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Report Highlights:

India's MY 2004 unmanufactured tobacco production is estimated to increase marginally to 665,000 tons (farm sales weight basis), due to higher export demand and increasing domestic consumption.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
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SECTION I - SITUATION AND OUTLOOK

Production

India's MY 2004 unmanufactured tobacco production is estimated to increase marginally to 665,000 tons (farm sales weight basis), due to higher export demand and increasing domestic consumption. Cigarette tobaccos, which include mostly Flue Cured Virginia (FCV) and Burley, constitute about 30 percent of India's total tobacco production. FCV tobacco production in MY 2004 is estimated up at 200,000 tons, mainly due to increased productivity and a 4 percent increase in planted area resulting from favorable monsoon rains and higher prices for the MY 2003 FCV crop. Despite marketing problems faced by FCV tobacco farmers last year, they continue to grow tobacco due to existing investments in infrastructure and consistently better returns from tobacco vis-a-vis competing crops. MY 2004 burley production is estimated to decline to 5,750 tons due to lower export demand and lower MY 2003 prices. Oriental tobacco production is estimated at 400 tons.

The Tobacco Board, a quasi-governmental agency, regulates the production and marketing of FCV tobacco. For MY 2004, the Board has set a production ceiling of 149,000 tons (104,000 tons for Andhra Pradesh and 45,000 tons for Karnataka). However, actual production is likely to exceed the ceiling because of the prevailing supply/demand situation. Production of other types of tobacco, mainly burley and other cigarette tobaccos, are governed by contracts between farmers and trade/industry.

Besides a central government subsidy to transport coal (used for tobacco curing) to Karnataka, there are no government subsidies for tobacco production. The Government of India (GOI) supports tobacco research and extension programs. In July MY 2003, the GOI set up a \$113 million price stabilization fund for tobacco and several other plantation crops such as coffee, tea, and rubber, generated through government funds and contributions by growers. The main objective of this fund is to provide financial relief to the growers when prices fall below a specified level, without resorting to GOI procurement.

Consumption

Cigarette tobacco consumption in MY 2003 is estimated at 98,000 tons, compared with 95,000 tons in MY 2002. FCV tobacco accounts for about 80 percent of the total consumption by the Indian cigarette industry, which is dominated by British type blends. Burley tobacco consumption accounts for 7 percent, and is mostly used as a filler. Other tobaccos used in cigarette manufacturing are the HDBRG - Harvel Deboxy Rio Grande (traditional burley) and the sun-cured natu, which have a higher tar and nicotine content and are used to improve the smoke value of lower-end cigarettes. Oriental and other imported tobaccos are mostly used in the manufacture of premium international brands, which go both for domestic consumption and exports.

Prices

Declining carryover stocks (around 31,740 tons in MY 2002) and an increased export demand led to higher prices for cigarette tobaccos during MY 2003. Karnataka FCV, which typically has a better quality, fetched an average price of rs. 43.6 per kilogram (\$0.98) in the MY 2003 auctions, compared to rs. 35.6 per kilogram (\$0.81) for the Andhra Pradesh FCV.

Trade

MY 2003 tobacco imports are estimated to increase by 10 percent to 1,200 metric tons and are forecast at 1,250 tons in MY 2004, due to the currently strong Indian currency and

increased domestic production of international brands of cigarettes. Indian exports of unmanufactured tobacco increased to 125,000 tons in MY 2003, due to increased demand from the European Union, the Middle East, and African countries, which resulted from better quality leaves, and competitive prices. The low-nicotine, Mysore variety FCV continues to dominate Indian exports, constituting about 45 percent of the total unmanufactured tobacco exports. Exports in MY 2004 are forecast to decline to 90,000 tons due to a strong Indian rupee and higher domestic prices. The bulk of sun-cured natu tobacco from India is exported to countries like Russia, Egypt, Germany, Bangladesh, and the Netherlands.

Cigarettes

Cigarette production in MY 2003 increased slightly to 92 billion pieces despite the government's anti-smoking measures. These include the prohibition of smoking in public places and legislation banning advertisements in mass media and the sponsoring of sports events by cigarette companies. Income growth and increasing health concerns have led to a growth in the filter cigarette segment vis-a-vis the non-filter. The mini-cigarette segment shrunk in MY 2003, unable to compete with the low-cost alternatives of *Beedi* (hand rolled, leaf wrapped local cigarettes) and imported or smuggled minis from neighboring South Asian countries. Despite higher prices and the increased availability of *Beedi*, cigarette production is expected to increase by 2 billion pieces annually, due to increasing income levels and health concerns about smoking high nicotine *Beedi*.

Cigarette exports increased from 1.1 billion pieces in MY 2002 to 1.5 billion pieces in MY 2003, due to the increased sourcing of international brands from India and the increased demand from the Middle East and Singapore. According to trade sources, exports could further increase to 1.6 billion pieces during MY 2004.

Table 1: Prices of Cigarette Tobaccos (Rupees per Kilogram)

Type	MY 2003	MY 2004
MSP for L2 Grade FCV	28.0	30.0
MSP for F2 Grade FCV	26.0	28.0
MGP for various FCV	30.0 - 39.0	33.0 – 35.0
Karnataka FCV 1/	43.6	-
Andhra Pradesh FCV 1/	35.6	36.8
Burley	25.5	-
HDBRG	18.5	-
Sun-Cured Natu	21.5	-

1/ - Average Auction Price

Note: MSP – Minimum support price; MGP – Minimum guaranteed price

SECTION II – STATISTICAL TABLES

Table 1: Commodity, Tobacco Unmfg., PSD

PSD Table							
Country:	India						
Commodity:	Tobacco, Unmfg.						
		2002		2003		2004	UOM
	Old	New	Old	New	Old	New	
Market Year Begin		01/2002		01/2003		01/2004	(MONTH/ YEAR)
Area Planted	435000	435000	435000	435000	0	438000	(HA)
Beginning Stocks	82185	82185	74185	74185	57255	57155	(MT)
Farm Sales Weight Prod	650000	650000	660000	660000	0	665000	(MT)
Dry Weight Production	592000	592000	595000	595000	0	598000	(MT)
U.S. Leaf Imports	30	30	30	30	0	50	(MT)
Other Foreign Imports	1100	1100	1170	1170	0	1200	(MT)
TOTAL Imports	1130	1130	1200	1200	0	1250	(MT)
TOTAL SUPPLY	675315	675315	670385	670385	57255	656405	(MT)
Exports	120000	120000	125000	125000	0	90000	(MT)
Dom. Leaf Consumption	480000	480000	487000	487000	0	485000	(MT)
U.S. Leaf Dom. Consum.	30	30	30	30	0	30	(MT)
Other Foreign Consump.	1100	1100	1100	1200	0	1200	(MT)
TOTAL Dom. Consumption	481130	481130	488130	488230	0	486230	(MT)
TOTAL Disappearance	601130	601130	613130	613230	0	576230	(MT)
Ending Stocks	74185	74185	57255	57155	0	80175	(MT)
TOTAL DISTRIBUTION	675315	675315	670385	670385	0	656405	(MT)

Table 2: Commodity, Flue Cured, PSD

Production Table							
Country:	India						
Commodity:	Flue Cured						
		2002		2003		2004	UOM
	Old	New	Old	New	Old	New	
Market Year Begin		01/2002		01/2003		01/2004	(MONTH/YEAR)
Area Planted	135500	135500	149500	149500	0	155000	(HA)
Beginning Stocks	46219	46219	38239	38239	31669	31739	(MT)
Farm Sales Weight Prod	178000	178000	179500	179500	0	200000	(MT)
Dry Weight Production	161000	161000	162500	162500	0	180000	(MT)
U.S. Leaf Imports	15	15	0	10	0	0	(MT)
Other Foreign Imports	60	60	0	40	0	0	(MT)
TOTAL Imports	75	75	0	50	0	0	(MT)
TOTAL SUPPLY	207294	207294	200739	200789	31669	211739	(MT)
Exports	97000	97000	95000	95000	0	85000	(MT)
Dom. Leaf Consumption	72000	72000	74000	74000	0	72500	(MT)
U.S. Leaf Dom. Consum.	15	15	20	10	0	20	(MT)
Other Foreign Consump.	40	40	50	40	0	50	(MT)
TOTAL Dom. Consumption	72055	72055	74070	74050	0	72570	(MT)
TOTAL Disappearance	169055	169055	169070	169050	0	157570	(MT)
Ending Stocks	38239	38239	31669	31739	0	54169	(MT)
TOTAL DISTRIBUTION	207294	207294	200739	200789	0	211739	(MT)

Table 3: Commodity, Burley, PSD

Production Table							
Country:	India						
Commodity:	Burley						
		2002		2003		2004	UOM
	Old	New	Old	New	Old	New	
Market Year Begin		01/2002		01/2003		01/2004	(MONTH/YEAR)
Area Planted	7500	7500	13500	13500	0	6500	(HA)
Beginning Stocks	4745	4745	1945	1945	1845	4545	(MT)
Farm Sales Weight Prod	7100	7100	12500	12500	0	5750	(MT)
Dry Weight Production	6300	6300	11100	11100	0	5150	(MT)
U.S. Leaf Imports	0	0	0	0	0	0	(MT)
Other Foreign Imports	0	0	0	0	0	0	(MT)
TOTAL Imports	0	0	0	0	0	0	(MT)
TOTAL SUPPLY	11045	11045	13045	13045	1845	9695	(MT)
Exports	4000	4000	5000	3000	0	3500	(MT)
Dom. Leaf Consumption	5100	5100	6200	5500	0	5000	(MT)
U.S. Leaf Dom. Consum.	0	0	0	0	0	0	(MT)
Other Foreign Consump.	0	0	0	0	0	0	(MT)
TOTAL Dom. Consumption	5100	5100	6200	5500	0	5000	(MT)
TOTAL Disappearance	9100	9100	11200	8500	0	8500	(MT)
Ending Stocks	1945	1945	1845	4545	0	1195	(MT)
TOTAL DISTRIBUTION	11045	11045	13045	13045	0	9695	(MT)

Table 4: Commodity, Tobacco, Mfg., Cigarettes

PSD Table							
Country:	India						
Commodity:	Tobacco, Mfg., Cigarettes						
		2002		2003		2004	UOM
	Old	New	Old	New	Old	New	
Market Year Begin		01/2002		01/2003		01/2004	(MONTH/YEAR)
Filter Production	38000	38000	40000	40000	0	41000	(MIL PCS)
Non-Filter Production	52500	52500	53000	52000	0	53000	(MIL PCS)
TOTAL Production	90500	90500	93000	92000	0	94000	(MIL PCS)
Imports	55	55	60	60	0	60	(MIL PCS)
TOTAL SUPPLY	90555	90555	93060	92060	0	94060	(MIL PCS)
Exports	1100	1100	1900	1500	0	1560	(MIL PCS)
Domestic Consumption	89455	89455	91160	90560	0	92500	(MIL PCS)
TOTAL DISTRIBUTION	90555	90555	93060	92060	0	94060	(MIL PCS)

Table 5: Commodity, Tobacco Unmfg., Export Trade Matrix

Export Trade Matrix			
Country:	India	Units:	tons
Commodity:	Tobacco, Unmfg.		
Time period:	Jan - Dec		
Exports for	2003		2004
U.S.	2300	U.S.	
Others		Others	
Russia	19500		
Germany	17050		
Belgium	13700		
UK	6200		
Yemen	5550		
South Africa	5400		
Egypt	5270		
Netherlands	4280		
France	3855		
Singapore	1875		
Total for Others	82680		0
Others not listed	40000		
Grand Total	124980		0

Table 6: Commodity, Tobacco, Unmfg., Import Trade Matrix

Import Trade Matrix			
Country:	India	Units:	Tons
Commodity:	Tobacco, Unmfg.		
Time period:	Jan - Dec		
Imports for	2002		2003
U.S.	30	U.S.	
Others		Others	
China	525		
UK	256		
Nepal	162		
Lebanon	60		
Total for Others	1003		0
Others not listed	97		
Grand Total	1130		0

Table 7: Commodity, Tobacco, Mfg. Cigarettes, Export Trade Matrix

Export Trade Matrix			
Country:	India	Units:	Million Pcs.
Commodity:	Tobacco, Mfg., Cigarettes		
Time period:	Jan - Dec		
Exports for	2002		2003
U.S.	351	U.S.	380
Others		Others	
UAE	256		365
Singapore	85		124
Azerbaijan	60		108
Iran	55		155
Jordan	50		95
Niger	42		27
Total for Others	548		874
Others not listed	201		246
Grand Total	1100		1500

Table 8: Commodity, Tobacco, Mfg., Cigarettes, Import Trade Matrix

Import Trade Matrix			
Country:	India	Units:	Million Pcs.
Commodity:	Tobacco, Mfg., Cigarettes		
Time period:	Jan - Dec		
Imports for	2002		2003
U.S.	4	U.S.	6
Others		Others	
Singapore	25		26
Hongkong	8		6
UK	10		12
Total for Others	43		44
Others not listed	8		10
Grand Total	55		60