

ECONOMIC HISTORY OF TOBACCO PRODUCTION IN INDIA

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Introduction

India is the world's second largest producer of tobacco. Endowed with rich agro-climatic attributes such as fertile soils, rainfall and ample sunshine, India produces various types of tobacco. Currently, Indian tobacco is exported to more than 80 countries spread over all the continents. A few of the top multinational companies such as British American Tobacco (BAT), Philip Morris, RJ Reynolds, Seita, Imperials, Reemtsma etc. and many companies with government monopoly all over the world import Indian tobacco either directly or indirectly. The Indian market for tobacco products, however, has some characteristics rather different from most other markets. India has a large, highly integrated tobacco industry, involving the growing of a range of leaf types, the manufacture of different tobacco products, including unprocessed and chewing tobacco, and an extensive distribution and retail system. Over the years, a combination of strong prices, domestic consumption, good export demand for tobacco and low prices of other crops helped the growth of tobacco from a cash crop to a manufacturing industry linked with commercial considerations.

The tobacco industry in India includes the production, distribution and consumption of (i) leaf tobacco, (ii) smoking products such as cigarettes and *beedis* and (iii) various chewing tobacco products. It presents policy-makers with an unenviable dilemma. On the one hand, it is a robust and largely irrigation-independent crop, provides substantial employment, has significant export potential and most importantly, is a source of ever-growing tax revenues. On the other, there are public health concerns about the effects of smoking and consumer-led lobbies asking for more controls on cigarette sales, smoking and advertising. In spite of its proven adverse implications for public health, the industry continues to be supported in many quarters on the grounds of its contribution to employment and national production. The organized sector of the industry, dominated by multinational corporations, is at the forefront of canvassing support for the sector.

The worldwide trend in the area of tobacco cultivation and production shows that while there has been relatively modest growth in the area under tobacco cultivation, a steady growth in the production area has taken place, pointing to substantial productivity gains. There has been a shift in tobacco production from the developed to developing countries. India's share in the world tobacco production was 10.2% in 2000, while that of China was 36.7%. However, in terms of productivity, India has always remained much below the world average by 20%-40%. An analysis of variety-wise tobacco production reveals that the bulk of total tobacco production in India consists of non-cigarette tobacco products as there is a strong, but unorganized, domestic market for non-cigarette tobacco products. Production of cigarette tobacco, mainly flue-cured Virginia (FCV), though increasing, still accounts for only 30% of the total production in the country. This is because of the 200 million tobacco consumers in India; only 13% consume it in the form of cigarette, while 54% consume it in the form of *beedi* and the rest in raw/*gutka* forms (Indian Institute of Foreign Trade 2002). Worldwide, 85% of the tobacco cultivated is used in the production of cigarettes. Hence, the tobacco consumption pattern in India markedly differs from the rest of the world in terms of product configuration.

Production and Uses of Tobacco in India

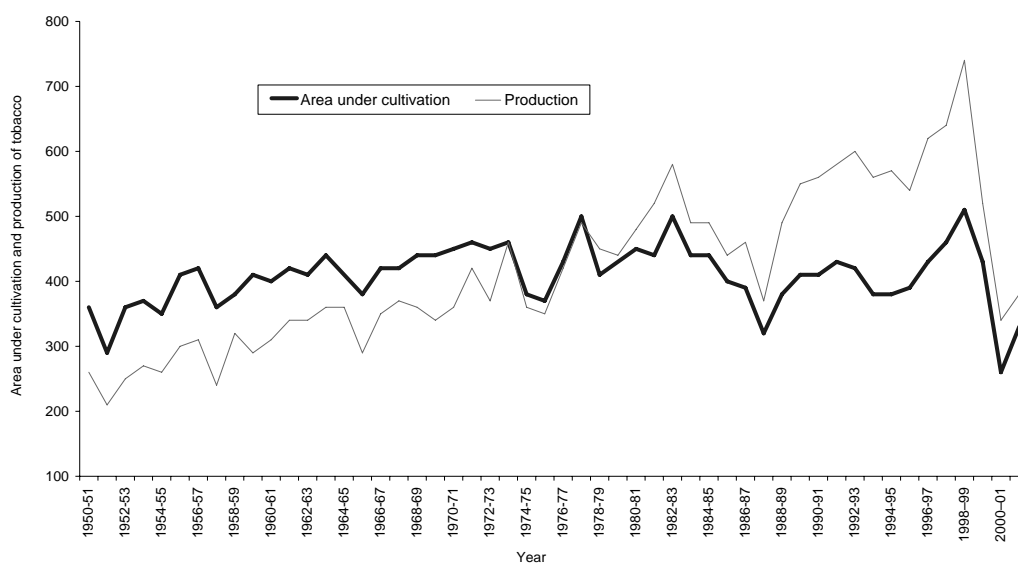
Tobacco is an agro-based item produced and consumed both in the unmanufactured (chewing tobacco and hookah) and manufactured form (cigarettes, cigars, *beedis*, snuff, cheroots, *gutka*, etc.) in India. The Indian tobacco scenario is characterized by fluctuations in the total area under tobacco cultivation and levels of production. The total area under cultivation and production of tobacco in India during 2001–02 were 330,000 hectares and 380,000 tonnes, respectively. As shown in Table 1, the area under tobacco production has increased from 360,000 hectares in 1950–51 to 380,000 in 1999–2000 whereas the increase in tobacco production has been to a larger extent, from 260,000 tonnes to 380,000 tonnes over the same period. Specifically, the trend of increase in production is more visible after the 1980s, reflecting the increase in productivity as shown in Fig. 1. The fluctuations in the area under tobacco cultivation during the past five decades are sharp but do not show an increasing trend in acreage under crop. Also, production has increased over the years.

Table 1.
Area under cultivation and production of tobacco in India

Year	Area (x 1000 hectares)	Production (x 1000 tonnes)	Year	Area (x 1000 hectares)	Production (x 1000 tonnes)
1950-51	360	260	1976-77	430	420
1951-52	290	210	1977-78	500	490
1952-53	360	250	1978-79	410	450
1953-54	370	270	1979-80	430	440
1954-55	350	260	1980-81	450	480
1955-56	410	300	1981-82	440	520
1956-57	420	310	1982-83	500	580
1957-58	360	240	1983-84	440	490
1958-59	380	320	1984-85	440	490
1959-60	410	290	1985-86	400	440
1960-61	400	310	1986-87	390	460
1961-62	420	340	1987-88	320	370
1962-63	410	340	1988-89	380	490
1963-64	440	360	1989-90	410	550
1964-65	410	360	1990-91	410	560
1965-66	380	290	1991-92	430	580
1966-67	420	350	1992-93	420	600
1967-68	420	370	1993-94	380	560
1968-69	440	360	1994-95	380	570
1969-70	440	340	1995-96	390	540
1970-71	450	360	1996-97	430	620
1971-72	460	420	1997-98	460	640
1972-73	450	370	1998-99	510	740
1973-74	460	460	1999-00	430	520
1974-75	380	360	2000-01	260	340
1975-76	370	350	2001-02	330	380

Source: "Agricultural Statistics at a Glance – 2003", Agricultural Statistics Division, Directorate of Economics and Statistics, Ministry of Agriculture, India, 2003

Fig. 1
Area under cultivation and production of tobacco in India



A special feature of the domestic tobacco production scene in India is the varietal composition of the produce. India is the only country where the bulk of production consists of numerous non-smoking types of tobacco. The presence of a strong domestic demand for *beedi*, *hookah*, chewing and snuff tobacco necessitates the cultivation of non-cigarette types of tobacco to a relatively large extent. An analysis of variety-wise production of tobacco (Table 2) shows that during 1997–98, *beedis* accounted for 29.6% of the total area under tobacco cultivation and 29.5% of total production whereas Virginia tobacco used in cigarettes was grown on 39.1% of the area under tobacco cultivation and accounted for 23.6% of the total production. However, the share of chewing tobacco in India's tobacco production has risen steadily over the years from 11.7% per cent in 1993–94 to 29.1% in 1997–98.

Table 2.
Variety-wise area under cultivation and production of tobacco in India

		(Area: x 1000 hectares) (Prodn: million kg)					Share in total area and prodn				
		1993 –94	1994 –95	1995– 96	1996 –97	1997 –98	1993 –94	1994 –95	1995 –96	1996 –97	1997 –98
Virginia	Area	133.2	120.8	125.6	149.2	181.0	34.6	31.7	31.8	34.9	39.1
	Prodn	123.8	113.4	117.7	138.2	152.4	21.9	20.0	21.9	22.4	23.6
<i>Natu</i>	Area	38.2	30.0	33.4	40.0	44.7	9.9	7.9	8.5	9.4	9.6
	Prodn	60.1	45.0	48.2	50.0	52.5	10.7	7.9	9.0	8.1	8.1
<i>Beedi</i>	Area	118.6	130.9	138.5	139.1	137.2	30.8	34.3	35.1	32.5	29.6
	Prodn	188.2	218.8	205.2	211.4	190.7	33.4	38.6	38.3	34.2	29.5
Cigar and Cheroot	Area	11.9	14.6	12.6	12.0	10.9	3.1	3.8	3.2	2.8	2.4
	Prodn	16.0	17.6	17.3	13.0	9.8	2.8	3.1	3.3	2.1	1.5
Hookah	Area	29.3	15.2	13.1	16.4	18.3	7.6	3.9	3.2	3.8	3.9
	Prodn	97.3	21.9	17.0	35.9	42.9	17.3	3.9	3.18	5.8	6.6
Chewing tobacco	Area	48.5	62.3	65.4	64.3	63.6	12.6	16.3	16.6	15.0	13.7
	Prodn	65.7	138.3	118.8	159.6	188.0	11.7	24.4	22.2	25.8	29.1
Snuff	Area	5.1	7.6	6.00	7.0	7.8	1.3	1.9	1.5	1.6	1.7
	Prodn	11.8	11.7	11.00	9.8	9.7	2.1	2.1	2.1	1.6	1.5
Total	Area	384.8	381.4	394.60	428.0	463.5	100	100	100	100	100
	Prodn	562.9	566.7	535.20	617.9	646.0	100	100	100	100	100

Source: Directorate of Tobacco Development, Ministry of Agriculture, India.
Prodn: production

Unmanufactured Tobacco

Unmanufactured tobacco is either exported, directly consumed as chewing tobacco, or used as input in the production of manufactured items such as cigarettes, cigars and *beedis*. Usually, there are seven broad types of unmanufactured tobacco based on the end-use and curing methods such as: (i) FCV, (ii) Burley, (iii) Oriental, (iv) dark air/sun-cured, (v) light air-cured, (vi) dark air-cured (cigar) and (vii) dark fire-cured.

Flue-cured Virginia tobacco is the primary ingredient in the manufacture of cigarettes. Burley and Oriental types are blended with FCV in appropriate proportions to create specific qualities of tobacco for cigarettes to cater to the taste of smokers.

The major tobacco producing states in India are Andhra Pradesh (AP), Gujarat, and Karnataka. Other states where tobacco is grown include Bihar, Maharashtra, Orissa, Tamil Nadu, Uttar Pradesh (UP) and West Bengal. Andhra Pradesh, Gujarat, Karnataka and UP together account for over 90% of the total tobacco production in the country. Flue-cured Virginia tobacco, used in the manufacture of cigarettes, is primarily cultivated in AP and Karnataka, whereas *beedi* tobacco is grown in Gujarat. Tobacco used for chewing and *hookah* are grown in other tobacco-producing states of India.

The total production of unmanufactured tobacco in India in 2001 was 530,000 tonnes and the forecasted production for the year 2003 was 595,000 tonnes (Table 3). There has been an increasing trend of unmanufactured tobacco production over the years as shown in Fig. 2. During the late 1980s and early 1990s, there were sharp increases in production. Recently, India has become one of the largest producers of unmanufactured tobacco, ranking second only after China (Table 4). The share of unmanufactured tobacco production in India is 10.5% of the total world production. China is the largest producer with 39.2% of the total world production. During 2002–03, world production of unmanufactured tobacco was 6,024,000 tonnes of which India produced 592,000 tonnes and which is forecasted to increase to 595,000 tonnes in 2003–04.

Table 3.
Production of unmanufactured tobacco in India since 1970

Year	Total production (tonnes)	Year	Total production (tonnes)
1970	3,37,100	1987	4,61,800
1971	3,61,900	1988	3,67,400
1972	4,18,900	1989	4,92,800
1973	3,72,200	1990	5,51,600
1974	4,62,100	1991	5,55,900
1975	3,63,100	1992	5,84,400
1976	3,49,800	1993	5,96,500
1977	4,18,800	1994	5,62,900
1978	4,93,600	1995	5,66,700
1979	4,53,800	1996	5,35,200
1980	4,38,500	1997	5,99,100
1981	4,80,800	1998	5,72,200
1982	5,20,100	1999	5,87,600
1983	5,81,600	2000	5,99,400
1984	4,92,500	2001	5,30,000
1985	4,85,900	2002 (p)	5,92,000
1986	4,41,200	2003 (f)	5,95,000

Source: Tobacco Board of India; Foreign Agricultural Service, Official United States Department of Agriculture (USDA) Estimates for February 2004

p: preliminary; f: forecast

Fig. 2.
Unmanufactured tobacco production in India



Table 4.

World unmanufactured tobacco production (tonnes)

	Production (tonnes)						Share in world production (%)					
	1998–1999	1999–2000	2000–2001	2001–2002	2002–2003 (p)	2003–2004 (f)	1998–1999	1999–2000	2000–2001	2001–2002	2002–2003 (p)	2003–2004 (f)
China	20,10,250	20,98,905	22,95,000	19,97,183	23,65,988	22,24,481	32.2	33.4	35.9	34.0	39.3	39.2
United States	6,04,131	5,27,720	4,08,200	4,04,559	3,58,363	3,39,241	9.7	8.4	6.4	6.9	5.9	5.9
India	5,72,200	5,87,600	5,99,400	5,30,000	5,92,000	5,95,000	9.2	9.4	9.4	9.0	9.8	10.5
Brazil	3,73,150	4,98,400	4,93,100	4,42,345	5,51,250	5,15,720	5.9	7.9	7.7	7.5	9.2	9.1
Turkey	2,17,570	2,07,830	2,07,911	1,72,027	1,33,812	1,42,190	3.5	3.3	3.3	2.9	2.2	2.5
Indonesia	1,23,653	1,33,350	1,57,052	1,46,100	1,44,700	1,35,000	1.9	2.1	2.5	2.5	2.4	2.4
Malawi	95,996	89,550	89,550	1,10,168	1,24,301	1,22,580	1.5	1.4	1.4	1.9	2.1	2.2
Greece	127000	1,26,000	1,23,435	1,18,039	1,20,000	1,21,000	2.0	2.0	1.9	2.0	1.9	2.1
Italy	1,12,225	1,11,147	1,10,446	1,11,997	1,08,460	1,06,250	1.8	1.8	1.7	1.9	1.8	1.9
Argentina	98,100	91,400	91,700	81,300	1,06,000	97,700	1.6	1.5	1.4	1.4	1.8	1.7
Pakistan	84,636	94,256	94,837	75,766	84,721	86,389	1.4	1.5	1.5	1.3	1.4	1.5
Others	18,15,666	17,12,262	17,28,902	16,83,993	13,35,094	11,87,016	29.1	27.3	27.0	28.7	22.2	20.9
World total	62,34,577	62,78,420	63,99,533	58,73,477	60,24,689	56,72,567	100	100	100	100	100	100

Source: Foreign Agricultural Service, Official United States Department of Agriculture (USDA) Estimates for February 2004

p: preliminary; f: forecast

Manufactured Tobacco

Manufactured tobacco products are typically used for smoking such as cigarettes and *beedis*, and in some varieties of chewing tobaccos. The production of different varieties of tobacco is directly related to the pattern of consumption. Internationally, smoking tobacco usage has shifted from traditional products such as hand-rolled cigarettes, cigars, cheroots, *beedis*, pipes and *hookah* to cigarettes (both filter and non-filter). As shown in Table 5, there has been an overall shift in manufactured tobacco production towards smoking use in India. In this respect, the Indian trend is similar to the worldwide trend of more smoking tobacco products. The pattern of production within smoking products, however, presents a sharp contrast to the worldwide trend. *Beedi* production is the dominant form of tobacco produce in Indian manufacturing units. *Beedis* alone account for 31% of all manufactured tobacco production while the share of cigarettes, cigars, cheroots and cigarette tobacco was 33% per cent in 1997–98. However, the production of chewing tobaccos such as *pan masala* and *catechu* is increasing over the years. The overall trend of total manufactured tobacco production showed a steady increase from Rs 4,237.7 million in 1973–74 to Rs 80,319.6 in 1997–98.

There are four major manufactures of cigarettes in India – the Indian Tobacco Company (ITC) Limited, Godfrey Phillips India (GPI) Limited, Vazir Sultan Tobacco (VST) Industries Limited and Golden Tobacco Company (GTC) Limited (Table 6). Out of these four, ITC Limited alone account for more than 60% of total production, 80% of sales and market share. The worldover, the cigarette industry is facing a declining trend and increasing activity from anti-smoking lobbies. In India also production of cigarettes has declined from 98,000 sticks in 1997–98 to 93,000 sticks in 2002–03 according to the US Department of Agriculture (USDA) estimates (Table 7). Although the share of domestic cigarette production, increased marginally over the years, it has remained stable within the range of 1.5%-1.9%. According to the data provided by the Indian Tobacco Board and Reserve Bank of India (RBI), the production of cigarettes reached a peak of 9,405 crore sticks in 1982–83, declining subsequently thereafter (Table 8). In the 1990s, production again started increasing till 1999–2000, and showed a downward movement for the next 2 years till 2002.

Table 5.
Value of the gross output of the manufactured tobacco sector

Year	(Values in Rs million)						Share (%)					
	Sector 225	Sector 226	Sector 227	Sector 228	Sector 229	Total	Sector 225	Sector 226	Sector 227	Sector 228	Sector 229	Total
1973-74	1509.3	770.4	1504.7	453.3		4237.7	35.6	18.2	35.5	10.8		100
1974-75	1557.4	714.3	1317.4	444.6		4033.7	38.6	17.7	32.7	11.0		100
1975-76	1765.8	1055.9	2336.9	335.1		5493.7	32.1	19.2	42.5	6.1		100
1976-77	1952.8	2055.9	2758.3	440.0		7207.0	27.1	28.6	38.3	6.1		100
1977-78	2481.0	2704.9	2166.0	506.3		7858.2	31.6	34.4	27.6	6.4		100
1978-79	2565.8	2703.3	2519.4	556.3		8344.8	30.8	32.4	30.2	6.7		100
1979-80	2234.9	2824.4	1989.6	665.4		7714.3	28.9	36.6	25.8	8.6		100
1980-81	2445.4	2825.2	1821.5	701.1		7793.2	31.4	36.3	23.4	9.0		100
1981-82	3218.4	3481.7	2170.1	738.0		9608.2	33.5	36.2	22.6	7.7		100
1982-83	3187.5	4403.5	1445.8	1150.8		10,187.6	31.3	43.2	14.2	11.3		100
1983-84	3818.1	4420.1	4634.3	1394.3		14,266.8	26.8	30.9	32.5	9.8		100
1984-85	3290.2	5162.0	2994.4	1417.1		12,863.7	25.6	40.1	23.3	11.0		100
1985-86	3303.1	5257.6	3884.1	1443.7		13,888.5	23.8	37.9	27.8	10.4		100
1986-87	3057.5	6648.6	4275.4	1707.9		15,689.4	19.5	42.4	27.3	10.9		100
1987-88	2641.7	8428.3	4764.3	2085.0		17,919.3	14.7	47.0	26.6	11.6		100
1988-89	2824.1	9472.3	6720.4	2425.6		21,442.4	13.2	44.2	31.4	11.3		100
1989-90	4350.0	12,499.6	6919.4	3027.3	1149.2	27,945.5	15.6	44.7	24.8	10.8	4.1	100
1990-91	5117.1	15,933.3	8605.3	3225.8	1733.4	34,614.9	14.8	46.0	24.9	9.3	5.0	100
1991-92	8380.3	16,422.5	9874.8	2723.8	2468.4	39,869.8	21.0	41.2	24.8	6.8	6.2	100
1992-93	9340.6	18,529.2	12,826.7	3398.5	3124.6	47,219.6	19.8	39.2	27.2	7.2	6.6	100
1993-94	11,111.3	21,115.2	13,158.9	4503.0	3614.9	53,503.3	20.8	39.5	24.6	8.4	6.8	100
1994-95	10,904.7	21,280.7	15,279.1	4289.2	4198.2	55,951.9	19.5	38.0	27.4	7.7	7.5	100
1995-96	9,777.1	18,681.9	13,609.2	5036.3	6181.5	53,286.0	18.4	35.1	25.5	9.5	11.6	100
1996-97	13,742.3	22,696.2	21,112.6	5184.4	9077.7	71,813.2	19.1	31.6	29.4	7.2	12.6	100
1997-98	11,939.1	24,919.6	26,832.4	8159.6	8468.9	80,319.6	14.9	31.0	33.4	10.2	10.5	100

Source: Annual Survey of Industries, 1997-98, Central Statistical Organization, New Delhi

225: tobacco stemming, redrying and other operations; 226: manufacture of *Beedis*; 227: manufacture of cigars, cigarettes, cheroots and cigarette tobacco; 228: manufacture of snuff, *zarda*, chewing tobacco and other tobacco products; 229: manufacture of *pan masala*, *catechu* and chewing lime.

Table 6.
Production, sales and market share of major manufactures of cigarettes in India

Company	Production (millions)										
	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02
I T C Ltd	32953	33278	34550	37653	42251	46094	51445	52127	56365	55879	53551
Godfrey Phillips India Ltd	15802	13096	11769	12646	12332	12896	13260	12592	11975	9183	8857
V S T Industries Ltd	14900	14171	12710	13469	15143	13545	14113	12716	11958	11519	8990
G T C Industries Ltd	1866	2219	2374	2942	-NA-	8344	10955	7320	7290	5822	7214
Total of major 4 companies	65521	62764	61403	66710	69726	80879	89773	84755	87588	82403	78612
Total	70563	67514	69356	76165	84881	83078	92135	90669	97839	91023	88000
Share of ITC Ltd in total (%)	46.7	49.3	49.8	49.4	49.8	55.5	55.8	57.5	57.6	61.4	60.9
	Sales (Rs in crores)										
	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02
ITC	2230.70	2752.90	2981.45	3335.72	4105.98	4927.07	5777.88	6536.06	6939.87	7676.63	8013.58
Godfrey Phillips India	670.49	656.30	630.53	698.92	726.95	803.71	925.58	977.80	999.86	919.52	894.49
VST Industries	508.91	585.70	557.67	597.10	595.73	536.88	619.17	632.59	660.56	710.72	649.98
G T C Industries	155.80	128.18	147.17	183.39	250.21	250.21	322.28	363.75	401.74	445.16	358.46
Total of major 4 companies	3565.90	4123.08	4316.82	4815.13	5678.87	6517.87	7644.91	8510.20	9002.03	9752.03	9916.51
Total	3573.97	4141.67	4328.51	4833.19	5697.95	6535.82	7661.69	8521.86	9026.94	9776.35	9938.14
Share of ITC Ltd in total (%)	62.4	66.5	68.9	69.0	72.1	75.4	75.4	76.7	76.9	78.5	80.6
	Market share (%)										
	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02
ITC	62.4	66.5	68.8	68.9	72.0	75.2	75.4	76.6	76.8	78.5	80.6
Godfrey Phillips India	18.8	15.8	14.6	14.4	12.7	12.3	12.1	11.5	11.1	9.4	9.0
VST Industries	14.2	14.1	12.9	12.3	10.4	8.2	8.1	7.4	7.3	7.3	6.5
G T C Industries	4.4	3.1	3.4	3.8	4.4	3.8	4.2	4.3	4.5	4.6	3.6

Source: Centre for Monitoring Indian Economy (CMIE) Prowess (Release 2) database, 2004; and CMIE, "Industry market size and shares", July 1998 and August 2003.
NA: Not available

**Table 7.
World cigarette production (1000 sticks)**

	Total production						Share in world production (%)					
	1997– 1998	1998– 1999	1999– 2000	2000– 2001	2001– 2002(p)	2002– 2003(f)	1997– 1998	1998– 1999	1999– 2000	2000– 2001	2001– 2002(p)	2002– 2003(f)
China	16,83,549	16,74,650	16,98,500	17,01,000	17,09,505	17,35,000	30.2	30.2	30.3	30.2	30.5	34.5
Russia	180,500	266,000	341,000	374,000	375,000	380,000	3.2	4.8	6.1	6.6	6.7	7.6
Japan	267,050	263,154	257,965	256,200	229,000	224,000	4.8	4.7	4.6	4.5	4.1	4.5
Germany	181,904	204,831	206,770	213,793	212,500	211,000	3.3	3.1	3.1	3.8	3.8	4.2
Indonesia	216,200	225,417	232,724	221,293	200,358	186,000	3.9	4.1	4.2	3.9	3.6	3.7
Turkey	118,020	125,000	127,800	128,350	130,830	134,500	2.1	2.3	2.3	2.3	2.3	2.7
UK	163,547	155,000	126,105	126,141	133,014	130,000	2.9	2.8	2.3	2.2	2.4	2.6
Netherlands	116,263	119,983	123,071	120,425	126,292	126,500	2.1	2.2	2.2	2.1	2.3	2.5
Brazil	170,000	111,400	104,900	109,435	106,685	101,580	3.1	2.0	1.9	1.9	1.9	2.0
India	98,000	97,000	97,000	86,300	90,500	93,000	1.8	1.8	1.7	1.5	1.6	1.9
Korea	1,03,586	97,135	98,286	97,700	93,750	92,000	1.9	1.8	1.8	1.7	1.7	1.8
Others	22,82,148	2214,798	21,95,026	22,04,571	21,94,477	16,22,069	40.9	39.9	39.1	39.1	39.2	32.2
World total	55,80,767	5554,368	56,09,147	56,39,208	56,01,911	50,35,649	100	100	100	100	100	100

Source: Foreign Agricultural Service, Official United States Department of Agriculture (USDA) Estimates for February 2004.

p: preliminary; f: forecast

Table 8.
Production of cigarettes in India

Year	Production (crore pieces)	Year	Production (crore pieces)
1970-71	6293	1986-87	7191
1971-72	6578	1987-88	6184
1972-73	6208	1988-89	5453
1973-74	6414	1989-90	5928
1974-75	6049	1990-91	6185
1975-76	5928	1991-92	6513
1976-77	6720	1992-93	6141
1977-78	6799	1993-94	7184
1978-79	7091	1994-95	7104
1979-80	7857	1995-96	6959
1980-81	7738	1996-97	7384
1981-82	9100	1997-98	8316
1982-83	9405	1998-99	7931
1983-84	8782	1999-00	8250
1984-85	8650	2000-01	6112
1985-86	7700	2001-02	6058

Source: Foreign Agricultural Service, Official United States Department of Agriculture (USDA) Estimates for February 2004

p: preliminary; f: forecast

Consumption

India is one of the biggest tobacco markets in the world, ranking third in total tobacco consumption behind only the markets of China and the United States. However, per capita consumption in the country is 0.9 kg compared to the world average of 1.8 kg (Indian Institute of Foreign Trade 2002). Domestic unmanufactured tobacco consumption has increased from 483,360 tonnes in 1998-99 to 488,130 tonnes in 2003-04 (Table 9). Tobacco usage in India is contrary to world trends since *beedi* and chewing tobacco are the dominant forms of tobacco consumption whereas internationally, cigarette is the dominant form of tobacco use.

The use of tobacco and its various products appears to have declined in Indian rural and urban populations over the period from 1987-88 to 1999-2000. According to the National Sample Survey (NSS) data shown in Table 10, consumption of tobacco in all forms has reduced. Again this trend of decline in consumption trend is faster among the urban population. The consumption of *beedis* is declining to a larger extent than that of other tobacco products. Though the consumption of chewing tobacco declined over the years, it is still ahead of other forms of tobacco consumption in India.

Table 9.
World unmanufactured tobacco consumption (tonnes)

	Total domestic consumption						Share in world consumption					
	1997/ 1998	1998/ 1999	1999/ 2000	2000/ 2001	2001/ 2002(p)	2002/ 2003(f)	1997/ 1998	1998/ 1999	1999/ 2000	2000/ 2001	2001/ 2002(p)	2002/ 2003(f)
China	23,41,759	24,10,545	12,35,471	26,01,350	27,72,904	28,97,554	33.4	33.9	21.3	37.3	42.0	44.3
India	4,83,360	4,78,350	4,74,275	4,71,947	4,81,130	4,88,130	6.9	6.7	8.2	6.7	7.2	7.5
Russia	1,80,460	2,65,700	3,01,480	3,08,510	3,09,300	2,93,100	2.6	3.7	5.2	4.4	4.7	4.5
Germany	1,42,651	1,70,035	1,75,304	1,77,791	1,80,000	1,62,000	2.0	2.4	3.0	2.5	2.7	2.5
Japan	1,72,700	1,84,112	1,64,701	1,52,000	1,49,000	1,49,000	2.5	2.6	2.8	2.2	2.3	2.3
Indonesia	1,33,300	1,53,585	1,70,540	1,66,125	1,55,140	1,42,491	1.9	2.2	2.9	2.4	2.4	2.2
Turkey	1,08,850	1,19,630	1,14,100	1,16,700	1,20,100	1,23,000	1.6	1.7	1.9	1.7	1.8	1.9
Brazil	1,55,925	1,08,870	1,03,700	1,06,030	1,12,525	1,07,700	2.2	1.5	1.8	1.5	1.7	1.7
UK	1,36,750	1,22,900	1,00,437	1,00,000	1,00,750	1,00,750	1.9	1.78	1.7	1.4	1.5	1.5
USA	6,16,835	5,72,700	4,98,909	4,83,909	4,63,190	4,44,190	8.8	8.1	8.6	6.9	7.0	6.8
Philippines	74,690	96,537	86,250	84,620	94,120	96,320	1.1	1.4	1.5	1.2	1.4	1.5
Others	24,72,732	24,27,065	23,89,566	22,36,808	16,63,606	15,36,574	35.21	34.1	41.1	31.9	25.2	23.5
World Total	70,20,012	71,10,029	58,14,733	70,05,790	66,01,765	65,40,809	100	100	100	100	100	100

Source: Foreign Agricultural Service, Official United States Department of Agriculture (USDA) Estimates for February 2004

P: preliminary; f: forecast

Table 10.
Monthly per capita quantity and value of consumption per 30 days

NSS Round	Year	<i>Pan</i> : finished		<i>Beedi</i> (no.)		Cigarettes (no.)	
		Quantity (no.)	Value (Rs)	Quantity (no.)	Value (Rs)	Quantity (no.)	Value (Rs)
Rural							
43 rd	1987–88	0.7	0.21	49.5	1.93	1.1	0.27
50 th	1993–94	0.6	0.39	45.7	3.70	0.8	0.45
55 th	1999–00	0.8	0.78	38.2	4.91	0.9	0.88
Urban							
43 rd	1987–88	1.7	0.70	38.7	1.60	4.9	1.47
50 th	1993–94	1.4	1.16	32.4	2.79	3.7	2.45
55 th	1999–00	1.2	1.76	22.1	3.12	3.2	3.68
Total							
43 rd	1987–88	2.4	0.91	88.2	3.53	5.9	1.74
50 th	1993–94	2.0	1.55	78.1	6.49	4.5	2.90
55 th	1999–00	2.0	2.54	60.3	8.03	4.2	4.56

Source: Consumption of some important commodities in India: 1999–2000, National Sample Survey (NSS) 55th Round, Ministry of Statistics and Programme Implementation, New Delhi.

In a different analysis, Central Statistical Organization (CSO) statistics show that there is almost no significant decline in the consumption of tobacco and its products with respect to the total private consumption expenditure. As shown in Table 11, *pan* and other intoxicants maintained their share in total private expenditure at around 0.5 over the period from 1991–92 to 2001–02. At the same time, tobacco and its products showed a highly fluctuating declining trend during the period from 1991–92 to 2001–02.

There has been an increase in total cigarette consumption from 62,908 million sticks in 1970 to 81,514 million sticks in 1997. However, the per capita consumption of cigarettes decreased from 190 sticks in 1970 to 129 sticks in 1997 as shown in Table 12. More recently, as given by the Centers for Disease Control and Prevention, USA, in 1997–98, the total number of cigarettes consumed was 96,820 million sticks and it decreased to 91,160 million units in the year 2002–03 (Table 13). The domestic share in world consumption though remained almost the same from 1997–98 to 2002–03, India's position came down to tenth in 2002–03 from seventh in 1997–98. On the other hand, the share of domestic consumption of unmanufactured tobacco went up from 6.9% in 1997–98 to 7.5% in 2002–03 (Table 9). Again, the forecasted figure shows that it would increase to 7.5% of world consumption. Over the years, India's position has increased from the third to the second largest unmanufactured tobacco-consuming country in the world. Also, compared to cigarettes, more of unmanufactured forms of tobaccos are consumed in India.

Table 11.
Consumption of tobacco and its products in India

Year	(Rs in crore)			Share in total private expenditure (%)	
	<i>Pan and other intoxicants</i>	Tobacco and its products	Total private final consumption expenditure	<i>Pan and other intoxicants</i>	Tobacco and its products
1991-92	2,703	12,096	5,36,980	0.5	2.3
1992-93	2,840	14,700	5,50,828	0.5	2.7
1993-94	3,004	12,309	5,74,772	0.5	2.1
1994-95	3,187	16,923	6,01,481	0.5	2.8
1995-96	3,243	14,175	6,38,938	0.5	2.2
1996-97	3,410	11,537	6,89,566	0.5	1.7
1997-98	3,665	20,956	7,07,285	0.5	2.9
1998-99	3,662	12,238	7,52,440	0.5	1.6
1999-00	3,780	19,716	7,97,653	0.5	2.5
2000-01	4,054	16,492	8,18,636	0.5	2.0
2001-02	4,202	15,624	8,66,911	0.5	1.8

Source: *National Accounts Statistics*, Central Statistical Organization, Government of India, 2003

Table 12.
Cigarette consumption in India

Year	Cigarette consumption (million sticks)	Per capita consumption (sticks)	Year	Cigarette consumption (million sticks)	Per capita consumption (sticks)
1970	62,908	190	1984	83,734	179
1971	64,391	190	1985	77,672	162
1972	61,032	176	1986	71,191	145
1973	63,494	179	1987	63,987	127
1974	60,266	165	1988	53,024	103
1975	58,165	156	1989	57,069	108
1976	66,210	173	1990	54,867	101
1977	67,308	171	1991	62,686	113
1978	70,598	175	1992	57,982	103
1979	77,609	188	1993	68,465	119
1980	75,197	178	1994	69,711	118
1981	84,262	194	1995	68,540	114
1982	91,141	205	1996	71,294	116
1983	83,376	183	1997	81,514	129

Source: Centers for Disease Control and Prevention, USA (www.cdc.gov). Website accessed on 22nd July, 2004

**Table 13.
World cigarette consumption (1000 sticks)**

	Domestic consumption						Share in world consumption (%)					
	1997– 1998	1998– 1999	1999– 2000	2000– 2001	2001– 2002(p)	2002– 2003(f)	1997– 1998	1998– 1999	1999– 2000	2000– 2001	2001– 2002(p)	2002– 2003(f)
China	16,66,047	16,55,950	16,87,778	16,88,972	16,97,291	17,22,349	31.3	30.8	30.8	30.6	31.3	34.8
Russia	245,000	288,300	359,600	377,900	3,75,000	378,000	4.6	5.4	6.6	6.9	6.9	7.6
Japan	336,600	332,244	327,482	326,200	2,92,046	286,500	6.3	6.2	5.9	5.9	5.4	5.8
Indonesia	199,136	208,539	217,072	199,279	181,958	171,100	3.7	3.9	3.9	3.6	3.4	3.5
Germany	140,630	145,865	150,554	148,513	143,164	142,000	2.6	2.7	2.7	2.7	2.6	2.9
Turkey	109,300	115,500	115,535	115,950	115,500	116,000	2.1	2.2	2.1	2.1	2.1	2.4
Italy	93,536	95,322	100,500	105,647	102,357	106,500	1.8	1.8	1.8	1.9	1.9	2.2
Brazil	97,000	105,100	104,400	109,800	105,500	100,200	1.8	1.9	1.9	1.9	1.9	2.0
Spain	89,900	89,942	91,598	93,109	94,309	94,300	1.7	1.7	1.7	1.7	1.7	1.9
India	96,820	95,975	95,913	85,390	89,455	91,160	1.8	1.8	1.8	1.6	1.7	1.8
Philippines	75,000	71,620	72,665	81,190	84,000	87,100	1.4	1.3	1.3	1.5	1.6	1.8
Others	21,71,899	21,78,751	21,65,460	21,88,058	21,48,548	16,49,591	40.8	40.5	39.5	39.6	39.6	33.4
World total	53,20,868	53,83,108	54,88,557	55,20,008	54,29,128	49,44,800	100	100	100	100	100	100

Source: Foreign Agricultural Service, Official USDA Estimates for February 2004
p: preliminary; f: forecast

Exports

India is one of the major exporters of unmanufactured tobacco, but has yet to make its presence felt in the export market for cigarettes. From the data on tobacco exports, it is evident that India is known more for its unmanufactured tobacco than for the value-added manufactured products of tobacco. As early as in 1950–51, 95% of the volume of tobacco exports consisted of unmanufactured tobacco alone. Even after 90 years of the existence of a domestic cigarette manufacturing industry, India's tobacco exports still continue to be dominated by unmanufactured leaf, which was 84.6% of the volume in 2003–04 (Table 14). Nevertheless, due to the general increase in tobacco prices at the world level, India's export earnings has gone up by over 58 times from Rs 15.2 crores in the beginning of the 1950s to Rs 883.4 crores in 2003–04 (Table 15). India's exports of tobacco and tobacco products in volume terms spurted from 44.6 million kg in 1950–51 to 115.4 million kg in 2003–04.

Table 14.
Share of export performance of India since 1950–51
(in percentage)

Year	Unmanufactured Tobacco		Manufactured Tobacco	
	Quantity	Value	Quantity	Value
1950–51	94.6	85.80	5.4	14.20
1955–56	96.2	90.03	3.8	9.97
1960–61	96.4	92.82	3.6	7.18
1965–66	95.5	92.53	4.6	7.47
1970–71	95.4	96.44	4.6	3.56
1974–75	96.2	97.74	3.8	2.26
1975–76	94.7	94.64	5.3	5.36
1976–77	93.7	94.71	6.3	5.29
1977–78	95.9	96.56	4.1	3.44
1978–79	93.2	95.19	6.8	4.81
1979–80	92.0	94.94	7.9	5.06
1980–81	86.4	88.47	13.6	11.53
1981–82	86.6	86.92	13.4	13.08
1982–83	82.2	86.50	17.8	13.50
1983–84	84.8	89.01	15.2	11.04
1984–85	77.5	85.03	22.5	14.97
1985–86	76.6	81.10	23.4	18.90
1986–87	75.2	78.48	24.2	21.52
1987–88	78.3	83.39	21.7	16.61

(Contd...)

Year	Unmanufactured Tobacco		Manufactured Tobacco	
	Quantity	Value	Quantity	Value
1988-89	79.4	93.03	20.6	13.81
1989-90	78.9	88.50	21.1	11.50
1990-91	84.5	79.32	15.9	20.68
1991-92	83.0	87.78	16.9	12.22
1992-93	85.8	85.56	14.2	14.44
1993-94	90.9	83.59	9.1	16.41
1994-95	80.5	77.61	19.6	22.39
1995-96	85.8	85.83	14.1	14.17
1996-97	89.9	88.76	10.0	11.24
1997-98	94.6	91.67	5.4	8.33
1998-99	81.3	78.70	18.7	21.30
1999-00	89.9	82.31	10.0	17.66
2000-01	87.1	74.95	13.3	25.05
2001-02	84.3	67.85	15.8	32.15
2002-03	84.4	70.32	15.6	29.68
2003-04	84.6	67.86	15.4	32.14

Source: Tobacco Board, Ministry of Commerce, Government of India, 2004

Table 15.
Export performance of India since 1950-51
(quantity in million kg and value in Rs in crores)

Year	Unmanufactured tobacco		Manufactured tobacco		Total	
	Quantity	Value	Quantity	Value	Quantity	Value
1950-51	42.2	13.05	2.4	2.16	44.6	15.21
1955-56	40.3	10.65	1.6	1.18	41.9	11.83
1960-61	45.8	14.61	1.7	1.13	47.5	15.74
1965-66	56.6	19.58	2.7	1.58	59.3	21.16
1970-71	47.5	31.40	2.3	1.16	49.8	32.56
1974-75	74.3	80.36	2.9	1.86	77.9	82.22
1975-76	74.3	93.10	4.2	5.27	78.5	98.37
1976-77	80.1	96.62	5.4	5.4	85.5	102.02
1977-78	89.4	113.21	3.8	4.03	93.2	117.24
1978-79	78.6	110.71	5.7	5.59	84.3	116.3
1979-80	64.8	99.53	5.6	5.3	70.4	104.83
1980-81	78.5	124.85	12.3	16.27	90.8	141.12
1981-82	114.6	202.86	17.8	30.53	132.3	233.39
1982-83	100.4	214.26	21.8	33.44	122.2	247.7
1983-84	89.9	181.05	16.2	22.46	106.2	203.41
1984-85	74.8	157.87	21.7	27.79	96.5	185.66
1985-86	64.4	139.98	19.7	32.62	84.1	172.6
1986-87	66.8	144.87	21.5	39.72	88.8	184.59
1987-88	48.1	96.98	13.3	19.32	61.4	116.3
1988-89	39.9	108.72	10.4	16.14	50.3	116.86
1989-90	58.2	152.24	15.5	19.79	73.7	172.03
1990-91	70.7	209.16	13.3	54.53	83.7	263.69
1991-92	71.8	342.69	14.7	47.71	86.5	390.4
1992-93	81.3	434.41	13.4	73.33	94.7	507.74
1993-94	92.0	406.00	9.2	79.72	101.2	485.72

(Contd...)

Year	Unmanufactured tobacco		Manufactured tobacco		Total	
	Quantity	Value	Quantity	Value	Quantity	Value
1994-95	44.6	207.83	10.9	59.95	55.4	267.78
1995-96	72.1	361.36	11.8	59.68	83.9	421.04
1996-97	117.5	733.66	13.1	92.86	130.6	826.52
1997-98	136.7	972.83	7.8	88.36	144.5	1061.19
1998-99	82.4	634.48	18.9	171.71	101.3	806.19
1999-00	122.6	864.47	13.6	185.45	136.2	1050.22
2000-01	100.5	677.04	15.4	226.34	115.4	903.38
2001-02	86.0	602.89	16.1	285.63	102.1	888.52
2002-03	107.7	770.62	19.8	325.33	127.6	1095.95
2003-04	97.6	599.49	17.8	283.92	115.4	883.41

Source: Tobacco Board, Ministry of Commerce, Government of India, 2004

As shown in Table 16, an analysis of variety-wise exports of unmanufactured tobacco shows that FCV tobacco accounted for between 60% and 82% of the total exports of unmanufactured tobacco from the country during the 1990s. Similarly, the export value of FCV tobacco accounted for 75% to 90% of the total exports of unmanufactured tobacco. The other varieties of tobacco exported include SCN, SCV, burley (all cigarette tobaccos and *Lalcho-padia*, *Judi* and *rustica* (chewing tobaccos).

Table 16.
Variety-wise export of tobacco products from India and percentage share in total tobacco export (quantity in tonnes and value in Rs in million)

YEAR		FCV	SCN	SCV	burley	<i>lalcho-padia</i>	<i>judi</i>	<i>rustica</i>	Others	Total
1990-91	Quantity	47,017	4551		4402	6578	6297	1390	140	70,735
	Value	165.7	7.8		13.5	11.3	8.8	1.9	0.3	209.2
1991-92	Quantity	49,622	5426	670	7528	4010	2619	949	968	71,792
	Value	268.4	17	1.8	43.7	5.6	2.8	1.6	1.9	342.7
1992-93	Quantity	56,468	5799	1654	7193	3760	2249	3030	1141	81,294
	Value	367.0	15.7	4.2	29.6	6.4	2.4	6.57	2.6	434.4
1993-94	Quantity	63,813	6289	2382	9940	4120	1773	521	3160	91,996
	Value	324.6	18.4	6.0	36.0	8.3	3.3	1.0	8.5	406.0
1994-95	Quantity	27,209	2210	550	5800	4405	2497	722	1851	45,244
	Value	159.4	6.2	2.5	20.2	10.1	4.6	1.7	5.1	209.7
1995-96	Quantity	54,573	2489	556	5405	4042	2410	252	2324	72,052
	Value	298.11	8.6	1.3	23.7	10.3	5.9	0.7	12.8	361.4
1996-97	Quantity	95,985	3224	1958	2911	8112	1536	8	3732	117,466
	Value	658.08	14.0	7.	17.5	20.1	3.7	0	12.8	733.7
1997-98	Quantity	102,381	5960	7854	5249	5926	1093		8276	136,737
	Value	825.6	21.9	35.8	35.0	19.7	2.9		31.73	972.8

(Contd..)

YEAR		FCV	SCN	SCV	burley	lalcho- padia	judi	rustica	Others	Total
1998-99	Quantity	51,447	3818	2521	8399	8349	2351		5481	82,366
	Value	478.4	21.9	12.4	61.3	27.0	6.5		27.0	634.5
1999-00	Quantity	81,969	6342	1508	9876	5735	2152		15,048	122,590
	Value	681.2	31.7	8.1	63.4	20.7	6.8		52.8	864.8
2000-01	Quantity	64,638	6,670	2812	10,186	6908	2694	221	6773	100,537
	Value	510	29.3	12.3	67.3	23.9	6.6	1.17	28.2	677.0
2001-02	Quantity	57,126	5354	1734	11,036	6026	2287		2447	86,010
	Value	482.7	24.1	7.73	55.9	16.7	4.6		11.3	602.9
2002-03	Quantity	74,169	3500	2520	16,600	6710	1728	0	2488	107,715
	Value	619.4	14.7	9.2	91.4	19.2	4.1	0	12.7	770.6
2003-04 (April-03 Jan-04)	Quantity	54,573	2333	2362	9345	4860	1403	952	1750	97,578
	Value	504.0	9.7	7.3	46.8	16.2	3.8	3.1	8.7	599.5
Variety-wise exports share in total tobacco export (%)										
1990-91	Quantity	66.5	6.4		6.2	9.3	8.9	1.9	0.2	100
	Value	79.2	3.7		6.4	5.4	4.2	0.9	0.1	100
1991-92	Quantity	69.1	7.6	0.9	10.5	5.6	3.7	1.3	1.4	100
	Value	78.3	4.9	0.5	12.6	1.6	0.8	0.5	0.6	100
1992-93	Quantity	69.5	7.1	2.0	8.9	4.6	2.8	3.7	1.4	100
	Value	84.5	3.6	0.9	6.8	1.5	0.6	1.5	0.6	100
1993-94	Quantity	69.4	6.8	2.6	10.8	4.5	1.9	0.6	3.4	100
	Value	79.9	4.5	1.5	8.8	2.0	0.8	0.3	2.1	100
1994-95	Quantity	60.1	4.9	1.2	12.8	9.7	5.5	1.6	4.1	100
	Value	76.0	2.9	1.2	9.6	4.8	2.2	0.8	2.4	100
1995-96	Quantity	75.7	3.5	0.8	7.5	5.6	3.3	0.4	3.2	100
	Value	82.5	2.4	0.4	6.6	2.8	1.6	0.2	3.5	100
1996-97	Quantity	81.7	2.7	1.7	2.5	6.9	1.3	0.0	3.2	100
	Value	89.7	1.9	1.0	2.4	2.7	0.5	0.0	1.7	100
1997-98	Quantity	74.9	4.4	5.7	3.8	4.3	0.8		6.1	100
	Value	84.9	2.3	3.7	3.6	2.0	0.3		3.3	100
1998-99	Quantity	62.5	4.6	3.1	10.2	10.1	2.9		6.7	100
	Value	75.4	3.5	1.9	9.7	4.3	1.0		4.3	100
1999-00	Quantity	66.9	5.2	1.2	8.0	4.7	1.8		12.3	100
	Value	78.8	3.7	0.9	7.3	2.4	0.8		6.1	100
2000-01	Quantity	64.3	6.6	2.8	10.1	6.9	2.7	0.2	6.7	100
	Value	75.3	4.3	1.8	9.9	3.5	0.9	0.2	4.2	100
2001-02	Quantity	66.4	6.2	2.0	12.8	7.0	2.7		2.9	100
	Value	80.1	4.0	1.3	9.3	2.8	0.8		1.9	100
2002-03	Quantity	68.9	3.3	2.3	15.4	6.2	1.6	0.0	2.3	100
	Value	80.4	1.9	1.2	11.9	2.5	0.5	0.0	1.7	100
2003-04 (April-03 Jan-04)	Quantity	55.9	2.4	2.4	9.6	4.9	1.4	0.9	1.8	100
	Value	84.1	1.6	1.2	7.8	2.7	0.7	0.5	1.5	100

Source: Tobacco Board, Ministry of Commerce, Government of India, 2004
FCV: flue-cured Virginia

The continued accent on tobacco exports, mostly in unmanufactured form, is probably due to the limited scope for tobacco-based products from India. Despite 60 years of international trade, India has failed to take advantage of the worldwide increase in the demand for cigarettes. Exports of tobacco

products from India are low. Chewing tobacco with a share of 43.8% leads the exports of tobacco products from the country (Table 17). Chewing tobacco is followed by cigarettes (29.7%), *hookah* tobacco paste (12.2%), and *beedis* (11.7%). However, there is not much scope for increasing the exports of manufactured tobacco products, except cigarettes, from the country. Cigarettes constitute the most widely used tobacco product in the world. Table 17 shows that the share of cigarettes in total manufactured exports increased both in volume and in terms of value from 1995–96 to 2001–02.

The direction of India's exports of unmanufactured tobacco is reported in Table 18. Europe is the largest market for India's unmanufactured tobacco exports. The west and east European countries together accounted for 65.7% of total unmanufactured tobacco exports from the country during April–March 2003. South and South-east Asia were the next important destinations accounting for 13.9% of the total exports, followed by African countries (10.1%) and the Middle East (6.7%).

The US remains one of the largest importers of tobacco in the world India has failed to penetrate this market. There may be two reasons for this: (i) the flavours required by US blends are not being produced in India; (ii) from 1 January 1995 onwards, US manufacturers were required to certify by law that the cigarettes made in the US contain an average of at least 75% domestically grown leaf. Further, under General Agreement on Trade and Tariffs (GATT) the US has taken the Tariff Rate Quota (TRQ) to protect its farmers.

Table 17.
Product-wise tobacco exports from India
(quantity in tonnes and value in Rs in crores and percentage share in total exports)

Name	1995-96		1996-97		1997-98		1998-99		1999-2000		2000-2001		2001-2002	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Cigarettes	884	13.9	714	14.1	1206	20.7	1432	31.7	1851	46.3	2016	56.5	2883	84.9
Beedis	676	11.5	662	16.0	761	19.4	998	30.7	1174	37.2	962	33.00	961	33.4
HT, paste	9,376	26.1	10,759	34.1	4,540	13.2	12,811	36.6	8439	31.7	9543	34.2	8910	34.8
Chewing tobacco/ zarda	424	6.1	643	26.1	773	30.6	1191	50.0	1724	66.4	1953	94.3	2640	125
Cut tobacco	512	1.8	317	2.3	501	4	2506	22.5	409	3.2	891	7.63	652	6.9
Snuff	6	0.1	20	0.3	14	0.3	19	0.4	30	0.7	12	0.3	19	0.5
Others	5	0.2	0	0	0	0	0	0	4	0.1	16	0.4	11	0.2
Total	11,883	59.88	13,115	92.9	7795	88.4	18,957	171.7	13,631	185.5	15,393	226.3	16,076	285.6
Share in total exports (%)														
Cigarettes	7.4	23.3	5.4	15.2	15.5	23.5	7.6	18.4	13.6	24.9	13.1	24.9	17.9	29.7
Beedis	5.7	19.3	5.1	17.2	9.8	21.9	5.3	17.9	8.6	20.1	6.3	14.6	5.9	11.7
HT, paste	78.9	43.8	82.0	36.7	58.2	14.9	67.6	21.3	61.9	17.1	62.0	15.1	55.4	12.2
Chewing tobacco/ zarda	3.6	10.2	4.9	28.1	9.9	34.7	6.3	29.1	12.7	35.8	12.7	41.7	16.4	43.8
Cut tobacco	4.3	2.9	2.4	2.5	6.4	4.5	13.2	13.1	3.0	1.7	5.8	3.4	4.1	2.4
Snuff	0.1	0.1	0.2	0.3	0.2	0.4	0.1	0.2	0.2	0.4	0.1	0.1	0.1	0.2
Others	0.0	0.3	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.2	0.1	0.1
Total	100	100	100	100	100	100	100	100	100	100	100	100	100	100

Source: Tobacco Board, Ministry of Commerce, Government of India, 2003

HT: paste, *hookah*: tobacco paste.

Table 18.
Region-wise exports of unmanufactured tobacco since 1997–98
and region-wise percentage exports of tobacco
(quantity in tonnes and value in Rs in crores)

Region	1997–98		1998–99		1999–2000		2001 April – March		2002 April – March		2003 April – March	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
West Europe	41,017	388.5	26,599	253.1	41,247	353.0	33,119	27,653.5	30,777	26,940.0	38,478	33,196.1
East Europe	56,291	325.0	26,298	193.5	48,467	298.7	31,350	18,732.1	25,236	15,397.7	28,711	17,404.8
Middle East	8031	58.3	8157	33.3	10,523	486.1	11,257	4,115.7	10,738	4435.6	11,401	5,170.1
South and South-east Asia	14,699	107.1	9137	70.9	13,851	99.9	13,107	10,395.5	9,613	8032.4	13,396	10,681.7
Africa	11,519	64	9,281	58.5	5352	38.2	8402	4514.4	4392	2306.8	11,572	7811.2
North and South Americas	4212	18.7	2,378	19.1	2,188	15.1	2,770	1743.4	3794	1414.9	2714	958.8
Australasia	970	11.1	516	6.2	962	11.4	532	549.4	1460	1,761.3	1,383	1839.0
Total	1,36,739	972.8	82,366	634.5	1,22,590	864.8	1,00,537	67,703	86,010	60,288.6	1,07,715	77,061.7
Region-wise exports of tobacco since 1997–98 (%)												
West Europe	30.0	39.9	32.3	39.9	33.6	40.8	32.9	40.8	35.8	44.7	35.7	43.1
East Europe	41.2	33.4	31.9	30.5	39.5	34.5	31.2	27.7	29.3	25.5	26.7	22.6
Middle East	5.9	6.0	9.9	5.2	8.6	56.2	11.2	6.1	12.5	7.4	10.6	6.7
South and South East Asia	10.7	11.0	11.1	11.2	11.3	11.5	13.0	15.4	11.2	13.3	12.4	13.9
Africa	8.4	6.6	11.3	9.2	4.4	4.4	8.4	6.7	5.1	3.8	10.7	10.1
North and South Americas	3.1	1.9	2.9	3.0	1.8	1.7	2.8	2.6	4.4	2.3	2.5	1.2
Australasia	0.7	1.1	0.6	1.0	0.8	1.3	0.5	0.8	1.7	2.9	1.3	2.4
Total	100	100	100	100	100	100	100	100	100	100	100	100

Source: Tobacco Board, Ministry of Commerce, Government of India, 2004

Tobacco has been a traditional export item for India. However, the share of tobacco exports from India in its total exports witnessed a declining trend from 1974–75 to 2002–03. As reported in Table 19, the share of tobacco exports to total exports declined from 2.5% in 1974–75 to 0.4% in 2002–03. The share in disaggregated forms of unmanufactured and manufactured tobacco also depicted a similar declining trend. The declining share of tobacco exports to total exports in India is basically due to the sharp fall in the export share of unmanufactured tobacco.

Table 19.
Percentage share of tobacco exports in India's total exports

Year	Unmanufactured tobacco	Manufactured tobacco	Total
1974–75	2.4	0.1	2.5
1975–76	2.3	0.1	2.4
1976–77	1.9	0.1	1.9
1977–78	2.1	0.1	2.2
1978–79	1.9	0.1	2.0
1979–80	1.6	0.1	1.6
1980–81	1.9	0.2	2.1
1981–82	2.6	0.4	2.9
1982–83	2.4	0.4	2.8
1983–84	1.9	0.2	2.1
1984–85	1.3	0.2	1.6
1985–86	1.3	0.3	1.6
1986–87	1.2	0.3	1.5
1987–88	0.6	0.1	0.7
1988–89	0.5	0.1	0.6
1989–90	0.6	0.1	0.6
1990–91	0.6	0.2	0.8
1991–92	0.8	0.1	0.9
1992–93	0.8	0.1	0.9
1993–94	0.6	0.1	0.7
1994–95	0.3	0.1	0.3
1995–96	0.3	0.1	0.4
1996–97	0.6	0.1	0.7
1997–98	0.8	0.1	0.8
1998–99	0.5	0.1	0.6
1999–00	0.5	0.1	0.7
2000–01	0.3	0.1	0.4
2001–02	0.3	0.1	0.4
2002–03	0.3	0.1	0.4

Source: Tobacco Board, Ministry of Commerce, Government of India, 2004; *Handbook of Statistics on Indian Economy 2002–03*, Reserve Bank of India (RBI)

Note: The total may not be exact due to rounding off of data.

Employment

The structure of employment in the Indian tobacco industry largely reflects the structure of the consumer market for tobacco products in India. Specifically, the effect of the production of *beedis* dominates employment opportunities within the manufacturing sector of the domestic industry as this is a highly labour-intensive activity and involves much less sophisticated manufacturing techniques compared to those employed by cigarette manufacturers.

Within the tobacco industry, there are some important additional characteristics of the structure of employment. The vast majority of positions in the tobacco industry are available either on a part-time or seasonal basis. The main activities in which there is full-time employment are leaf processing, cigarette manufacturing, distribution and retailing. Of course, people involved with the distribution and retailing of tobacco products will derive only part of their livelihoods from the sale of tobacco products.

The manufacture of *beedis* is undertaken only by part-time employees. Seasonal employment dominates in the leaf-growing industry, with relatively small contributions to seasonal employment opportunities also coming from leaf processing and from brokering, auctions and related activities. The magnitude of seasonal employment in leaf growing, where many millions of people are engaged in the industry, emphasizes the importance of the industry in providing an income to these people, and in assisting in supporting family members and other people in these regional and rural communities. Other partial employment estimates reinforce the crucial role of the tobacco industry in providing employment opportunities, especially in leaf growing.

The *beedi* industry in India is labour-intensive. Since *beedi* rolling is considered to be largely a cottage industry, it generates much more employment at the manufacturing stage. It is estimated from Annual Survey of Industries (ASI) data that almost 85% of employees of tobacco manufacturing industries are employed in the *beedi* industry (Table 20). Except the *beedi* industry, the number of employees in all other sectors of tobacco manufacturing units has declined over the period from 1973–74 to 1997–98.

Table 20.
Number of employees working in the tobacco manufacturing sector

Year	Number of employees						Share (%)					
	Sector 225	Sector 226	Sector 227	Sector 228	Sector 229	Total	Sector 225	Sector 226	Sector 227	Sector 228	Sector 229	Total
1973-74	1,02,667	65,482	16,477	15,431		2,00,057	51.3	32.7	8.2	7.7		100
1974-75	1,12,562	53,655	12,618	15,390		1,94,225	57.9	27.6	6.5	7.9		100
1975-76	1,00,123		17,930	7,365		1,97,978	50.6		9.1	3.7		100
1976-77	1,05,574	1,62,853	17,920	7,073		2,93,420	35.9	55.5	6.1	2.4		100
1977-78	1,12,861	1,96,223	16,540	8,411		3,34,035	33.8	58.7	4.9	2.5		100
1978-79	1,28,314	2,08,189	15,968	8,723		3,61,194	35.5	57.6	4.4	2.4		100
1979-80	1,22,803	2,19,042	16,297	10,102		3,68,244	33.4	59.5	4.4	2.7		100
1980-81	1,04,720	2,33,759	17,028	2,073		3,57,580	29.3	65.4	4.8	0.6		100
1981-82	1,14,163	2,52,863	17,452	8,899		3,93,377	29.0	64.3	4.4	2.3		100
1982-83	1,06,885	2,76,632	10,248	9,886		4,03,651	26.5	68.5	2.5	2.5		100
1983-84	1,08,483	2,59,562	16,414	10,608		3,95,067	27.5	65.7	4.2	2.7		100
1984-85	87,593	1,94,090	16,550	10,327		3,08,560	28.4	62.9	5.4	3.4		100
1985-86	59,320	2,18,102	15,245	10,149		3,02,816	19.6	72.0	5.0	3.4		100
1986-87	51,318	2,65,537	16,614	9,545		3,43,014	14.9	77.4	4.8	2.8		100
1987-88	41,089	3,157,62	18,078	11,387		3,86,316	10.6	81.7	4.7	3.0		100
1988-89	50,082	2,98,633	16,745	12,198		3,77,658	13.3	79.1	4.4	3.2		100
1989-90	42,484	3,96,609	13,974	10,918	2,601	4,66,586	9.1	85.0	2.9	2.3	0.6	100
1990-91	50,660	3,52,476	14,855	10,434	3,027	4,314,52	11.7	81.7	3.4	2.4	0.7	100
1991-92	39,939	3,91,068	14,445	9,430	3,384	4,58,266	8.7	85.3	3.2	2.1	0.7	100
1992-93	52,060	4,10,979	14,521	8,736	4,426	4,90,722	10.6	83.8	2.9	1.8	0.9	100
1993-94	48,506	3,77,334	13,599	11,020	4,195	4,54,654	10.1	82.9	2.9	2.4	0.9	100
1994-95	45,506	4,44,850	13,453	10,249	4,159	5,18,217	8.8	85.8	2.6	1.9	0.8	100
1995-96	42,728	4,01,280	11,850	9,475	6,324	4,71,657	9.1	85.1	2.5	2.0	1.3	100
1996-97	31,797	4,53,519	14,451	11,530	6,014	5,17,311	6.2	87.7	2.8	2.2	1.2	100
1997-98	53,177	4,52,467	14,078	13,487	4,483	5,37,692	9.9	84.2	2.6	2.5	0.8	100

Source: Annual Survey of Industries, 1997-98, Central Statistical Organization, New Delhi

225: tobacco stemming, redrying and other operations; 226: manufacture of *Beedis*; 227: manufacture of cigars, cigarette, cheroots and cigarette tobacco; 228: manufacture of snuff, *zarda*, chewing tobacco and other tobacco products; 229: manufacture of *pan masala*, *catechu* and chewing limes

Excise Revenue

Taxes on tobacco have long been debated in various countries. In many countries both forms of *ad valorem* and specific taxes are levied simultaneously on tobacco products. In fact, the structure of taxes on tobacco in India is slightly different. Until 1979, the primary form of taxing tobacco in India was through the levy of a tax on all types of leaf tobacco purchases, including those used for cigarettes, *beedis*, *zarda* and snuff. In addition, an excise duty was levied on finished products. In that year, the government abolished the levy on leaf tobacco because (i) many people thought it was a tax on the poor farmers (producers), as well as an instrument for harassing them in the name of tax compliance, and (ii) it was becoming administratively difficult to collect the tax. Consequently, the entire tax burden was shifted to the finished products.

The tobacco industry in India is subject to a range of taxes imposed by the federal and state governments. The federal government raises revenue from the sales of all types of tobacco products predominantly through the imposition of excise duty calculated on an ex-factory basis.

During 1998–99, Rs 53,246 crores was collected by the Indian Government from excise tax (Table 21). Total excise duty generated by tobacco products was Rs 5,768 crores which is 10.8% of the total excise revenue collected. Tobacco excise has become a particularly important source of revenue for the national budget. The data on revenue from excise duty highlights the preferential treatment accorded to the unmanufactured tobacco sector through the imposition of a lower excise on traditional tobacco products than that imposed on manufactured products. A recent study of the Indian tobacco industry concluded that traditional tobacco products, such as *beedis*, chewing tobacco and smokeless tobacco, account for 81% of the national consumer market and yet they contribute only 12% of the total tobacco excise collected from tobacco products (Indira Gandhi Institute of Development Research 2000).

Table 21.
Excise revenue collection from the tobacco sector

Year	Rs in crores			Share in percentages			
	Total excise duty	Excise on unmanufactured tobacco	Excise on manufactured tobacco	Total excise on tobacco	Excise on unmanufactured tobacco	Excise on manufactured tobacco	Total excise on Tobacco
1960-61	416	40.6	17.8	58.4	9.8	4.3	14.0
1961-62	489	43.5	19.5	63.0	8.9	3.9	12.9
1962-63	599	48.9	24.7	73.6	8.2	4.1	12.3
1963-64	730	54.2	33.9	88.1	7.4	4.6	12.1
1964-65	802	61.8	37.9	99.7	7.7	4.7	12.4
1965-66	898	62.9	46.6	109.5	7.0	5.2	12.2
1966-67	1,034	67.7	58.2	125.9	6.6	5.6	12.2
1967-68	1,149	69.4	85.7	155.1	6.0	7.5	13.5
1968-69	1,321	75.5	108.2	183.7	5.7	8.2	13.9
1969-70	1,524	77.2	120.5	197.7	5.1	7.9	12.9
1970-71	1,759	78.1	147.9	226.0	4.4	8.4	12.9
1971-72	2,061	84.4	193.1	277.5	4.1	9.4	13.5
1972-73	2,324	94.9	196.2	291.1	4.1	8.4	12.5
1973-74	2,602	89.1	235.7	324.8	3.4	9.1	12.5
1974-75	3,231	89.8	297.6	387.4	2.8	9.2	11.9
1975-76	3,845	92.0	357.9	449.9	2.4	9.3	11.7
1976-77	4,221	99.8	402.3	502.1	2.36	9.53	11.90
1977-78	4,448	105.6	466.8	572.4	2.37	10.49	12.87
1978-79	5,357	111.8	517.9	629.7	2.09	9.67	11.75
1979-80	6,011		716.3	716.3		11.92	11.92
1980-81	6,500		755.3	755.3		11.62	11.62
1981-82	7,421		834.8	834.8		11.25	11.25
1982-83	8,059		835.0	835.0		10.36	10.36
1983-84	10,222		1070.1	1070.1		10.47	10.47
1984-85	11,151		1177.4	1177.4		10.56	10.56
1985-86	12,956		1404.1	1404.1		10.84	10.84
1986-87	14,470		1556.7	1556.7		10.76	10.76
1987-88	16,426		1398.6	1398.6		8.51	8.51
1988-89	18,841		1845.5	1845.5		9.80	9.80
1989-90	22,103		2180.8	2180.8		9.87	9.87
1990-91	25,125		2357.1	2357.1		9.38	9.38
1991-92	27,696		2749.0	2749.0		9.93	9.93
1992-93	30,832		3105.0	3105.0		10.07	10.07
1993-94	31,697		3127.0	3127.0		9.87	9.87
1994-95	37,347		3500.0	3500.0		9.37	9.37
1995-96	40,187		4036.0	4036.0		10.04	10.04
1996-97	45,008		4154.0	4154.0		9.23	9.23
1997-98	47,962		5274.0	5274.0		11.00	11.00
1998-99	53,246		5768.0	5768.0		10.83	10.83

Source: 1. Budget Documents; 2. *Report on Currency and Finance*, Reserve Bank of India (various issues); 3. *Export Potential of Tobacco Sector, 1994*, NCAER, New Delhi.

More than four-fifths of the contribution of tobacco comes from the cigarette segment. In 1995–96, cigarettes contributed Rs 3,427 crore out of the total contribution of Rs 4,036 crore from tobacco products. In 1951–52, cigarettes contributed 25% of the total excise collected from tobacco. By 1971–72, this figure had increased to 70% and reached 82% in 1981–82. In 1987–88, the contribution of cigarettes reached 88% and has stabilized around that level (Ranade *et al.* 2004).

However, as shown in Table 21, the contribution of excise revenue from tobacco has reduced from 14% in 1960–61 to 10.8% in 1998–99. The slowdown in the share of excise revenue is partly due to the nature of the tobacco consumption pattern in India and partly due to the excise rates over time. As mentioned earlier, the bulk of tobacco consumption in India is in traditional forms such as *beedis* and chewing and non-smoking products whereas the excise revenue from tobacco is largely dependent on cigarettes, which account for one-fifth of consumption but contributes nearly four-fifths of the excise revenue.

Irrespective of large contribution of cigarette industries to excise revenue, it is showing an increasing trend of profit as shown in Table 22. The profit of the cigarettes and cigarette products industries is reached 78.2% of total profit of all tobacco industries in 1997–98 from 61.2% in 1979–80. Similarly, the profit share of *pan masala* and *catechu* industry is also increased significantly over the years. However, the profit margin of bidi industry is declining over the years even incurred losses during 1982–83 and 1983–84.

Summary

Tobacco industry in India is one of the largest in the world with India having the largest area under tobacco cultivation. It plays an important role in the country's economy, in more ways than one. India has well integrated tobacco cultivation, processing and distribution facilities. Tobacco is an agro-based item produced and consumed both in the unmanufactured and manufactured form in India. Tobacco processing falls under both organised

Table 22.
Profit of the tobacco manufacturing sector

Year	Profits in (Rs in million)						Shares in percentages					
	Sector 225	Sector 226	Sector 227	Sector 228	Sector 229	Total	Sector 225	Sector 226	Sector 227	Sector 228	Sector 229	Total
1979-80	61.3	1,23.9	324.3	20.3		529.8	11.6	23.4	61.21	3.8	0.0	100
1980-81	32.6	1,70.3	187.6	39.2		429.7	7.6	39.6	43.7	9.1	0.0	100
1981-82	56.0	91.3	173.3	40.4		361.0	15.5	25.3	48.0	11.2	0.0	100
1982-83	2.7	-5,71.4	143.3	64.0		-361.4	-0.8	158.1	-39.7	-17.71	0.0	100
1983-84	188.4	-27.7	2130.5	69.9		2361.1	7.9	-1.2	90.2	2.9	0.0	100
1984-85	153.0	360.5	508.7	57.8		1080.0	14.2	33.4	47.1	5.4	0.0	100
1985-86	-3.8	460.0	307.3	17.1		780.6	-0.5	58.9	39.4	2.2	0.0	100
1986-87	-31.5	748.0	774.1	145.1		1635.7	-1.9	45.7	47.3	8.9	0.0	100
1987-88	-74.6	885.1	848.2	86.8		1745.5	-4.3	50.7	48.6	4.9	0.0	100
1988-89	87.2	644.3	2054.1	120.9		2906.5	3.0	22.2	70.7	4.2	0.0	100
1989-90	103.2	810.8	1805.7	214.1	156.2	3090.0	3.3	26.4	58.4	6.9	5.1	100
1990-91	187.5	1138.8	2876.1	153.1	62.3	4417.8	4.2	25.8	65.1	3.5	1.4	100
1991-92	367.0	1026.6	4150.0	185.5	247.8	5976.9	6.1	17.2	69.4	3.1	4.2	100
1992-93	608.7	1574.3	4019.4	325.6	166.7	6694.7	9.1	23.5	60.0	4.9	2.5	100
1993-94	744.2	2336.8	3578.0	689.3	262.0	7610.3	9.8	30.7	47.0	9.1	3.4	100
1994-95	765.1	2345.5	6328.8	320.2	332.1	10,091.7	7.6	23.2	62.71	3.2	3.3	100
1995-96	564.1	855.8	5517.4	414.7	929.9	8281.9	6.8	10.3	66.6	5.0	11.2	100
1996-97	3897.3	1653.7	7213.6	66.9	1378.0	14,209.5	27.4	11.6	50.8	0.5	9.7	100
1997-98	496.0	380.5	8909.6	150.9	1457.1	11,394.1	4.4	3.3	78.2	1.3	12.8	100

Source: Annual Survey of Industries, 1997-98, Central Statistical Organization, New Delhi

225: tobacco stemming, redrying and other operations; 226: manufacture of *Beedis*; 227: manufacture of cigars, cigarette, cheroots and cigarette tobacco; 228: manufacture of snuff, *zarda*, chewing tobacco and other tobacco products; 229: manufacture of *pan masala*, *catechu* and chewing lime

and unorganized sectors: manufacture of cigarettes can be classified under 'organized sector' and the 'under unorganized' sector consists of *beedis*, and other forms of tobacco products like pan masala, *zarda*, etc. The industry makes a sizeable contribution to seasonal and fulltime employment and has significant export potential. It has been a major source of tax revenue. There are, however, many serious public health concerns about the effects of smoking and chewing of tobacco. Understandably, there are strong, sustained and widespread pressures to impose/tighten controls on cigarette sales, smoking and advertising. In spite of its proven adverse implications for public health, the industry continues to be find support in many quarters on the grounds of its contribution to employment and national production. In a country facing serious unemployment problem, it is difficult to impose drastic curbs on the industry. Finding alternatives for tobacco cultivators and those earning livelihood in production and along the distribution chain need to be given top priority. The process will no doubt be slow and gradual. As a first step, however, further expansion of the industry should be curtailed at any cost.

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