



Tobacco Monitor

AN UPDATE ON THE MOST RECENT EVENTS AND FORECASTS

FEBRUARY 2022

CROP MONITOR

The **Zimbabwe** Tobacco Association (ZTA) is conducting an extensive analysis related to costs of production from 2019 to 2022. Once completed, the results will be shared with key sector stakeholders. According to ZTA, viability of the sector is already at a knife edge.

As part of the preparations for the new season, farmers in **Zimbabwe** are asking for incentives such as the Command Tobacco programme to go ahead which would enable them to register higher profits. In the previous season, growers were paid 60% in foreign currency and 40% in local currency. Rising costs of inputs and fertilizer prices are a real problem. Farmers will demand again the share of foreign currency payments to increase.

Zimbabwe has sold tobacco leaf worth around USD 80 million by late January, an increase from USD 17 million on a yearly basis. This is mainly driven by companies with customers in the **Far East** that have moved their tobacco to **South African** ports earlier than usual to secure they don't face shipment bottlenecks. The Tobacco Industry Marketing Board (TIMB) officials noted: "During the same period last year, due to the COVID-19 pandemic, efficient shipment of goods was affected as some shipping lines canceled their vessels". The **Far East** is the major destination for **Zimbabwean** tobacco.

121,000 farmers had registered for the 2021/22 season compared to 144,462 last year.

TIMB in **Zimbabwe** plans to implement stricter penalties regarding tobacco leaf side marketing. TIMB has also taken measures to protect farmers from being short-changed by contractors through underfunding and overpricing of inputs. All contractors that are found not to be compliant as of the end of 2021 will be suspended, while farmers freed to be contracted elsewhere.

The Tobacco Commission in **Malawi** will take appropriate measures to cushion farmers from the potential impact of the late onset of rains on earnings from tobacco. Policies could include negotiating with buyers regarding loan conditions and engaging government on other options. In the future, the country will aim to reach 180 million kg in annual production. Currently, the country manages to bring on the market 123 million kg.





In an attempt to help farmers throughout **India**, the government has decided that this season the Tobacco Board will be able to levy a penalty of 5% on the proceeds and RUP 1 per kg of unauthorised tobacco compared to 10% and RUP 2 last season. Tobacco is considered as unauthorised when it is grown in excess of the licensed farmers' barn size or if the farmer does not have a tobacco cultivation license. However, dynamic climate conditions make yield estimates very difficult. The season in **India** is underway and will conclude in February/March 2022 with the auctions.

Farmers in **Andhra Pradesh, India** have expressed their anguish over the steep rise in smuggled cigarettes. The Federation of All Farmers Federation (FAIFA) has appealed to the government for a crackdown as this has affected farmers incomes in the region.

The Economic Coordination Committee (ECC) of the Cabinet in **Pakistan** approved the minimum indicative prices (MIPs) for various types of tobacco crops for 2022. The MIP for FCV for the plain area has been set at PKR 240 (USD 1.35) per kg and for the sub-mountainous area at PKR 281.13 per kg. Dark air-cured tobacco has been set at PKR 149.09 per kg, and white patta has been set at PKR 123 per kg. Burley has been set at PKR 187.50 per kg, and naswar/snuff/hookah and other rustica tobacco and its products have been set at PKR 123 per kg.

At least four people have died and many other are missing after strong winds and heavy downpours wreaked havoc in **Malawi** and **Mozambique** as Tropical Storm Ana hit the two **African** countries in late January. Local reports suggest that traditional tobacco growing areas have not been affected.



In **Zambia**, heavy rains had a strong impact on maize but not on tobacco. In fact, some usually very dry areas may become viable for tobacco growing in the immediate future.

Recent weather issues have had a negative impact on planting tobacco in **Brazil**. This could lead to a decrease in the expected production quantities in the coming season. During last season, a total of 572,732 tons of FCV were produced, Burley stood at 49,260 tons, while Comum at 6,497 tons, or a total of 628,489 tons.

Brazil is close to clarifying a future legal path for tobacco alternatives in a regulatory process expected to be completed in the first quarter of 2022. The Brazilian National Health Surveillance Agency (ANVISA) has carried out "several studies" to assess the emissions from vaping products and heated tobacco and to assess how they may affect health. E-cigarettes in **Brazil** have been banned since 2009.

REGULA-TIONS

The Digital Economy and Society Ministry in **Thailand** set up a working group to explore if e-cigarettes can be legalized as an alternative for smokers. Vaping in **Thailand** is banned but local statistics show that there are tens of thousands of people using such products in the country.

Taxes applicable to cigarettes in the **Philippines** have increased starting 1 January 2022. The new rate is set at PHB 55 (USD 1.07). This is part of a 2019 legislation that will result in another PHB 5 increase in the beginning of 2023. Excise hikes apply to heated tobacco and vaping products and to other industries that are perceived as harmful, such as alcohol. The measures result in significant contributions to the state budget.

The Health Minister in **Malaysia** has outlined plans to completely ban smoking for the next generation of Malaysians, following **New Zealand's** historic move to implement a similar law banning the sale of cigarettes to anyone born after 2008. **This is part of the next generation regulations that are likely to dominate the industry in the future.**

The government in **Malaysia** postponed the introduction of new taxes on e-liquids for vaping products. The initial proposal would have resulted in a rate of MYR 1.20 (USD 0.30) per ml leading to a significant price increase. The future regulatory outlook for alternative products in **Malaysia** remains unclear.

The National Authority on Tobacco and Alcohol (NATA) in **Sri Lanka** is contemplating a new tax formula that will lead to a 6% increase in tobacco prices on an annual basis. This comes on top of the news related to the increase of the legal purchase age to 24. **Sri Lanka** requires 80% of packaging to be covered by health warnings and is currently debating the introduction of plain packaging.

Taiwan's Cabinet approved a draft bill that would raise the legal smoking age from 18 to 20 and impose a ban on e-cigarettes. The proposition has to be approved by the Legislature before implementation. Tobacco products with flavors could also be banned, while the rules provide a basis for heated tobacco regulation. Another suggestion is to increase the size of pack health warnings from 35% to 85%.



The National Treasury in **South Africa** has published a paper outlining measures to tax tobacco alternatives such as vapour. Local authorities have emphasized the fact that such products are in large part unregulated. According to local research, there are around 350,000 people using vapour products in **South Africa**, generating nearly 4,000 jobs. Even if the proposal is accepted it could still take a long time before implementation.

Cot d'Ivoire became the first **African** market to require plain packaging for tobacco products. More than 20 countries have now ratified such measures.

In order to prevent the spread of the coronavirus pandemic, the government of **Qatar** has prohibited the use of hookah tobacco in restaurants and cafes. Offenders face legal actions.

The President of **Ukraine** has signed a new tobacco control law that applies strict regulations to cigarettes, as well as to heated tobacco and e-cigarettes, which have become increasingly popular in the market. Under the new law, smoking and e-cigarette use will be prohibited in enclosed public spaces. The law bans the advertising, promotion and sponsorship of all tobacco products, increases the size of warning labels required on cigarettes, heated cigarettes and e-cigarettes, and bans flavored products. The measures are aligning the country's legal framework with the one applicable in the **European Union**.

Lithuania will ban all flavoured e-liquids, except for tobacco, in July 2022. The country has already imposed a prohibition on cartridges containing vitamins and additives that create an impression that they are good or do less damage to health.

Turkish authorities have applied increased tax rates on tobacco. The Special Consumption Tax has increased from TRY 0.48 to TRY 0.7197 per pack while the fixed rate from TRY 0.48 to TRY 0.7150. As a result, total taxes per pack have increased from TRY 9.76 to TRY 14.39, with a minimum pack price of TRY 22.85. (Note: In February 2022 TRY 1.00 was worth USD 0.036).

A planned referendum scheduled for 13 February 2022 will decide whether to strictly control tobacco advertising aimed at young people in **Switzerland**. The Parliament has opposed the initiative and has put an alternative proposal that tries to strike a balance between economic factors and health considerations. Currently, the market has relatively weaker advertising regulations compared to other leading Western countries.



INDUSTRY UPDATES

The Philip Morris International (PMI) affiliate in the **US** has earned two federal patent victories involving its heat-not-burn technology dispute with Reynolds American Inc. (RAI, affiliate of British American Tobacco, BAT, in the US). The US Patent Trial and Appeal Board (PTAB) has determined as unpatentable several claims by RAI relating to tobacco-heating technology. The decisions can be appealed.

This is another chapter of the long battle between the two leading global tobacco manufacturers that is likely to continue in the immediate future.

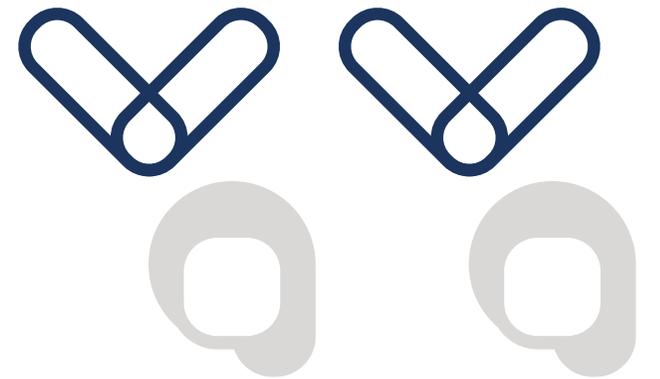
PMI has launched its new IQOS ILUMA in two **Switzerland** duty free locations. Previously, it was only available in **Japan**. According to company officials, one of the key advantages of the new device is the absence of a blade, which eliminates the need for cleaning. PMI continues to emphasize its findings that IQOS emits 95% less harmful chemicals when compared to combustible cigarettes. The company is also looking to introduce heated tobacco in **Trinidad and Tobago**.

Altria released its full year results:

- Net Revenues were USD 26,013 million, down 0.5% from 2020.

Domestic cigarette shipment volume dropped 7.5%, driven by the industry's rate of decline, trade inventory movements, retail share losses, calendar differences and other factors. Cigar shipment volume was unchanged. Company officials noted: "Altria delivered outstanding results in 2021 across our businesses, including strong financial performance, progress toward our Vision and advancements in our ESG efforts".

Landewyck Tobacco, an independent tobacco manufacturer from **Luxembourg**, and Poda Holdings, a heat-not-burn specialist from **Canada**, intend to enter into a cooperation agreement based on intellectual property, branding, manufacturing facilities, and distribution channels of the two parties to develop products for commercialization. Poda's main offer is a tobacco-free blend of pelletized tea leaves infused with synthetic nicotine. In addition, Poda received a US patent for its closed bottom vaporizer pod, making it the only company that can market a closed-ended heat-not-burn product in the **US**. **Although, tobacco containing heated tobacco products are likely to dominate the emerging category in the future, this is another example of a product in the tobacco and nicotine universe that paradoxically does not use tobacco.**





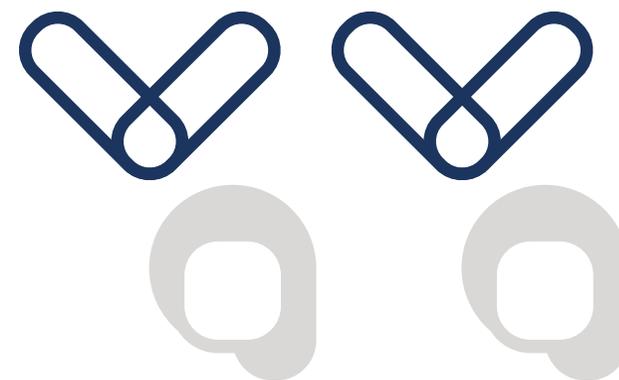
Following the granting of modified risk tobacco product (MRTTP) designations for 22nd Century Group's two reduced nicotine cigarette brands - VLN King and VLN Menthol King in the end of 2021, the company intends to commence its **US** pilot market launch in March 2022. The goal of this activity is to "test and optimize its marketing mix educating smokers about the benefits of reduced nicotine content...cigarettes". Upon receiving more market insights, a nationwide launch is also planned. Notably, 22nd Century Group can use the claim "Helps You Smoke Less" on packaging. The company plans to launch its products outside of the **US** later this year.

Swedish Match rebranded its chewing tobacco brand Red Man as America's Best Chew in the **US**. The name change is said to reflect the leading position of the company's product in the category and aligns better with company values. The **Cherokee** Nation Principal Chief applauded the decision noting: "we are moving away from the use of derogatory terms and depictions of Native Americans as product mascots because representations are stereotypical caricatures, and they do not honor us or reflect how we live and thrive, both as individuals and as unique Tribal Nations today".

Smoking prevalence in **Beijing, China** has fallen below 20% due to a string of stricter regulatory changes, such as the smoking ban introduction in 2015. On country level the figure is 25.8%.

In 2021, cigarette sales in **South Korea** decline by 2% on a yearly basis but the usage for alternative products has increased. According to local statistics, heated tobacco pack purchases increased by 17% to 440 million packs.

Snus usage in **Norway** has reached a new peak of 15% daily users in 2021, around twice the number a decade ago. Men are more likely to use this type of smokeless tobacco – 21% than women – 8%. Alternatively, smoking prevalence has declined to 8% during last year, a decrease of 1% on a yearly basis.



SUSTAIN- ABILITY

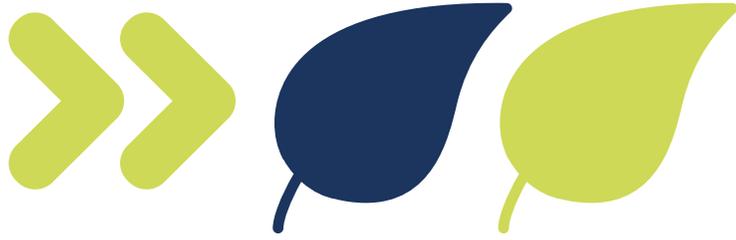
The Public Health Ministry in **Thailand** proposed to completely remove cannabis, including marijuana and hemp plants, from the official list of prohibited narcotics and psychotropic substances. This would facilitate previous measures liberalising the use of cannabis for medicinal and commercial purposes, such as its use in food. Under the 2020 legal changes, most parts of the cannabis plant were dropped from the Category 5 list of prohibited drugs, but seeds and buds associated with recreational use were retained. According to the draft, the measure now proposed would remove all parts of the plant from the list.

The **Thai** start-up company – Baiya Phytopharm, developing a tobacco plant based vaccine for Covid-19, **covered in the previous edition of Tobacco Monitor**, has successfully completed a set of tests, with a second trial coming in February and a third one in June.

The company hopes to submit data to **Thailand's** Food and Drug Administration for vaccine approval by the third or fourth quarter of this year. The current manufacturing capacity of Baiya Phytopharm is 60 million vaccines per year.

BAT created a biotech company called KBio to accelerate the development of existing plant-based technologies. KBio will explore new opportunities to develop its plant-based production system, which has the potential to offer greater speed, scale-up opportunity and thermostability. The new company will focus on delivering treatments for rare and infectious diseases by realising and expanding the potential of both the plant-based technology platform, as well as its existing clinical and pre-clinical vaccines and antibody pipeline. This is part of BAT's stated purpose of Building a Better Tomorrow.

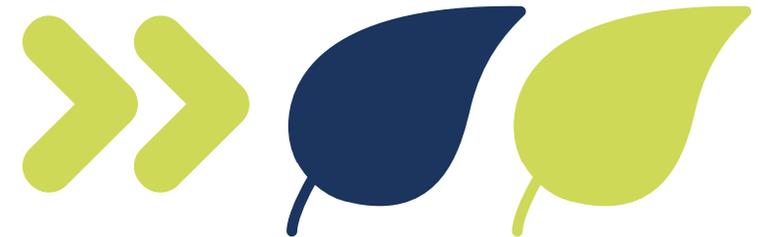




United Nations **Global** Compact, the world's largest corporate sustainability initiative, has announced the launch of an enhanced Communication on Progress platform coming in 2023. This will help companies set goals and track their sustainability progress, validating the business case for aligning their practices with the Ten Principles and the Sustainable Development Goals (SDGs). In addition, the annual Leaders Summit will take place in 1-2 June 2022 in **New York** and Online. The event consists of thousands of global leaders and SDG stakeholders.

During the week from 16 to 20 May 2022, the Government of **South Africa** will host the Fifth Global Conference on the Elimination of Child Labour. According to ILO (**International** Labour Organization) figures, despite progress in many regions, 160 million children are still in child labour. Numbers are rising, and the COVID-19 pandemic threatens to reverse years of progress. The Conference will bring together 4,000 representatives from governments, trade unions, the private sector, civil society regional and international organizations, think tanks, academia, youth and children, to share good practice and to push for accelerated action. The programme includes forums, panel discussions and brainstorming sessions.

California, US could see fewer cigarette butts and vape pods on the streets under a measure introduced in January. The new bill would ban single-use cigarette filters, e-cigarettes and vape products in the state with the aim of benefiting the environment and public health. The ban would authorize local prosecutors to levy a fine of USD 500 per violation, defined as the sale of one to 20 items. Similar bills have been proposed before but were always unsuccessful. The outcome of the current one is also unclear.



SOURCES



International Labour Organization



United Nations Global Compact



Schweizerische Eidgenossenschaft
Confédération suisse
Confederazione Svizzera
Confederaziun svizra



Swedish Match



22nd Century Limited, LLC



Altria

BUSINESS RECORDER

BUSINESSTECH

CodeBlue
Health is a human right



FOCUS TAIWAN
CNA ENGLISH NEWS



YONHAP NEWS AGENCY

The Peninsula
Local focus. Global vision



The Herald

The Malaysian Reserve

Bangkok Post



ECigIntelligence

Regulatory and Market Intelligence for the e-Cigarette Sector

thebeijinger

THE NATION THAILAND

NORWAY TODAY

Los Angeles Times

THE TIMES OF INDIA

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NEWSDAY



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International Tobacco Growers' Association

Thank you!