

Weekly e-Mail Magazine



# **World Tobacco News**

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(24 ~ 30 January, 2011)

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**HEADLINE NEWS**

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**US: Altria Group's 4Q profit surges 27% on strong smokeless tobacco performance.**

US's largest tobacco corporation Altria Group Inc., the parent company of top cigarette maker Philip Morris USA, U.S. Smokeless Tobacco Company, and cigar producer John Middleton, registered robust fourth quarter 2010 results, with profits up 27% on higher Marlboro cigarette prices and snuff sales. Net income rose to US\$919 million. Or 44 cents a share, from US\$ 725 million, or 35 cents, a year earlier. Cigarette shipments were down 7% as Philip Morris jacked up rates twice, in May and in December, in the past year. America's best-selling Marlboro brand improved retail market share to 42.3%, helped by the launch of a new variety, *Skyline Menthol*, in the quarter. *Skoal* and *Copenhagen* smokeless tobacco division reported a 14% jump in revenue, with earnings nearly tripling to US\$217 million. Growth in Copenhagen snuff was particularly vigorous in Q4 reaching 77.9 million cans, driven by a new wintergreen-flavored variety unveiled toward the end of the quarter. Altria is contemplating introducing 10 new Skoal products in the next three months as part of its "brand-building initiatives." The Henrico county-based Altria forecast full-year per-share earnings of between US\$2.01 and US\$2.07, even as it cautioned the year 2011 will be a challenging one given stiff competition, possible new State-level excise taxes and pressures on consumer spending.

**US: Reynolds American to hold 4Q10 conference call on February 3rd.**

US's second leading tobacco establishment, Reynolds American Inc., the owner of R.J. Reynolds Tobacco Company, American Snuff Company, Santa Fe National Tobacco Company, and Nicovum AB, said in a press release that it would web cast fourth-quarter and full-year 2010 income conference call on February 3<sup>rd</sup>, 2011. An archived copy would be available on the RAI website for 30 days.

**US: Department of Agriculture announces disbursement of tobacco money.**

The U.S. Department of Agriculture announced that it will begin issuing Tobacco Transition Payment Program (TTPP) disbursements to tobacco quota holders and producers. The program, started in 2005, ends in 2004 and provides 10 equal annual payments to quota holders and cultivators. The latest round of funds totals more than US\$950 million.

**US: Altria Board increases dividend payout.**

The board of directors of Altria Group, keeping in view the 4Q10 financial returns, decided to pay about 80% of future profits as dividends, up from 75% now.



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**US: Lorillard to present quarter, full year results on February 7<sup>th</sup>.**

Lorillard Inc., America's popular menthol cigarette Newport seller, declared that it will present fourth quarter and full year 2010 financial results on February 7, 2011. The conference call will be available for replay in its entirety through February 14<sup>th</sup>.

**US: FDA loses second case over E-cigarette regulation.**

The U.S. Court of Appeals for the District of Columbia Circuit rejected the Federal Food and Drug Administration's request to rehear a December ruling by a three-judge panel that said electronic cigarettes should be regulated as drug delivery devices only if purveyors made claims that their products would help people quit smoking or had other benefits. E-cigarette distributor Vapor Corp. known for brands such as *Fifty-One*<sup>™</sup>, *Krave*<sup>™</sup>, *EZSmoker*<sup>™</sup>, *Green Puffer*<sup>™</sup>, and *Smoke Star*<sup>™</sup> said, it is "extremely pleased with the court's decision to not rehear the case." The FDA is now considering whether to take the case to the U.S. Supreme Court.

**US: Senator targets kids buying tobacco with fake IDs.**

A Republican Senator in Arizona, Sen. Michele Reagan (R-Scottsdale) is looking to stiffen penalties for youth trying to use fake identification to buy tobacco products, such as cigarettes and blunt wraps, including a possible 30 days jail term.

**US: Several tobacco restrictions under scrutiny in Maine.**

Maine lawmakers are likely to examine a string of tobacco restrictions including denying benefits for MaineCare recipients who smoke and limiting smoking in private clubs. Senator Thomas Saviello is making a bid to keep smokers from receiving MaineCare, while Rep. Anna Blodgett (D-Augusta) is sponsoring a bill to eliminate smoking in private clubs except for enclosed areas. Rep. Les Fossel of Alna wants to raise the minimum age to possess tobacco from 18 to 21. Anti-smoking advocates led by the Lung Association are pressing for an increase in Maine's cigarette excise, now US\$2 per pack, by US\$1.50 per pack to US\$3.50.

**US: Move to prevent use of welfare cards for tobacco.**

Minnesota Republicans, Senator Doug Magnus and Rep. Kurt Daudt want to forbid the use of electronic welfare cards for withdrawing cash or buying tobacco, alcohol or lottery tickets. And also their utilization outside Minnesota, requiring users to show photo ID. Opponents say the ceiling would punish the poor and could make it harder for people to look for work if they cannot get cash for bus fare or child care.



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**US: US\$10 million sought from R.J. Reynolds in Engles progeny suit.**

*Winston* cigarette maker R.J. Reynolds Tobacco Co. is being asked to pay US\$10 billion in punitive damages, in a lawsuit filed in Tampa State court in Florida by Leroy Kirkland, 71, a former two-pack-a-day *Pall Mall* and *Salem* smoker. The Plaintiff lawyer, Willie Gary, who is fighting his first tobacco case, said Reynolds engaged with other U.S. tobacco firms in a decades-long conspiracy to falsely deny the alleged dangers of smoking. The suit is an off shoot of the Engles class action.

**US: Massachusetts cigarette tax may go up.**

Massachusetts State Representative Jonathan Hecht recently filed the "Act to Curtail Tobacco Addiction and Related Health Care Costs," which would enhance the State duty on cigarettes by US\$1.25 per pack. Hecht, D-Watertown, said the proposal, backed by 28 fellow legislators, would bring the tax to US\$3.76 per pack from US\$2.51, with a pack of cigarettes costing more than US\$10. Hecht's plan also calls upon the Department of Public Health to create long-term strategies to reduce tobacco usage.

**US: Two cigarette bills in Missouri House.**

Missouri State House members have before them two propositions that aspire to step up the tab on cigarettes, which is the lowest in the nation at 17 cents a pack. One bill intends to raise the levy by 12 cents a pack, while the other is aiming at a US\$1 per pack hike. Both submissions are sponsored by Democrat Mary Still of Columbia. But the State constitution requires a tax of that size to be decided by Missouri voters.

**US: New York could outlaw e-cigarettes.**

The New York State legislature is debating a draft to outlaw e-cigarettes across the State. The plan by Assemblywoman Linda Rosenthal (D-Manhattan), seeks to halt marketing of e-cigarettes in the State until the U.S. Food and Drug Administration can look into and police the battery-powered devices. Last year, her recommendation made it past the Assembly but got stuck in the Senate.

**US: Pennsylvania Supreme Court strikes down ban on blunts, RYO papers.**

The Pennsylvania Supreme Court threw out an ordinance that disallowed the sale of rolling papers, blunt cigars, individual cigars or cigarettes, among other products in Philadelphia. Mayor Michael Nutter said he was disappointed by the verdict that nixed the four-year-old regulation, meant to curb products that could be used to smoke illegal drugs.



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**Canada: Alberta asked to stub out lighting up in cars.**

Liberals in the Canadian province of Alberta are strongly pitching to curtail smoking in vehicles with children province-wide Liberal leader Dr. David Swann wants the Alberta government to follow the lead of eight other provinces and several US States.

**UK: Tobacco display block on hold following Imperial appeal.**

The move to abolish tobacco displays in stores across Scotland later this year has been deferred pending an appeal by UK's second biggest cigarette manufacturer, Imperial Tobacco Group. The regulation was to come into force for larger retailers at the beginning of October, but this has to be put on hold now. Imperial Tobacco previously petitioned against the provisions of the Tobacco and Primary Medical Services Bill on shop exhibits but the case was rejected by Lord Bracadale. However, it is now appealing that judgment and a hearing later this year means the October introduction may have to be delayed. However, Public Health Minister Shona Robison said in a statement that the government is fully committed to the retail industry to prepare for implementation.

**UK: Imperial Tobacco selects A.naqua for trademarks management**

Imperial Tobacco said this week that it has entered into a multi-year agreement for use of the ANQUA Enterprise IAM solution to easily access, analyze and manage its global trademark portfolio.

**Bulgaria: Agriculture Ministry to establish Tobacco Advisory Board.**

The Bulgarian Agriculture Ministry has decided to set up a Tobacco Advisory Board that will include representatives of tobacco producers, companies. Agriculture Minister Miroslav Naydenov said tobacco purchases that began several weeks ago would end in March, even as he assured farmers that additional payments to the sector amounting to BGN 143 million would be divided between this year 2011, and 2012. Meanwhile, thousands of peasants continued to hold protests over the weekend objecting to the State's failure to buy the crop and the low prices.

**Bulgaria: Bulgartabac privatization in February, confirms Minister.**

Bulgaria's Finance Minister Simeon Dyankov reiterated this week the government's resolve to privatize the State tobacco monopoly Bulgartabac Holding AD and 10 other enterprises by the end of 2011. The sale process will begin in February, the Economy Minister said, adding the procedure would be decided in the coming weeks by Citibank.



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**France: Artistic, cultural icons excluded from tobacco ad rule.**

A French National Assembly committee voted for a measure that would exclude artistic and cultural heritage from the stringent legislation passed in 1991 banning direct and indirect advertising of tobacco or smoking. The exemption, expected to be passed by Parliament, applies to tobacco images on posters, films, and photographs among other things, and would avoid absurdities such as replacing pipes with pinwheels or airbrushing of cigarettes.

**Kyrgyzstan: Govt. contemplating sale of big tobacco units.**

The Kyrgyzstan administration is reportedly considering off big tobacco and alcohol ventures to international firms, Vice Prime Minister Omurbek Babanov said in a statement.

**Moldova: 2010 tobacco output up five fold.**

Tobacco growers in Moldovan harvested over 6,000 tons of leaf tobacco in 2010, around 2,000 tons more than 2009, according to Valeriu Masleanski, head of crop and seed production department under the Ministry of Agriculture and Food Industry. The area under cultivation went up by a third in 2010, exceeding 4,000 ha. Tobacco yield is forecast to double in 2011.

**Japan: Japan Tobacco December quarter volume plunges sharply.**

World' third prime cigarette maker Japan Tobacco Inc. said this week that its domestic cigarette trade by volume during the October-December 2010 quarter plummeted 48% on year, as a result of drop-off post the rush to buy cigarettes ahead of the unprecedented 40% duty rise in October. Sales during the quarter totaled 20.3 billion cigarettes, down sharply from 38.8 billion cigarettes a year earlier. JT expects its domestic sales of tobacco by volume to fall by at least 25% over the 12 months through September 30<sup>th</sup>.

**South Korea: Seoul to turn more than 300 public places smoke free this year.**

The Seoul city administration in South Korea is determined to designate over 300 public areas as non-smoking zones by the end of 2011, including Gwanghwamun, Seoul and Cheonggye Plazas. Starting in March this year, the three landmark plazas will become smoke free, which will be extended to 23 city parks by September and finally to 296 center lane bus stops by December for a total of 321 places.

**Bangladesh: Farmers shifting to tobacco cultivation.**

The Bangladesh government recently expressed alarmed that a large number of farmers in the country are switching from rice cultivation to tobacco, amidst growing concerns about a possible food shortage. Falling profits in food crops has been blamed for the shift, especially since tobacco



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companies are recruiting and supporting growers with free seeds, fertilizers, and other inputs.

**Philippines: Health Department issues advisory on electronic cigarettes.**

The Philippines Department of Health (DoH) cautioned the public against the use of e-cigarettes or Electronic Cigarette Nicotine Delivery Systems (ENDS), saying the devices will not help smokers quit the habit. It could even deliver nicotine to the lungs, the DoH health advisory pointed out.

**New Zealand: Registration scheme mooted for tobacco sellers.**

A New Zealand Health Select Committee is being urged to include a registration scheme for tobacco sellers in an amendment to the Smoke-free Environments Act introduced late last year by Associate Health Minister Tariana. The Smoke-free Environments (Controls and Enforcement) Amendment Bill includes provisions to remove the display of tobacco products in shops.

**Israel: Knesset bars cigarette vending machines.**

The Israeli Knesset unanimously approved a measure that makes cigarette vending machines illegal in the country. The action, according to sponsor National Union MK Uri Ariel, is to safeguard teenagers from the vending machines, which cannot be monitored.

**Gulf: Steep tobacco hikes in the offing.**

The Gulf Cooperation Council (GCC) is reportedly discussing the possibility of raising cigarette charges by 100%, as part of a drive to cut consumption. The move could mean that the cost of cigarettes in Saudi Arabia could reach SR14 (US\$3.8) a pack.

**Zimbabwe: Tobacco auctions to begin on February 15<sup>th</sup>.**

The 2010-2011 tobaccos selling season in Zimbabwe is set to commence on February 15<sup>th</sup>, according to the Tobacco Marketing and Industry Board, a State organization that regulates the trade of cured tobacco leaf. An increased volume, of around 150 million kg (330 million pounds) of tobacco is likely to go under the hammer this season, from about 90,000 hectares planted. Contract farming too is expected to rise to 40,000 hectares compared to 30,000 hectares in 2010. Last year, farmers sold about 123.5 million kg of leaf in the auctions, earning US\$137 million.

**India (West Bengal): ITC building second factory in Nepal.**

Indian tobacco giant ITC Ltd. is setting up a new cigarette plant in Nepal's western Tanhu district, in line with its plan to expand subsidiary Surya Nepal's business. ITC is starting the new manufacturing unit with an initial investment of Rs150 million, to become operational in two year's time. The company currently operates one of the biggest cigarette factories in Bara district, produces



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15 different brands of cigarettes and enjoys some 90% share in Nepal's cigarette market.

**India (New Delhi): Padma Award for ITC Chairman.**

Multi-business conglomerate ITC Ltd.'s distinguished Chairman Yogesh Chander Deveshwar, the man behind its spectacular growth, was conferred with India's top civilian award, the Padma Bhushan this week, in the category of Trade and Industry. However, health activists expressed disappointment at the government's decision, saying the "selection is a great discouragement for those working in the area of public health." The Voluntary Health Association of India has apparently written to the Prime Minister Manmohan Singh and President Pratibha Patil regarding his nomination. "Though ITC has other business interests, it earns the major part of its revenue from tobacco products," and it is "still called the Indian Tobacco Company," another group, HRIDAYSHAN said.

**India (New Delhi): Cigars rising in popularity.**

Cigars and cigarillos are among the fastest rising tobacco products in the sector in India, Asia's third largest economy, gaining popularity among the more affluent sections of the country, according to research by business group Datamonitor. The nation's US\$135 billion tobacco market, like neighboring China, is developing fast, at 9% per annum over the past five years with sales of cigars and cigarillos soaring quicker than other tobacco products, despite the exorbitant price tag, which can go up to Rs2,000 a piece.

**India (Delhi): Tobacco products driving Delhi duty free services.**

Expanding Indian tobacco market and growing availability of international tobacco brands is paying dividends for Delhi Duty Free Services (DDFS), which is benefiting in terms of sales at Indira Gandhi International airport. "The price benefit and already developed taste factor is contributing to good sales in the tobacco category," DDFS said.

**India (Tamil Nadu): Chennai clamps down on tobacco near places of worship.**

The Chennai City Corporation began a strict crack down on the sale of cigarettes and other tobacco products near schools, other educational institutes as well as places of worship in the city. The civic body reportedly received representations due to the increased access of tobacco products by school students.