

# Business Standard

## No need for local partners, global firms can now bid in tobacco auctions

Move likely to provide relief to growers who suffered sharp fall in tobacco prices few years ago

B Dasarath Reddy | Hyderabad May 22, 2017

The Government of India has decided to allow global companies to directly participate in the tobacco auctions.

The move is expected to increase the competition at the auction platforms in major FCV tobacco centers like Guntur in Andhra Pradesh where the tobacco growers faced a serious crisis due to the fall in prices a couple of years ago.

With this decision, global companies do not have to depend any more on a local partner or a local agent to buy tobacco leaf from India.



Photo: Shutterstock

The government's decision covers a substantial portion of tobacco trade in India as 70 per cent of the FCV (Flu-cured Virginia Tobacco) is exported to other countries while the remaining 30 per cent is bought by Indian cigarette manufactures.

Last year, the country had sold 230 million kg of FCV tobacco valued Rs 5,950 crore in the export markets, according to the Tobacco Board officials. Tobacco exports have seen a marginal decline this year.

"There is a four per cent decline in exports this year primarily due the decline in production," said R Subba Rao Chowdary, a Tobacco Board official in charge of marketing and exports activity.

So far no foreign player has registered with the Tobacco Board, which regulates the production of FCV tobacco and conducts e-auctions among other support activities, for participation in the tobacco auctions.

The Reserve Bank of India(RBI) had already issued an amendment stating that the prohibition imposed under the FDI Schedules no more applicable to the activities like purchasing of tobacco leaf at the auction platforms.

The tobacco related activities involving the wholesale cash and carry and retail trading etc. are currently governed under the sectoral restrictions laid down in the FDI Policy framed by the Department of Industrial Policy and Promotion in the Ministry of Commerce and Industry.

"As per the amendment, any global company may directly participate in auctions. The global companies who closed their liaison offices in India in the past(especially in Guntur, which is the major hub of Tobacco industry) may establish their branch offices in Guntur, or any other place to deal with Indian exporters, counterparts to do wholesale cash and carry, retail trading," Tobacco Board said.

**Source:** [http://www.business-standard.com/article/economy-policy/no-need-for-local-partners-global-firms-can-now-bid-in-tobacco-auctions-117052201006\\_1.html](http://www.business-standard.com/article/economy-policy/no-need-for-local-partners-global-firms-can-now-bid-in-tobacco-auctions-117052201006_1.html)