

Cigarette share in tobacco consumption falls

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HYDERABAD, Mar 19: The share of legally-produced cigarettes in tobacco consumption in India declined from 21 per cent in 1981-82 to 8 per cent in 2021-21 despite the overall tobacco consumption increasing by 50 per cent during the period.

Despite a small (8 per cent) share of the tobacco consumption, the government collects 80 per cent of tobacco tax revenue from legally-produced cigarettes, the Tobacco Institute of India (TII) said in a report.

Legal cigarettes account for just eight per cent of overall tobacco consumption in the country while the remaining 92 per cent balance consumption is represented by 29 traditional products like chewing tobacco, bidi, khaini and illegally-manufactured and sold cigarettes.

While the legal cigarette industry and a small portion of the bidi is in the organized sector, the bulk of tobacco consumed in the country (68 per cent) is largely produced in the unorganized sector which escapes tax and regulatory oversight, the report said.

Illegal cigarette trade accounting for 1/4th of the total cigarette market in India has grown rapidly due to high cigarette taxation and the attracting arbitrage. Growing illicit cigarette trade causes an annual revenue loss of more than Rs 15,000 crores to the exchequer and adversely impacts the livelihood of domestic FCV (Flue-Cured Virginia) tobacco farmers.

According to the Tobacco Atlas, India's per capita consumption of cigarettes is among the lowest in the world at just 89 cigarettes per annum. This is much lower than 2,043 for China, 1,017 for the US and even lower than 363 for Pakistan, 512 for Nepal and 744 for Bangladesh.

India is the world's second largest producer of tobacco, with an annual production of around 800 million kg and it provides direct and indirect employment to 45.7 million people, around 70 per cent of whom are in the agricultural sector.

India earns around Rs 6,500 cores from tobacco and tobacco product export annually while cigarette tobaccos account for more than 70 per cent of India's leaf tobacco exports in value terms.

Although India grows around 13 per cent of the world's tobacco, its value share of the \$11 billion global tobacco leaf exports trade is only 5 per cent. This is because exportable varieties (FCV tobacco) account for less than 30 per cent of India's leaf tobacco production.

If India aligns its production pattern with global demand, India would raise its share of export earnings substantially., the report added. (UNI)

Source: <https://www.dailyexcelsior.com/cigarette-share-in-tobacco-consumption-falls/>