., Cigarettes					
		1998		1999		2000
	Old	New	Old	New	Old	New
Market Year Begin		01/1998		01/1999		01/2000
Filter Production	21300	21400	24300	25000	0	26000
Non-Filter Production	700	600	700	600	0	700
TOTAL Production	22000	22000	25000	25600	0	26700
Imports	5000	5000	4000	3000	0	3000
TOTAL SUPPLY	27000	27000	29000	28600	0	29700
Exports	10000	10000	12000	11500	0	12600
Domestic Consumption	17000	17000	17000	17100	0	17100
TOTAL DISTRIBUTION	27000	27000	29000	28600	0	29700

## CONSUMPTION

No official data on cigarette consumption is available. However, by using sales as a proxy for consumption, 1999 consumption remained stable at an estimated 17.1 billion pieces. The Government of Kazakhstan prohibits smoking in offices and other public places.

Prices for both local and imported cigarettes increased sharply following the devaluation of Tenge in April 1999.

**Table 3. 1999 Cigarette Prices**

	Tenge per Pack
Local: non-filter	17-19
Local: filter	25-30
Local: American Blend	40-80
Imported: non-filter	15-17
Imported: International Blend	70-250

\$1= 135 Tenge

## TRADE

MY 2000 cigarette imports are expected to decline slightly due to their higher price and stable demand. Import tariffs for most tobacco products remained unchanged in 1999. Cigarettes may be imported from Kyrgyzstan and Russia duty free. In addition to tariffs, all imported cigarettes are subject to the following charges: 0.2 percent custom procedures, 2 euro per 1,000 pieces excise, and 20 percent of Value Added Tax.

**Table 4. Tariff Schedule**

<b>HS CODE</b>	<b>COMMODITY</b>	<b>IMPORT TARIFFS</b>
2401	Unmanufactured tobacco, tobacco refuse	5 percent
2402	Cigars, cigarillos, and cigarettes, of or Tobacco substitutes	30 percent, but no less than 3 Euro for 1,000 pieces
2403	Other manufactured tobacco and manufactured tobacco substitutes; homogenized or reconstituted tobacco extracts and essences	30 percent
	Except:	
2403 10	Smoking tobacco, whether or not containing tobacco substitutes in any portion	20 percent
2403 91 000	Homogenized or reconstituted tobacco	20 percent