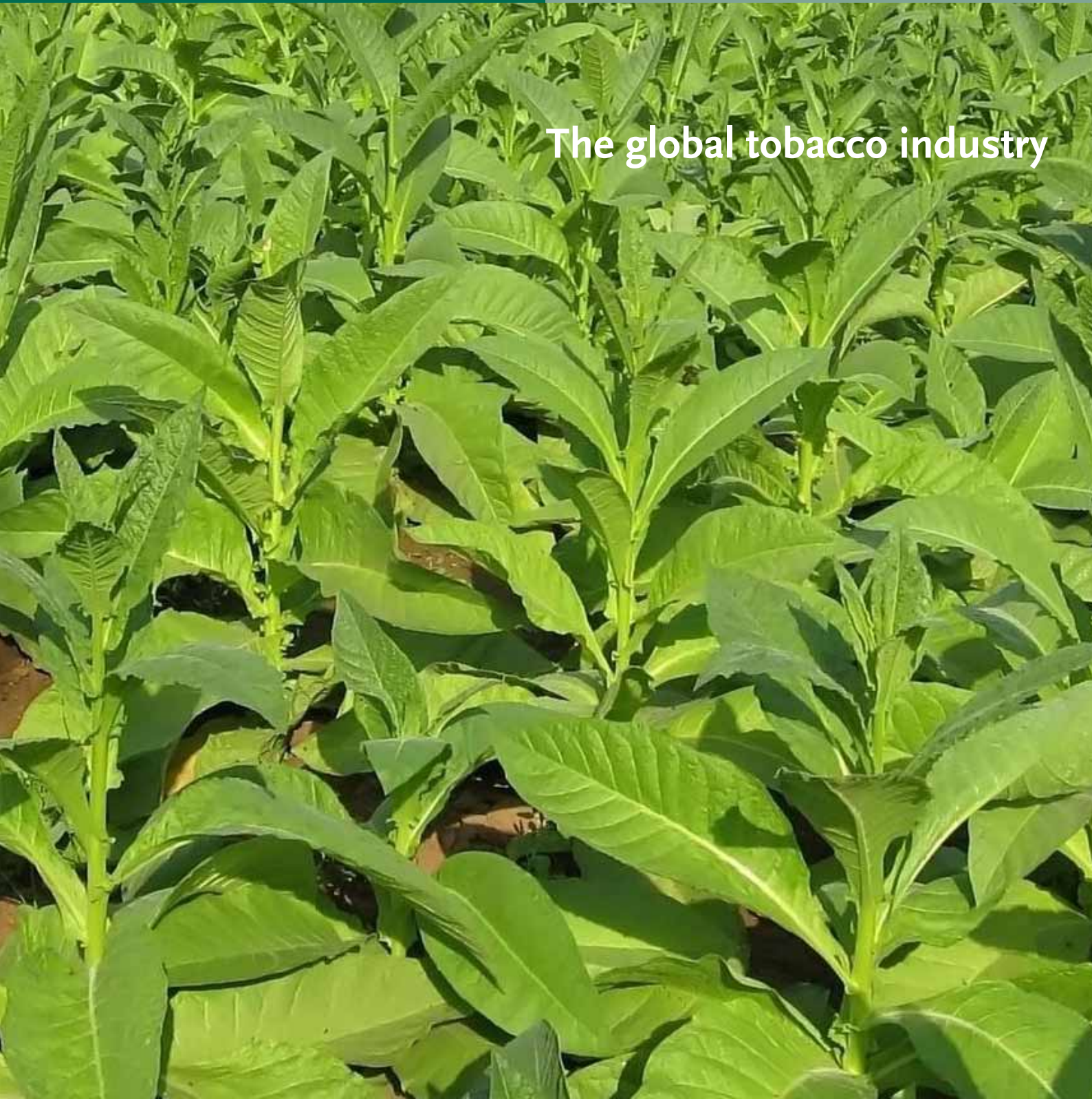



Thought Leadership Series

The global tobacco industry





"The first cigarette is a noxious experience... to account for the fact that the beginner smoker will tolerate the unpleasantness we must invoke a psychological motive. Smoking a cigarette for the beginner is a symbolic act. I am no longer my mother's child, I'm tough, I am an adventurer, I'm not square."

Philip Morris
(Why One Smokes, 1969)

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about this whitepaper

The discovery of tobacco fossil, dating back to two million years, indicates that tobacco production and consumption have been prevalent since time immemorial. Tobacco today has grown from a household agricultural trade to a global industry with a variety of products such as cigarettes, snuff, cigar, chewing tobacco etc.

The most popular amongst them all - cigarettes currently account for the largest proportion of tobacco consumption worldwide, with sales of over 6 trillion cigarettes every year. This segment has a sizeable impact on the economies of many nations, affecting also the global population. Consequently, it becomes a subject of interest to understand the dynamics of this industry and the state of its market.

It is noteworthy that the economic and social cost of tobacco has a real impact on everyone - directly and indirectly. While tobacco production is a source

of livelihood for some people, conversely smokers tend to lose their livelihood on it.

This whitepaper presents a concise yet thought provoking analysis of tobacco production, consumption, trade and regulations worldwide. This publication also examines some statistics on tobacco markets around the globe and provides insights on how tobacco is promoted and marketed, with perspectives on the industry's future outlook.

Tobacco is being consumed in almost all countries of the world in one form or the other, but with health consciousness and concepts of healthy living catching up fast, efforts are on from various health organizations and NGO's with help of governments across nations to curb tobacco consumption. We have, in this whitepaper, also identified such efforts and commented on their business impact on the tobacco industry.

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Prelude

Although tobacco production and consumption have been prevalent for centuries, commercial mass manufacturing of cigarettes started in the 19th century only. Since then, the trend of cigarette smoking and tobacco consumption in other forms has spread worldwide on a massive scale. With a growing adult population, the total number of smokers today stands at an estimated 1.3 billion, globally.

The face of agriculture is changing rapidly with the development of new and advanced technologies. Like most agricultural enterprises, the tobacco industry has also changed dramatically in recent years and continues to evolve. Tobacco is currently grown in more than 120 countries in almost 4 million hectares of the world's agricultural land and plays a significant role in the economies of several countries. During every day of the previous calendar year, on an average, 12 million cigarettes were smoked per minute around the globe. Experts believe that the current USD 500 billion global tobacco market can reach to USD 550 billion by 2013.

China is currently the largest producer of tobacco worldwide. While it grows close to 40% of the world's tobacco, it exports only a shade over 5% of its production. Like USA, India also trails behind China in tobacco production and contributes 10% to the overall global production. Developing nations are responsible for almost 65% of global tobacco exports.

Given the current levels of tobacco trade, experts believe that tobacco use is the leading cause of preventable death in the world today. According to estimates, each year cigarette smoking kills 5 million people worldwide. Research shows that the younger a person starts to smoke, the higher is the possibility of developing a long-term addiction to nicotine

and the greater is the risk of developing lung cancer, oral cancer and various heart diseases. According to medical reports, half of all smokers could die of a smoking related disease.

The World Health Organization ("WHO") projects that the number of smokers worldwide will increase at a compounded annual growth rate ("CAGR") of 3.5% to 4% over the ensuing 5 years. As a consequence of the projected increase in global tobacco consumption, smoking-related deaths are predicted to reach about 10 million per year by 2030, thus killing almost a billion people in this century, which is a ten fold increase from the previous century. According to experts, an increasing proportion of those deaths will occur in underdeveloped and developing nations.

There is no doubt that the ill effects of tobacco use have created and intensified tobacco lobbies on a global scale. However with the increase in population, the industry is also projected to follow a steady growth path, inspite of the health hazards that are being openly highlighted on various platforms.

In developed countries where the industry has already peaked or is saturated, profits from tobacco trade have started decreasing. On the other hand, growth is expected to come from the developing nations where regulations are less stringent and demand is on the rise.

Over decades, multinational tobacco organisations have increasingly targeted their formidable lobbying prowess at governments in developing countries which have a vast base of potential new smokers. Their objective is to sustain and increase revenues by deferring smoking bans, stringent marketing and advertising norms.



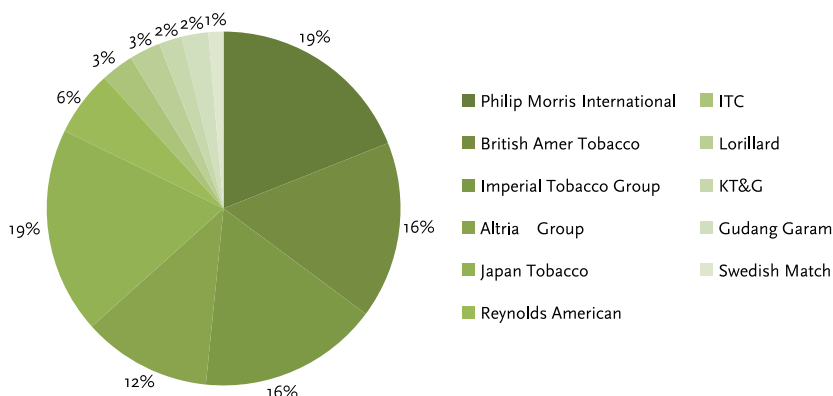
The tobacco industry: a global overview

The tobacco industry as a whole, comprises people and organisations engaged in the growth, preparation, shipment, advertisement and distribution of tobacco and tobacco products. Tobacco can grow in any warm and moist environment, which means it can be farmed on most habitable places, thus making it a global crop.

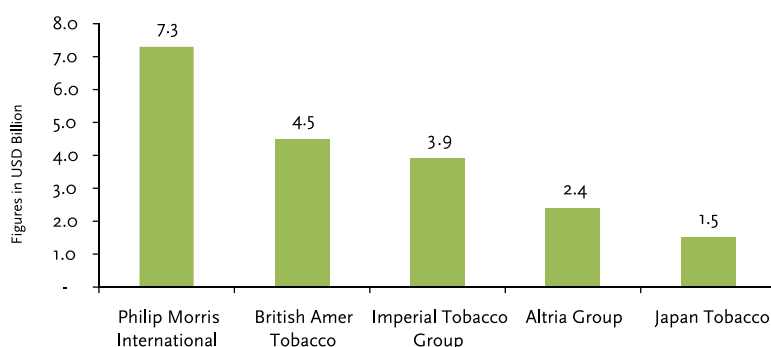
Tobacco cultivation covers as much arable land as all of the world's orange groves or banana plantations do. Four countries viz. China, Brazil, India and the USA collectively produce two-thirds of the world's tobacco. The global tobacco market, currently valued at more than USD 500 billion, has grown by over 5% in last few years and is expected to cross the USD 550 billion mark in the ensuing fifteen months.

Tobacco consumption entails enormous economic costs on every country. It is estimated that the expenditure of the smoking population on tobacco and its related products exceeds the total annual expenditure on health in all developing countries. The market players exploit this spending power of the masses in the developing nations to maximise profits for their businesses. Following extensive merger activity in the last two decades, the market for cigarettes, cigars etc. is currently dominated by five organisations: Philip Morris International, British American Tobacco, Imperial Tobacco, Altria group and Japan Tobacco. As per the latest Forbes list of top companies in the world, the combined revenue of these companies stands at USD 118 billion. The graphs on this page indicate some vital statistics such as sales contribution and profitability of these companies.

Global tobacco product sales contributions in 2010



Profitability of top 5 tobacco organisation in 2010



Even though there are regulations across the world with stringent norms, high taxes and restrictions on smoking, still more than 6 trillion cigarettes are estimated to be smoked every year. The largest tobacco producing company in the world by volume is China National Tobacco Co. which is a government owned unit. China, which is the most populous country in the world also has the largest number of smokers, with 350 million smokers consuming around 2.2 trillion cigarettes yearly. Tobacco is an important source of income for the Chinese government particularly since China's government itself operates the tobacco businesses. Similarly, in USA tobacco is grown currently in as many as 21 states. More than 320 billion cigarettes were purchased in the USA in 2010, with 3 companies collectively selling nearly 85% of them. After China & USA, India is the third largest producer of tobacco products. India is also the eighth largest exporter of tobacco and tobacco products in the world. With the production of 780,000 tonnes of tobacco, it is estimated that more than 36 million people including farmers, farm workers, distributors, retailers etc. in India depend upon tobacco for their livelihood.

Biggest tobacco manufacturers globally

Country	Manufacturer
China	China National Tobacco Corporation
India	ITC
Sweden	Swedish Match
South Korea	KT&G
South Africa	Blue Mountain
UK	British American Tobacco
USA	Philip Morris International
Indonesia	Gudang Garam
France	Altadis Group
Japan	Japan Tobacco International

Types of tobacco and prevalent countries

Type	Most prevalent
Smokeless tobacco	
Dry Snuff	Europe
Moist snuff	Worldwide
Chewing tobacco	India
Smoking tobacco	
Roll-your-own	Europe and New Zealand
Manufactured cigarettes	Worldwide
Cigars	Worldwide
Bidis*	South Asia
Kreteks	Indonesia
Water pipes	North Africa, the Mediterranean region, and parts of Asia
Pipes	Worldwide

*Bidi is a thin, South Asian, cigarette filled with tobacco flakes and wrapped in a tendu leaf.

Fact-file

- The world currently smokes 17 billion cigarettes a day. About 12 million cigarettes are sold every minute.
- The majority of current smokers are male; however, smoking among women is increasing. 35% of men in developed countries and 50% of men in developing countries smoke, while 22% of women smoke in developed countries and 9% in developing countries.
- More than 80% of the world's smokers live in low- and middle-income countries. Cigarette smoking and use of other tobacco products is increasing in the developing world due to population growth.
- About 250 million women smoke around the world compared to 1 billion men.
- Cigarette filters, tips and tobacco packaging make up 38% of debris collected at the yearly International Coastal Cleanup.
- Health care costs associated with tobacco related illnesses are extremely high. In the USA, annual tobacco-related health care costs amount to USD 96 billion; USD 7 billion in Germany; & USD 1 billion in Australia.
- The leading tobacco company Phillip Morris, currently employs more than 75,000 people all over the world.
- Chinese cigarette consumption has quadrupled since the 1970s to about 350 million smokers currently.
- Cigarette consumption in Indonesia is now 7 times as great as than it was in 1990. Similar patterns are seen emerging across Asia.
- About 12 times more British people have died from cigarettes than those who died in World War II.
- Growing and selling tobacco contributes about 10% to the Indonesian government's revenues and provides millions of jobs.
- The Imperial Tobacco Company holds more than half of the total cigarette market in India where it sells about 98 billion cigarettes per year.

The global tobacco trade balance

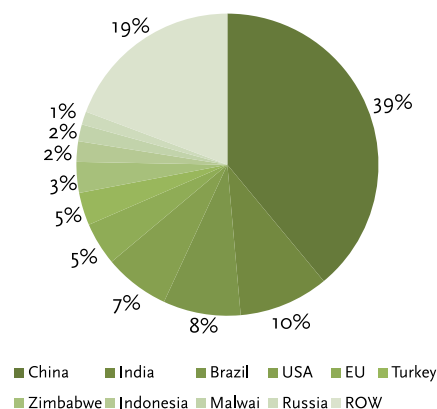
The tobacco industry comprises of some of the most powerful transnational corporate entities in the world. Tobacco conglomerates have diversified into many other industries, such as financial services, food and beverages, pharmaceuticals, real estate, hotels, restaurants, communication and apparel, among others. There is a foreseeable growth path for the tobacco industry, but at the same time, there are many daunting challenges which the industry is currently facing. With the growing restriction on marketing and selling of tobacco products, the ongoing regulatory restrictions and with threat of higher punitive taxes, it is becoming increasingly more difficult for tobacco companies to reach out to more customers in developed countries. Different strategies are being used to attain customer attention by introducing innovative products like flavored cigarettes and electronic cigarettes. Although, there has been an overall growth in the industry over the last few years, this growth was concentrated in certain countries. Only 8 of the top 25 tobacco markets have risen in tobacco consumption, while the rest all are either declining or are stagnant. At the same time some experts believe that smoking could disappear in some markets in 30 to 50 years from now. According to various research based reports, the last smoker could quit in 2063 in USA while in Japan this could happen in 2072. Looking at an estimated CAGR from 2009-2040, based on historical trends, Japan's tobacco market would be 80% smaller in 2040, while the USA, Brazil and the UK would be 30% smaller. In the developed economies of the world, sales of cigarettes have reduced due to pressing bans on smoking in public areas, restrictions on advertisements, taxes, health warnings, limitations on retail etc. These affect one of major factors that influence consumer demand, which is the price they pay for tobacco, as the cost automatically gets inflated due to such restrictions. A packet of cigarettes now costs around USD 12 - 15 in the USA, which is much higher than its price a few years back. Analysis of industry trends show that developing countries are increasingly

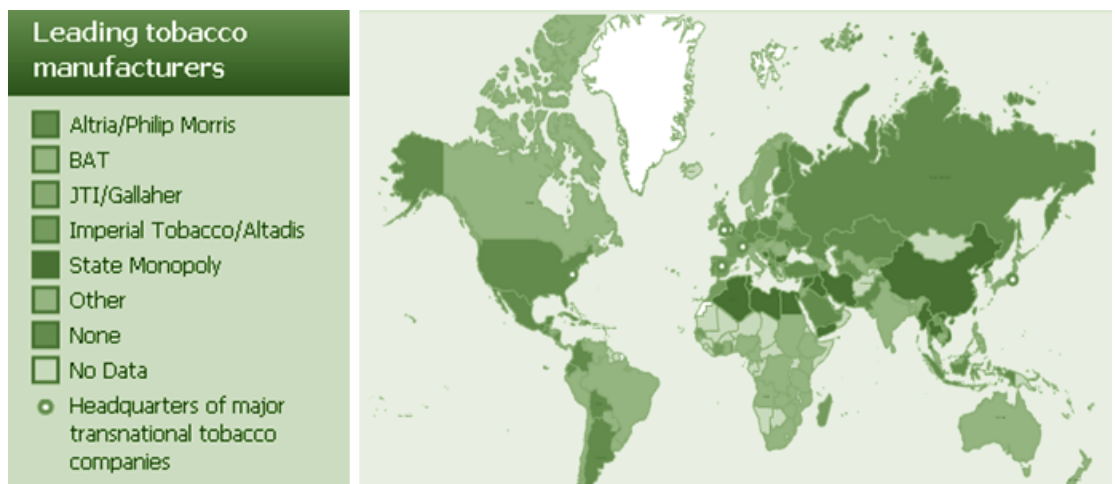
becoming target markets for the tobacco majors to increase their consumer base and thereby counter the loss in sales registered in developed nations. Tobacco manufacturers are also targeting women and youth in developing countries while lobbying for delays in imposing marketing restrictions and increase in taxes.

According to experts, tobacco production will continue to expand to meet the demand of nicotine-addicted consumers. As per the Food and Agriculture Organization ("FAO") of the United Nations ("UN"), globally, tobacco output rose from 4.2 million tonnes in 1971 to an annual average of 7.1 million tonnes by 2010, although tobacco leaf production in developed nations including the USA fell due to higher taxation and stringent norms on tobacco marketing.

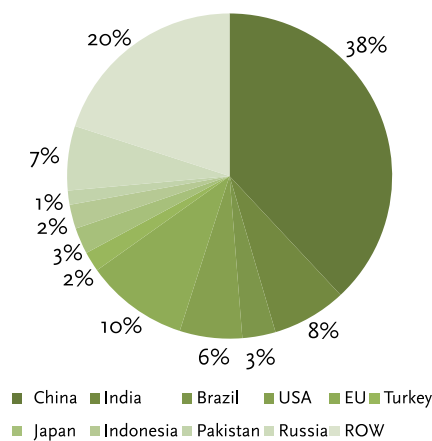
According to the FAO, developing countries will account for 87% of world tobacco in the current year with China continuing to remain the world's largest tobacco producer. Developing nations are currently responsible for almost 65% of global tobacco exports, while developed countries account for the remainder. Of the countries in the ensuing chart, the domestic economies of Zimbabwe and Malawi depend most heavily on tobacco exports, with Malawi being the world's largest producer of burley leaf and low grade, high nicotine tobacco.

Top tobacco producing nations





The ensuing chart provides a snapshot of the top tobacco consuming nations and their share in global tobacco consumption.

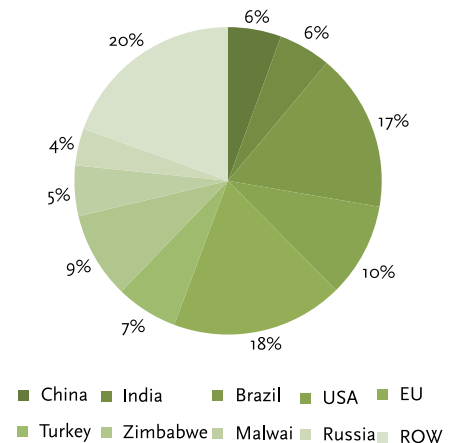


Total consumption during last year was 7 million tones.

Although China grows close to 40% of the world's tobacco, only 5% of China's leaf is exported with the 350 million smoking population of china consuming the remainder. Brazil, India and China grow most of the world's

tobacco leaf, ahead of former major producers such as the USA, where tobacco agriculture has seen a steady decline. To maximize profits, transnational tobacco companies have been seeking markets with lower costs for tobacco agriculture and cigarette manufacturing while extending the tentacles of their industry even deeper into the world's nascent economies.

The ensuing chart highlights the top tobacco exporting countries of the world.



Some famous cigarette brands:

- Marlboro (top in 30 countries)
- L&M top (in 6 countries)
- Belmont (top in 4 countries)
- Benson & Hedges (top in 3 countries)
- Winston (top in 2 countries)
- Mild Seven (top in 1 country)
- Cleopatra (top in 1 country)
- Derby (top in 1 country)
- Wills Gold Flake (top in 1 country)

International commodity trade in tobacco is a significant business, with an estimated annual value of USD 22 billion – USD 7 billion in raw material (tobacco leaves) and USD 15 billion in finished product.

At a global level, with the increase in average cigarette consumption per person, the aggregate cigarette consumption has also been increasing steadily and this aspect has been accentuated with the rise in global population. The consumption in developed nations is falling marginally owing to stringent regulations, rising prices and changing habits of consumers. As illustrated below, the region wise analysis of cigarette consumption per person indicate that a person from the developing nations smokes, on an average, more than 2,500 cigarettes per year with means that the highest smoking rates with per person exits in the developing nations.

Although cigarettes continue to dominate the tobacco sales but the ever growing awareness about the health risks associated with it and health consciousness among its users has

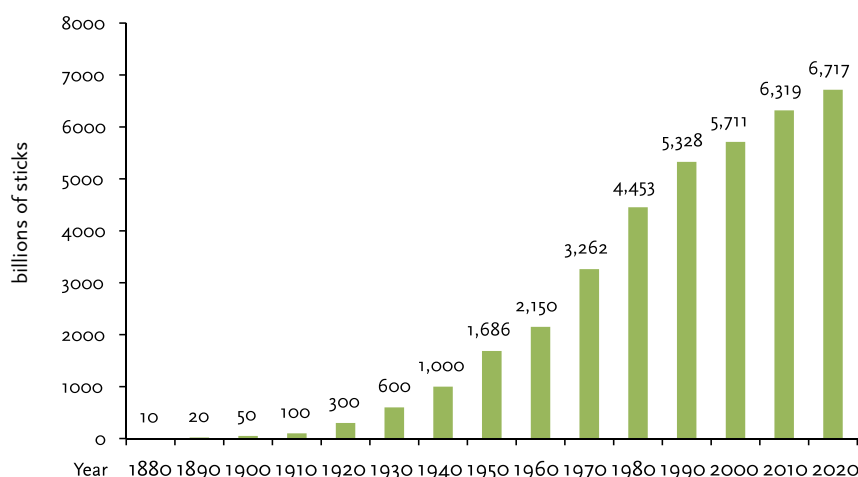
led to the development of several smokeless tobacco alternatives.

The major markets of the smokeless tobacco segment are the USA and the European nations, where Sweden and Norway are prominent. The overall market growth for smokeless tobacco products is led by the growth in the USA market. The USA market for smokeless tobacco is forecasted to increase at a compounded annual growth rate of about 7% for the period spanning 2010 to 2012.

The leading smokeless tobacco product categories are snuff and snus, which provide promising growth opportunities for their manufacturers. The USA is the largest market for moist snuff, market of which has increased manifold in the past 10 years. In addition, the Swedish snus market has also grown considerably in the light of increasing awareness of the benefits associated with the smokeless tobacco category in general, coupled with increased demand.



Global cigarette consumption





The industry outlook

The outlook of the developed & developing countries towards the tobacco industry is paradoxical. According to our research, while the growth of markets in developed nations has not been impressive in the recent 4 to 5 years, the developing nations have been providing good opportunities for the industry. Due to stringent international regulations and restrictions in several developed countries, tobacco companies worldwide have faced difficulties. The shrinking markets of tobacco in developed nations is offset by marginal increases in the percentage of women smokers and small increases in the proportion of smokers in developing countries.

The increasing level of health hazards associated with tobacco have begun to upset the tobacco industry's exploitation of emerging markets and in turn its growth prospects in developing countries. However, some organizations are coming up with innovative products like the British American Tobacco's "innovative and regulatory-approved" tobacco products that serve as a safer alternative to cigarettes. Similarly, other organisations are increasingly looking to have a foothold in the menthol-flavoured-cigarette market. In addition, some of the leading cigarette manufacturers are looking at smokeless-tobacco products and are also rolling into the smoke therapy market. The primary objective is to cater to nicotine-replacement therapies. It is difficult to predict the extent to which these pressures will affect the demand in the near future, however, experts believe that growing health concerns and greater regulation alike will push up the demand for these products.


Globally many initiatives and campaigns have been taken up in focused manner to reduce usage of tobacco and one such initiative that

stands out is the globally recognised World Health Organization Framework Convention on Tobacco Control ("WHO FCTC").

The WHO FCTC is a treaty that was adopted by the 56th World Health Assembly on May 21, 2003, which came into force in 2005 and was signed by as many as 168 countries. This is legally binding in 172 ratifying or accessioned countries. The treaty seeks to protect present and future generations from the devastating health, social, environmental and economic consequences of tobacco consumption and exposure to tobacco by enacting a set of universal standards stating the dangers of tobacco and limiting its use. The treaty's provisions include rules that govern the production, sale, distribution, advertisement, and taxation of tobacco.

Smoke-free policies ("SFPs") in public places are increasing globally, even though developing countries are lagging behind. In a recent survey conducted across 115 countries, it was found that 77.3% of the 356,395 of youths surveyed, favoured SFPs, including majorities of smokers. It was also found that presence of any national smoke-free legislation in a country was positively associated with youth favouring such policies.

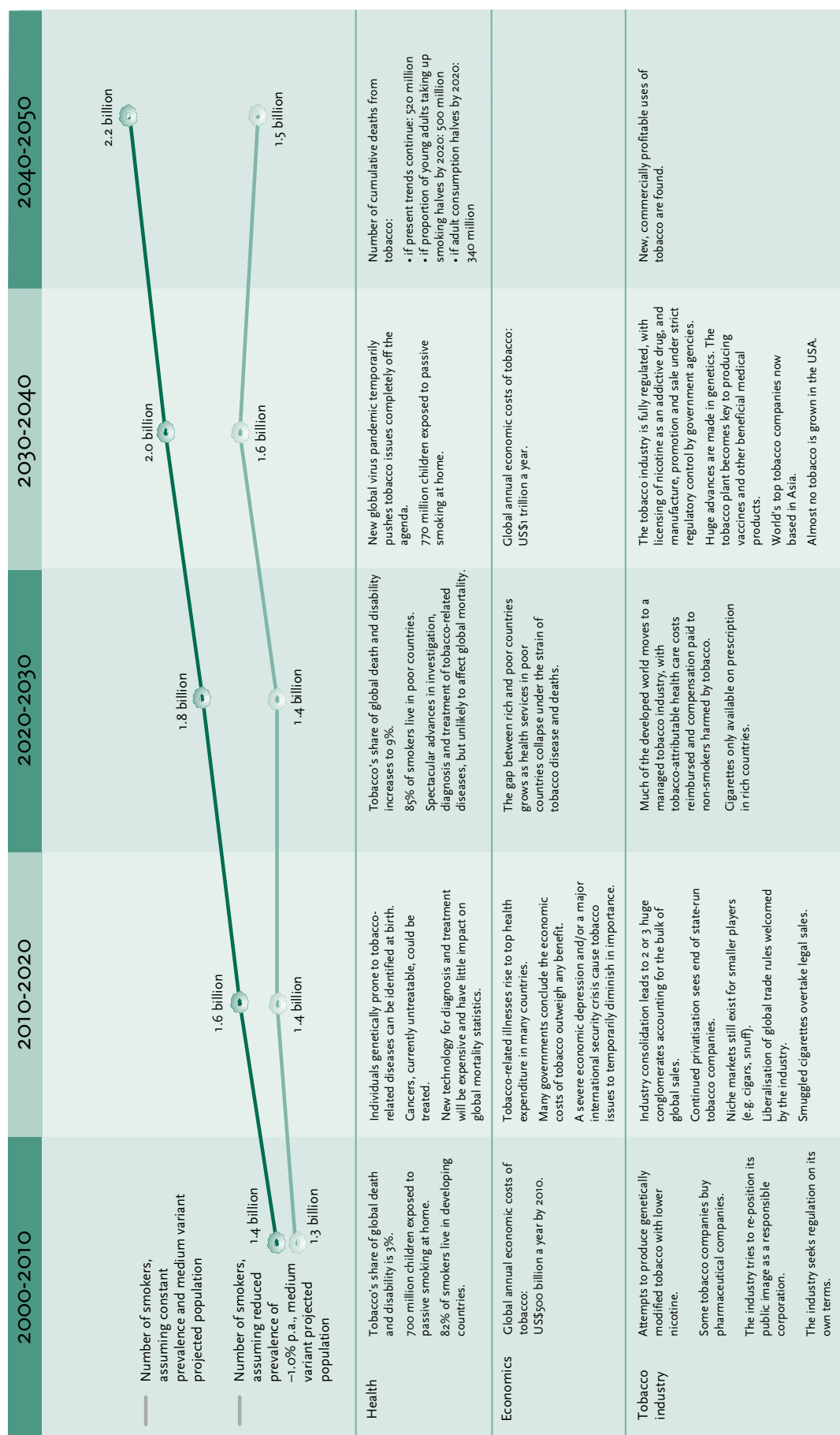
As tobacco companies resort to various new growth strategies, there is scope for increase in demand for new tobacco products. Regions such as Eastern Europe, India and Latin America have the potential become big markets for these transnational organisations. Tobacco companies realise that acquiring the right mix of different products with access to new markets will enable them to drive sales northward.



"To sell a product that kills up to half of all its users requires extraordinary marketing savvy. Tobacco manufacturers are some of the best marketers in the world and increasingly aggressive at circumventing prohibitions on advertising, promotion and sponsorship that are designed to curb tobacco use."

—World Health Organization MPOWER Report, 2008

The following table provides some pertinent projection relating to the tobacco industry upto 2050. The WHO expects the global tobacco industry's economic cost to double from present level of USD 500 billion to USD 1 trillion in the coming 20-30 years. Although, there would be more restrictions on tobacco smoking in many countries, the number of smokers, in underdeveloped countries may well rise in the times to come.



Source: World Health Organisation

Tobacco markets in the world



Brazil

Our research shows that about 17.2% of Brazil's population currently smokes tobacco and tobacco products. Some striking facts about the Brazilian smoking population are highlighted as below:

- 21.6% of men and 13.1% of women made up the tobacco smoking population in Brazil.
- 11.6 million adults (24.4% of adults) are exposed to tobacco smoke at the workplace.

Tobacco usage pattern

Tobacco smokers	Overall *(%)	Men (%)	Women (%)
Current tobacco smokers	17.2	21.6	13.1
Current tobacco smokers (urban)	16.6	20.6	13.1
Current tobacco smokers (rural)	20.4	26.3	13.5
Daily tobacco smokers	15.1	18.9	11.5
Current cigarette smokers	1.1	21.5	13.0
Daily cigarette smokers	14.5	18.3	11.0
Former daily tobacco smokers (among all adults)	14.1	17.2	11.2
Smokeless tobacco users			
Current smokeless tobacco users	0.4	0.6	0.3
Tobacco users			
Current tobacco users	1.5	22	13.3

*Overall percentage (%) represents the total number of tobacco users including adults and children.

Individual tobacco expenditure

Expenditure	USD
Average price of a packet of manufactured cigarettes	1.62
Price of 100 packets of manufactured cigarettes as a percentage of per capita GDP	1.7%

Contribution to the economy

Brazil's state governments depend heavily on revenues raised from value added tax ("VAT") on tobacco. Tobacco in Brazil currently provides higher net returns per hectare than corn or edible beans. Brazil has abundant availability of agricultural land. The business of tobacco is attractive than fruit and vegetables which are relatively well supplied vis-a-vis demand.

Taxes on tobacco products generated income of around USD 2.2 billion for the Brazilian government last year.

Tobacco represents an important source of permanent jobs, including jobs for women for specialized work, both at farm and local factories. The total employment generated by tobacco in Brazil is around 500,000 people who are employed in agriculture and an additional 200,000 who are engaged in farming related activities, such as tobacco processing at farm level. A further 1.5 million people are engaged in other activities such as transportation, production and distribution, manufacturing, wholesale, retail and processing of tobacco for export.

Exports

Our research shows that tobacco production has outpaced the domestic demand by around 300,000 tonnes per annum and the surplus is exported, mostly to the European Union ("EU") (50%) and USA (30%). Shipments of tobacco and cigarettes currently account for around 3% of the country's total exports.



China

Production

China is the world's largest producer and consumer of tobacco products. The tobacco industry in China plays an important role in national economy and is an important source of China's fiscal revenue for its government.

In 2010, there were more than 350 million smokers in China, accounting for about 30% of the total population and about one quarter of the world's smoking population, of which more than 20 million were women. State-owned China National Tobacco ("CNTC") holds a monopolistic 99% interest in the domestic market. Although partnerships with Western companies do exist in China, the strong presence of CNTC has been a major challenge for international tobacco companies looking to get a foothold in this market. China's tobacco consumption has been steadily growing, from 590 billion cigarettes in 1978 to about 2.5 trillion last year. The absolute production value of the

industry rose from USD 15 billion in 1978 to around USD 78 billion in 2010. Currently, high import tariffs are a dampner for imported cigarettes entering China and consequently, foreign cigarettes with price differential (vis-à-vis local) and quality are entering Chinese market through alternative routes.

Tobacco use in China

According to our research on the tobacco usage pattern amongst the Chinese, 28.1% of the current population smokes tobacco and consume tobacco products. Some striking facts about Chinese smoking population are highlighted below.

- More than 350 million smokers.
- 1 in every 3 cigarettes smoked in the world is smoked in China.
- 52.9% of men, 2.4% of women, and 28.1% of overall population currently smoke tobacco.
- Among daily smokers who are currently 20-34 years old, 52.7% started smoking daily before the age of 20.



Tobacco usage pattern

Tobacco smokers	Overall* (%)	Men (%)	Women (%)
Current tobacco smokers	28.1	52.9	2.4
Age group 15-24	17.9	33.6	0.7
25-44	31.0	59.3	1.6
45-64	33.6	63.0	3.2
65+	22.7	40.2	6.7
Region: Urban	26.1	49.2	2.6
Region: Rural		56.1	2.2
Daily tobacco smokers	24.1	45.4	2.0
Manufactured cigarette smokers among current smokers'	94.8	95.4	80.5

*Overall percentage (%) represents the total number of tobacco users including adults and children.

Individual tobacco expenditure

Expenditure	USD
Average price of a packet of manufactured cigarettes	0.75
Price of 100 packets of manufactured cigarettes as a percentage of per capita Gross Domestic Product ("GDP")	2%

Contribution to the economy

Tobacco generated USD 78 billion in taxes and profits in 2010, which is more than 7.5 percent of the total revenues of the central government and employed 520,000 workers in 183 factories. Revenue from taxes on tobacco constitutes a significant part of the local government's budgetary income in major tobacco producing provinces and constitutes 20% of the total government tax revenue.

Exports

In 2010 the aggregate value of tobacco exports were USD 890 million out of which USA contributed USD 12 million while the rest of the world had a share of USD 878 million. In the current year, China's exports have already shown exponential growth. It would be important to

point out that the overall exports had increased to USD 1,027 million in 2010. In this, exports to the rest of the world had increased by 16% while exports to USA actually decreased by 36% last year.

Imports

In the year 2009, the total value of the tobacco import was USD 956 million out of which USA and rest of the world contributed USD 112 million and USD 844 million respectively. In the year 2010, imports have shown a marginal reduction as the aggregate value of imports was USD 946 million. Our research shows that the import mix itself has changed with imports from USA increasing by 38% and contributing USD 155 million in China's overall import, where as imports from rest of the world decreased by 6% last year.



India

India is the third largest producer (after China & USA) with an annual production of about 780,000 tonnes and the eighth largest exporter of tobacco & tobacco products in the world.

Tobacco usage pattern

Smokeless tobacco users	Overall* (%)	Men (%)	Women (%)
Current users of smokeless tobacco	25.9	32.9	18.4
Daily users of smokeless tobacco	21.4	27.4	14.9
Former daily users of smokeless tobacco	48.0	4.6	52.0
Tobacco users (smoked and/or smokeless)			
Current tobacco users	34.6	47.9	20.3
Daily tobacco users	29.1	40.8	16.7
Former daily tobacco users	5.3	5.0	59.0

*Overall percentage (%) represents the total number of tobacco users including adults and children.

Individual tobacco expenditure

Expenditure	USD
Monthly expenditure by a cigarette smoker on cigarettes	9
Monthly expenditure on bidis by a current bidi smoker	2

Production

While India's share in the world's area under tobacco crop has risen from 9% to 11% in the last 3 decades, its share in production has inched up from 8% to 9%. According to our research, the tobacco market in India is currently estimated to be worth around USD 13.5 billion last year, with a growth of a CAGR of 8.5% during 2004-09.

Tobacco use in India

Our research also shows that 14% of the Indian population currently smoke tobacco and tobacco products. In contrast to other leading tobacco markets of the world, chewing tobacco and other tobacco products were key markets accounting for around 55% of the total market value. Cigarette was the second largest segment, contributing the remaining 45% in terms of market value. The cigars and cigarillos segments witnessed the fastest growth of around 34.6% during the last two years.

Some key facts about the Indian smoking population are highlighted below

- Current tobacco consumption in any form: 34.6% of adults
- Current tobacco smoking population: 14% of adults
- Average age of initiation of daily tobacco consumption: 18 years in adults,
- 60.1% of daily tobacco smokers consume tobacco within half an hour of waking up.



Contribution to the economy

Approximately 36 million people including farmers, farm workers and retailers currently depend upon the tobacco industry for their livelihood. Tobacco makes a significant contribution to the economy in terms of employment, income generation and government revenue. It generates nearly USD 450 million of income per annum. There are approximate 850,000 growers of tobacco in the country, with farming activities characterized by small family farms. Nearly 6 million farmers and workers currently depend on this sector for their sustenance. Tobacco and tobacco products earn over about USD 2.3 billion to the national exchequer by way of excise revenue, and approximately USD 450 million by way of foreign exchange. Further, tobacco is a source of employment and several million people thrive on this weed crop.

Exports

Inspite of the recent global economic slowdown, tobacco exports were bullish

in India. Exports of tobacco and tobacco products had increased by about 30% (approximately USD 978 million) in 2009-10 from the previous years. Belgium and Russia are the leading destinations for Indian tobacco exports. South Korea, Netherlands, South Africa, Egypt, Vietnam, Germany, Nepal, Yemen and UK were other important markets for Indian tobacco.

Imports

In the previous year, India imported over 450 tonnes of cigars, cigarettes and other tobacco products of the value USD 8.1 million, with a substantial portion of the same coming from Cuba, Netherlands and USA. Over 300 tonnes of manufactured tobacco product other than cigarettes were imported into India during the last year in the form of smoking tobacco, reconstituted tobacco, snuff, cut tobacco, tobacco extract and essence. This contributed to a total net cash outflow of over USD 1.31 million.

The chart below provides a birds eye view of some pertinent data relating to the tobacco industry in India.





USA

Tobacco remains an important source of farm income in the USA. North Carolina is the largest tobacco producing state in USA, and it had cash receipts from tobacco of USD 750 million in 2010. Kentucky which is the second largest producer and had cash receipts of USD 385 million. The aggregate production of all classes of tobacco was 0.37 million tonnes from 354 thousand acres last year.

Top 3 selling brands in USA

Company	Brands	Market Share	Cigarettes sold
Philip Morris USA	Marlboro, Basic, Virginia Slims	47.1 %	148.7 billion
Reynolds American Inc.	Camel, Doral, Winston, Kool	25.9 %	81.6 billion
Lorillard	Newport, Maverick, Kent	11.3 %	35.5 billion

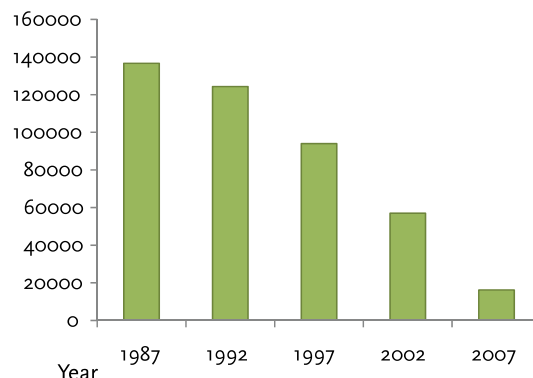
Smokeless tobacco sales

Company	Brands	Market Share
United States Tobacco	Copenhagen, Skoal	41.8 %
Conwood	Grizzly, Kodiak	28.6 %
Swedish Match	Timber Wolf, Red Man	19.1 %
All other companies	Redwood, Kayak, Beech-Nut	10.5 %

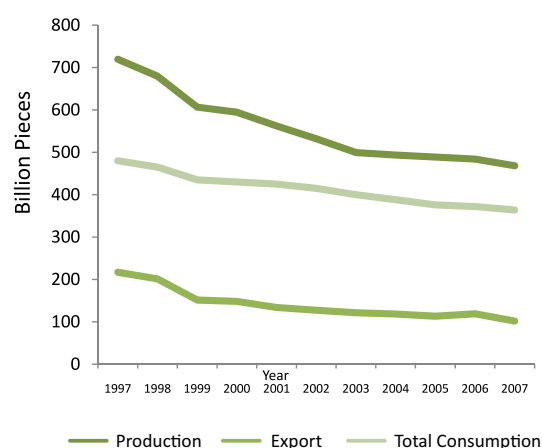
Some striking facts about tobacco industry in USA are highlighted below:-

- Tobacco is grown currently in 21 states.
- Cigarettes are subject to both federal and state tax.
- On April 2009 the federal cigarette tax was increased by 62 cent (USD 0.62).
- More than 315 billion cigarettes were purchased in the USA last year, with 3 companies selling nearly 85% of them.
- Approximately 55,000 tonnes of smokeless tobacco were purchased in USA last year
- The number of tobacco-growing farmers declined from more than half a million in the 1950's to nearly 136,000 in 1987 and to approximately 16,500 in the year 2007.

Number of tobacco growers in USA



Cigarette production, exports, and domestic consumption in USA



The graph above shows the cigarette production, exports, and consumption between 1997 and 2007 in USA. During that period, cigarette production and exports decreased by about 34% each and consumption dropped by about 31%.

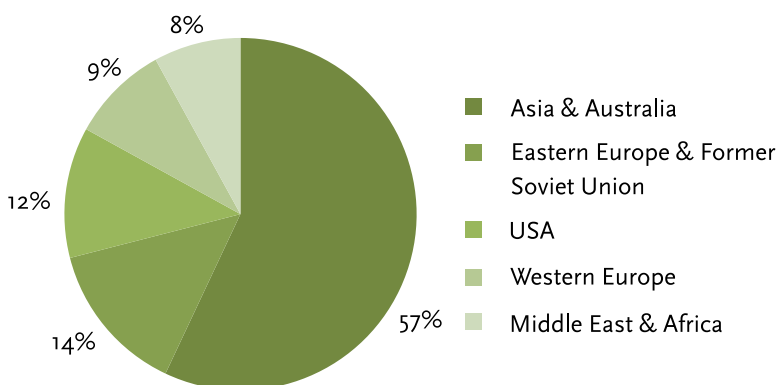
Tobacco growing, manufacturing, distribution, marketing and sales contributed USD 15 billion in wages to some 660,000 American workers last year.



Rest of the world

Tobacco is a global industry with almost 120 countries involved in its production and trade. With developing nations constituting about 87% of the total production, the tobacco industry is shifting base from its earlier hubs like USA to Asian countries where government control and public debate about the role of transnational tobacco organisations is comparatively less stringent. The ensuing chart shows the region wise division of cigarette consumption globally.

Global cigarette consumption by region



The volume of cigarette exports from USA has declined by more than 50% since 1996. This was valued at USD 1.2 billion about four years back and has fallen largely due to lower sales to Japan. The Netherlands and Germany, each export more than USD 3 billion in cigarettes annually. Many low and middle income countries, such as China, Malaysia, Poland and Indonesia are increasing capacity for tobacco and cigarette production and export, while competing aggressively with major cigarette exporting nations. Similarly, many other countries have sensed the changes in business dynamics of the global tobacco industry in the recent years.

The ensuing paragraphs provide an overview of the tobacco industry in countries where tobacco plays a key role in their national economy.

Argentina

The market for tobacco in Argentina has increased at an annual compounded growth rate of 3.1% between 2003 and 2010 and accounts

for 15% of the total tobacco consumption in Latin America.

Cigarette sales form approximately 95% of the total tobacco sales in Argentina and the market is currently dominated by two transnational companies, Massalin Particulares S.A. (a subsidiary of Philip Morris International) and Nobleza Piccardo (a subsidiary of British American Tobacco). Tobacco plays an important role in the economy of the producing areas, which are comparatively poorer provinces. The Argentina tobacco industry currently employs over 500,000 people. About half of them are directly involved in planting and harvesting, about 3% in the manufacturing of the derived products and the rest in distribution and sales.

With relatively lesser legislated restrictions on advertisement in the tobacco industry, Argentina has one of the highest cigarette smoking rates in Latin America both among men and women. The tobacco industry in Argentina has expanded mainly due to smoking habits of adolescents and young adults. As per our research, about 33.5% of the adult population of Argentina smokes and 30% start smoking before 11 years of age. Tobacco causes more than 40,000 deaths every year in Argentina. The cost of the treatment of tobacco-related diseases amounts to over USD 1.4 billion every year which is approximately 15.5% of the total public expenditure on health care. The government collects nearly USD 1 billion per year as taxes on cigarettes.

Australia

Australia is a relatively smaller producer of tobacco leaf and this business segment is contracting in the country. The entire Australian tobacco leaf production is currently sold locally. Australian manufacturers source tobacco leaf from a wide range of countries, with USA being a major source. In addition, tobacco leaf is also imported from the Netherlands, China, Zimbabwe and the UK. The demand for cigarettes in Australia has declined over the past five years due to increasing health concerns, anti-smoking campaigns, increasing regulations and higher excise taxes.

The Australian tobacco market generated over USD 7 billion in last year. Our research shows that approximately 1,417 hectares of tobacco arable area is currently available for tobacco harvesting.

Canada

Tobacco manufacturing in Canada is majorly dominated by three companies - JTI-Macdonald Corporation, Imperial Tobacco Canada and Rothmans Inc. Tobacco farmers earn the highest revenue in the agriculture sector in Canada after poultry and egg producers. South-western Ontario constitutes 95% of Canada's tobacco production and the remaining is produced in Quebec. Cigarette sales in Canada in the last year were over 28 billion pieces. Our research shows that 18% of Canadians aged 15 years and older reported smoking daily or occasionally. This rate has remained constant since 2005. Our research also shows that, approximately 13% of the Canadian population aged 15 to 19 years have taken to smoking.

Chile

Chile is the largest consumer of tobacco products in Latin America with a per capita expenditure of USD 91.40 annually on tobacco. The estimated consumption in Chile is a daily average of 8 cigarettes per capita and the total number of adult smokers above 18 years of age is estimated at 4.5 million. Chile also leads the region in women and adolescent smokers. About 45% of the total male population and 35% of female population consumes tobacco. According to health surveys, smoking-related deaths in Chile exceed 16,000 a year and the economic impact on the medical system due to tobacco-related deaths and diseases is currently estimated to exceed USD 1.1 billion annually.

Chile's tobacco market is virtually a monopolistic market, dominated by Chiletobaccos which has over 100 years of presence in the market and owns multiple brands, which is occupying 96% of the total market share. Other companies such as Philip Morris hold a miniscule market share of just 1.5%. Although, Chile has ratified the WHO FCTC, the progress of implementation has been rather slow. There have been numerous allegations against regulations that favour monopolist in this industry in Chile. Advertising bans are being imposed on products made from tobacco leaves, but other nicotine containing products are currently exempted from such bans.

France

France is the fifth leading European producer with over 7,000 hectares of plantations that produce more than 18,000 tonnes of tobacco

per year. These include 97 % of light air- & flue-cured varieties and 3% dark air-cured tobacco. France has over 2,000 growers and the average producer has a surface area of 1.5 to 8 hectares depending on the region and type of product. Tobacco production gives employment to nearly 30,000 season workers who are employed for up to six months per year. The current share of tobacco in farm income is approximately 40 to 60%. France currently exports tobacco to over 20 countries.

Indonesia


Indonesia is the fifth largest tobacco market in the world. The major tobacco companies in Indonesia include Gudang Garam, Sampoerna (Philip Morris International), Djarum and Bentoel (British American Tobacco). These four companies dominate the Indonesian tobacco market with more than 70% of the total market share. In the previous year, over 165 billion cigarettes were sold in Indonesia. Tobacco is cheap in Indonesia and tax rates are relatively low when compared with other countries of this region.

One-third of Indonesians currently smoke. The majority of smokers in Indonesia (88%) smoke kreteks, which are clove-flavored cigarettes. Indonesia is one of the few countries which has yet not ratified the WHO FCTC, although the national health law prohibits smoking on public transport, in health care facilities, educational facilities, children's playgrounds, and religious places. In other types of public places and in workplaces, designated smoking areas are provided. Tobacco advertising is not completely prohibited, although certain timing restrictions are currently levied on advertising on TV and radio channels.

Italy

Approximately 35,000 hectare of land has been declared as the tobacco harvest area in Italy. It produces more than 110,000 tonnes of tobacco annually.

Italy was the fourth country in the world to enact a nationwide smoking ban. Due to this ban, since 2005, a major part of its production is exported and has led to an 8% drop in the overall domestic tobacco consumption till date.



As per our research, about 20% of the Italian population consumes some form of tobacco product. Although the total tobacco consumption has reduced since 2005, there is a marginal increase in tobacco consuming population (largely falling in the age groups of 25 to 44 years). The average monthly expenditure on cigarettes for smokers in Italy is about USD 18.5.

Japan

Nearly 30 million people smoke in Japan, making the country one of the world's largest tobacco markets. Our research shows that the overall total smoking rate is 24% which comprises of almost 37% of Japanese men and 12% of Japanese women. The Japanese law prohibits smoking of cigarettes by people under the age of twenty. The Japanese domestic tobacco market has continued to contract mainly because of Japan's aging population, growing public consciousness of the health risks associated with smoking and the public debate on a further hikes in the tobacco excise tax. Approximately 4% (i.e. 19,000 hectares) of the overall agricultural land is used for harvesting tobacco and the gross production of tobacco in Japan is currently more than 40,000 tonnes.

Pakistan

Tobacco growing, manufacturing, distribution and retailing, together, is the single largest contributor to excise duty collections in Pakistan. Over 5% of all taxes collected in the country come from the tobacco industry. Almost 350,000 people, directly and indirectly, work in the tobacco farming, manufacturing, distribution and retailing. They generate an aggregated annual income of USD 390 million, which is a source of livelihood for 350,000 families comprising of 1.2 million people.

The tobacco industry contributes nearly USD 645 million to the public exchequer through excise duty, sales tax, special tobacco development levies and other taxes. As per reports, nearly one in five cigarettes sold in Pakistan were manufactured or smuggled without paying the appropriate taxes, resulting in an estimated annual loss of USD 110 million to the government. Tobacco is grown on more than 81,000 hectares of land (approximately 20% of the total land available for the agriculture) in Pakistan mostly in the provinces of Khyber Pakhtunkhwa, Punjab,

Sindh and Balochistan. The production in the last year was around 80,000 tonnes which was higher than preceding year's production of 75,000 tonnes.

Philippines

Nearly 24.3% of the total agricultural land in Philippines is currently engaged for tobacco production. As per our research, the country's total tobacco production is more than 45,000 tonnes, out of which 30% accounts for export. Tobacco consumption in Philippines is more than its production and it imports approximately 150% of its production (in terms of value) from the rest of the world.

Our research show that 28.3% of adults (approximately 17.3 million) aged more than 15 years are currently smoking in Philippines. There is a substantial gap between the numbers of male and female smoking population. While 47.7% male population smokes, the female smoking population is only 9%.

As per the information from the Department of Finance, Philippines, the country has filed one petition to reform the tobacco tax system and the Framework Convention on Tobacco Control Alliance Philippines ("FCAP") has supported the same. This bill seeks to increase the excise tax to 33 cents (USD 0.33) on low priced cigarette brand packets and 65 cents (USD 0.65) on high priced cigarette brand packets by January 1, 2012. The excise tax for low-priced brands are expected to increase to 51 cents (USD 0.51) while high priced brands are expected to increase to 70 cents (USD 0.70) by January 1, 2013. This bill could result in reduction of tobacco consumption in Philippines.

Poland

Poland's total cigarette exports increased sharply from 12.5 billion pieces in 2003 to an all time high of 80.46 billion pieces last year. Hungary is the leading destination for Polish cigarette exports with a shipment of 8.44 billion pieces. The value for Poland's cigarette exports in 2010 was about USD 1.2 billion. The average price per packet of 20 cigarettes has been steady at about USD 30 cents over the recent years.

Poland imports most of the leaf tobacco used to manufacture cigarettes. Such imports are from over 22 different countries wherein Brazil, Argentina and India are major suppliers. Poland

is the producer of a significant quantity of flue-cured tobacco with the harvest of over 30,000 tonnes of this categories annually.

Our research shows that 33.5% of adult men (5.2 million) and 21% of adult women (3.5 million) of the Polish population smoke tobacco regularly. Around 9.8 million of the Polish population are smokers. This includes 37.4% of women in the age bracket of 50-59.

Russian Federation

Russia is one of the largest tobacco markets by volume. International tobacco companies dominate Russia's cigarette market, holding over 90% of the cigarette market share with all four of the major transnational tobacco companies, namely Japan Tobacco International (37%), Philip Morris International (25%), British American Tobacco (20%) and Imperial Tobacco (9%) operating in Russia. With all of the big manufacturers investing in facilities, brands, marketing and distribution, the Russian tobacco market is unique. The volume of retail sales have increased by over 30% in the last ten years from 290 billion sticks in 1999 to 382 billion sticks last year.

Our research shows that 60% of men, 22% of women, and 39.1% overall (43.9 million adults) currently smoke tobacco in Russia. Consumption of smokeless tobacco is relatively less as only 1.0% of men, 0.2% of women, and 0.6% of the overall country population currently using smokeless tobacco. As per our research the average amount spent on a packet of 20 manufacturing cigarettes is approximately USD 1.

Singapore

Singapore has no domestic tobacco cultivation and is not a significant manufacturing centre for tobacco products. However, as a trade hub, it profits from the re-export of tobacco products. The Singapore government has one of the most stringent tobacco control policies in the world with high rates of excise, substantial fines for smoking in prohibited places and active support for cessation.

Due to stringent restrictions and regulations in Singapore, the total tobacco consumption has declined from a level of 23% to 19% of the population in the last few years. Our research shows that smoking prevalence in males is

24% whilst that in females is 4%. The average number of cigarettes smoked per day by male smokers is 13 sticks as against 9 sticks amongst female smokers.

South Korea

South Korea is an important global market, with a total size of around 90 billion cigarettes per annum. There are around 7,000 families involved in growing tobacco. Korea Tobacco and Ginseng Corporation ("KT&G") is the biggest tobacco manufacturer in Korea and has maintained over 90% of the domestic market share. Along with KT&G, the South Korean cigarette market currently includes products of British American Tobacco, Philip Morris and Japan Tobacco International and all three of these foreign cigarette manufacturers now have manufacturing facilities in South Korea. Approximately 2% of the total tax revenue of the country comes from tobacco related taxes.

South Africa

The South African tobacco industry is dominated by British American Tobacco (South Africa) Ltd. with the highest sales of cigarettes in volumes. Cigarette is the main tobacco product in the South African tobacco industry. Other significant players include Philip Morris South Africa (Pty) Ltd and JT International South Africa (Pty) Ltd with their leading brands Marlboro and Camel.

Bright leaf tobacco, commonly known as "Virginia tobacco" is produced mainly in Mpumalanga and Limpopo, with smaller quantities of Oriental tobacco grown in the Western and Eastern Cape. The tobacco industry in South Africa has contributed over USD 1.35 billion in the form of taxes to the country's government revenue last year. It is estimated that there are more than 1,000 growers in the country, producing over 34,000 tonnes every year on about 24,000 hectares of land.

Turkey

Turkey is a small tobacco-producing country. Although the total amount of tobacco being produced in the country has shown a decreasing trend over the last 15 to 20 years, Turkey still contributes about 2% of the world's total production. During the 1980's, the amount of tobacco produced annually in Turkey was

around 300,000 tonnes, but in the early 1990's this amount began to decrease and has reduced to about 135,000 tonnes in 2005 and 80,000 tonnes in 2007.

Our research shows that of 31.2% of adults (approximately 16 million) aged 15 years and older are currently smoking in Turkey. Men (47.9%) are more likely to smoke tobacco than women (15.2%). Out of the total population, an approximately 12 million men and 4 million women are tobacco smokers. On an average, men consume more cigarettes per day (19.3) than women (12.2) and their average monthly expenditure on cigarettes is around USD 57.

Ukraine

Ukraine has efficient factories with mostly new equipment and facilities to produce quality blended cigarettes. The output of cigarettes in Ukraine last year was 115 billion pieces. Imports of cigarettes into Ukraine rose to about 5.5 billion pieces and exports rose to a peak of 10.75 billion pieces last year.

Philip Morris, British American Tobacco and Japan Tobacco International are the major cigarette producer in Ukraine.

United Kingdom (UK)

British American Tobacco and Imperial Tobacco, which are amongst four largest tobacco companies globally are based in UK. The UK tobacco market is currently dominated by these two firms which collectively have approximately 85% of the market share.

The total tobacco sales in the UK in 2010 was USD 22 billion and around 90% of this accounted for cigarettes. British American Tobacco manufactures cigarettes in the UK but mostly exports them globally. Imperial Tobacco also sells outside UK. Tobacco contributed approximately USD 17.5 billion in excise duty and USD 3 billion in VAT last year to the government tax revenue.



Analysis of key issues

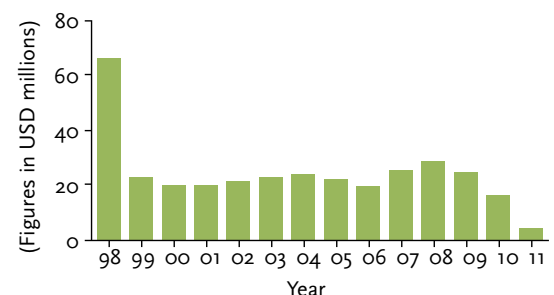
International trade flows of tobacco and tobacco products are not only determined by trends in demand and supply in trading countries, but are also influenced by trade policies such as tariffs and non-tariff barriers, export promotion initiatives and domestic policies. Tobacco companies have been battered by laws and restrictions in the developed nations which have resulted in the decrease in tobacco and tobacco product consumption in these countries. Stringent worldwide regulations such as those led by WHO FCTC which was in due course ratified by a majority of the countries, have acted as a catalyst to the shrinking markets in developed nations. However, the industry has been successful in handling such pressures due to the growing popularity and relatively lesser levels of awareness of the hazards of tobacco in developing nations.

The annual cost to the global economy in direct and indirect health care and related expenditure have been more than USD 500 billion as estimated by World Lung Foundation and there is an increased level of awareness on the health hazards of regular consumption of tobacco amongst the smoking population. Despite this, the leading five tobacco companies around the world have still shown a combined profitability of around USD 20 billion last year.

Industry experts see a trend of increasing ethical and moral framework within the tobacco industry. The tobacco organisations are increasingly becoming more responsive to the impact of their products on their consumers and are financing advanced medical research in top notch institutions across the world to address the same. They are also taking steps in making their products less harmful by bringing innovative products to the market. These changes and initiatives have helped tobacco organisations grow even under extreme adverse business environments in the wake of anti-smoking campaigns worldwide.

Even as positive initiatives are taken by the multinational tobacco organizations for the benefit of the society continue, their activities are closely scrutinized by the industry experts and critics alike. In years of research and investigations on the tobacco industry, some groundbreaking stories have surfaced about the unsavory ties of tobacco companies to illicit trade and how the certain portion of the industry has colluded with organized groups to further their market share and circumvent restrictions. Journalists from the International Consortium of Investigative Journalists ("ICIJ") in six countries have documented the industry's moves into emerging markets around the world. This investigative study which was conducted by interviewing many high profile industry leaders and politicians across nations has unraveled a long list of aggressive industry lobbying tactics on a global platform. Amongst these, political campaign contributions, gifts and donations, helping regulators write new tobacco rules, threatening legal action against reforms, and in at least two cases, paying bribes to secure favorable trade deals and legislation were brought to light. As per ICIJ, it has traced millions of dollars to lobbyist firms, foundations, social clubs and even government health ministries.

An estimate of the lobbying cost of the tobacco industry in USA is provided by Centre for Responsive Politics and is depicted in the ensuing graph.



It is noteworthy that the lobbying costs have drastically reduced over the years.

Numerous examples have been cited by industry experts on common practice of lobbying for the tobacco industry. Russia led talks on new tobacco rules for former Soviet countries, but the Russian version of tobacco controls were claimed to have actually been written by tobacco lobbyists and this has been disclosed in the website of Tabakprom, one of two Russian industry lobbying groups. In another such incident in Mexico, millions of dollars are believed to have been spent on donating computers to schools by a leading tobacco brand in lieu of putting off new excise taxes on cigarettes. Another country which is believed to have been influenced by tobacco lobbies is Indonesia, the largest country that is yet to adopt the WHO tobacco standards. Standard cigarettes sell for about USD 1 per pack in Indonesia, and the domestic favorites – clove-flavored kreteks – are widely marketed to teens and children. It is also a nation rife with official corruption with federal police investigating several cases of alleged bribery among legislators, including some who have played roles in setting tobacco rules.

The influences of lobbies in the tobacco industry are believed to be more strong in emerging markets than the developed markets where the growth of the industry is either negative or stagnant. To combat industry influence, the WHO tobacco convention included rules barring company participation in writing standards of a country and urged governments to more closely monitor industry lobbying. However, in the rough-and-tumble world of politics in developing nations, such controls can be tough to enact and even tougher to enforce and the real enforcements have been slow or were soft to accommodate. While tobacco industry lobbies are being extensively criticised by health organisations and anti-tobacco enforcement authorities, initiatives taken by the tobacco companies in developing new products which are less harmful or marketed as replacement for nicotine intensive products are, at the same time, also being appreciated worldwide by governments and common people alike.



Concluding summary

Tobacco farming, production and consumption in various forms have been associated with mankind throughout history. As an industry, it has rapidly grown over the last two centuries, especially after the industrial revolution of the 19th century. However, the industry has shown relatively lower-growth rates over the last few years. This is a result of many factors, with the most important being the imposition of anti-tobacco regulations across many developed nations that have constrained tobacco consumption to a large extent. Such regulations have driven governments to exercise bans on smoking, levy higher taxes and enforce marketing barriers on tobacco products. In addition, increased health awareness has led to self-restrain by the smokers across the world, in developing nations.

Stringent bans, which prohibit the use of all marketing strategies by the tobacco industry, have reduced tobacco use among people of all income and educational levels. A recent study of 102 countries showed that in countries with partial bans, consumption only decreased by 1% as compared with almost 9% in countries with comprehensive bans. With this, tobacco manufacturers are increasingly seeing growth opportunities in countries with lesser marketing restrictions.

The tobacco industry has remained relatively resilient to global economic pressures despite the impact of financial meltdown on the disposable income of tobacco consumers. The top five tobacco organisations of the world currently share a combined asset base in excess of USD 200 billion and a total market value in excess of USD 315 billion. These companies account for around 50% of the global market, or around three-quarters of the market outside China.

Trends indicate that individual smokers could well consume fewer cigarettes over the ensuing decades in developed countries. However, with the world's population predicted to increase to 7 billion by the end of 2012 and 9 billion by the

end of 2050, the tobacco industry is expected to grow.

The tobacco companies currently face an increasingly competitive market. In developed nations consumers are increasingly becoming health conscious and are looking for better and safer products. In developing nations too, quality and innovation are increasingly becoming key for gaining market share.

Illicit trade in tobacco products is a serious issue in several countries with as much as 12% of global volume estimated to be traded on the black market. Cigarettes are among the most commonly traded products in the black market due to high profit margins, relative ease of production and movement and low detection rates. The principal drivers of illicit trade are the need for cheaper cigarettes by consumers and profits for the smugglers and counterfeiters. Some contributory factors in these countries include weak border controls and ineffective sanctions.

Experts believe that up to 660 billion illegal cigarettes are smoked every year. It is also estimated that governments worldwide are losing up to USD 39 billion a year in excise and other taxes, while the loss to the legitimate tobacco companies could be as much as USD 10 billion a year in revenue.

At the same time, regulations are becoming increasingly more stringent and supported by the WHO/FCTC. Health warnings on packets and other primary packaging have been made mandatory in several countries. Many governments use taxation on tobacco as a key instrument to reduce rates of smoking. However, sudden increases in excise rates can also destabilise markets and result in consumers switching to cheaper illicit products.

Sensing the growing awareness in people about health hazards associated with tobacco use, tobacco companies are following the path of innovation in developing new products. Tobacco companies are also establishing

new production bases at new geographical locations to feed and create more demand for new tobacco products. Sales in smokeless tobacco products and electronic cigarettes are getting a boost globally due to several factors like social awareness about the health risks and regulatory recognition of the same.

As mature markets are contracting owing to higher degree of health consciousness and restrictive regulations, opportunities are being pursued in developing and underdeveloped countries where the population is expected to continue to rise. The industry players are seeking growth by concentrating on these relatively new markets.

Our research has indicated that new and improved tobacco products are being

researched which have lesser harmful effects on health. Some of these products have been tested found to be less toxic. Eclipse, Advance, Omni, Ariva, Stonewall, Revel, Exalt and Nicotine Water are names of some products which have been made available in the markets worldwide and marketed as safer alternatives to tobacco products such as cigars and cigarettes. Smokeless and electronic cigarettes are some other innovative products which are becoming popular amongst the health conscious smoking population. Tobacco companies worldwide are extensively investing in medical research projects with reputed institutions that concentrate on curbing cancer and other diseases. There is a clear sense of social responsibility that several of the leading tobacco companies have accepted.

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Mazars has its own offices in 61 countries, with a force of more than 13,000 professionals. Mazars is continuously expanding its worldwide presence by entering new markets, including Eastern Europe, the USA, Asia Pacific and the Middle East.

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