Foreign Agricultural Service
GAIN Report
Global Agriculture Information Network

Required Report - public distribution

Date: 5/20/2003

GAIN Report #TH3059

Thailand

Tobacco and Products

Annual

2003

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Report Highlights:
MY 2003 tobacco production is forecast to increase in line with burley production. Meanwhile, non-burley production will likely decline further with continued reductions in planted areas. Demand for tobacco is expected to increase slightly in response to expected recovery in domestic cigarette demand and strong export demand. However, import demand for foreign leaf is estimated to decline further. But demand for imported cigarettes is promising.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
Annual Report
Bangkok [TH1], TH

Executive Summary

MY 2003 Thailand's total tobacco production is forecast to grow in line with burley production. Meanwhile, the production of flue cured and oriental tobacco will likely decline further due mainly to continued reduction in planted areas. In addition, flue cured production was damaged by unanticipated hail. The overall planted areas continued their downward trend in response to the tobacco authority's scale down in growing area, in order to level off the current high level of stocks. However, average yields should increase in response to improved farm practices.

In MY 2003 domestic consumption for tobacco is estimated to increase in anticipation of the recovery in TTM's cigarette sales. Also, tobacco exports should pick up in 2003 due to strong export demand for both flue cured and burley tobacco. Meanwhile, TTM's tobacco imports are forecast to decline slightly as the content of foreign leaf used by TTM could decline gradually due to growing sales of TTM's Thai-tobacco-only blended cigarettes (Wonder brand). However, the U.S. will remain as largest supplier for both flue cured and burley tobacco, despite an increase in imports from cheaper China tobacco.

TTM's cigarette sales will likely increase in MY 2003 in response to sustained economic conditions. The market share of TTM's cigarettes could remain unchanged at about 80 percent of total market. Also, the demand for imported cigarettes is expected to increase in line with the growing economy. The U.S. brands will likely maintain their market share of about 90 percent of total cigarette imports. However, foreign cigarettes are still faced with unfair competition from the Thai Custom Department by which the customs value of imported cigarettes is marked up by 25-54% from a declared transaction value, leading to an increase in retail prices of imported cigarettes by 3-5 baht/pack (20 pieces) (roughly 12 U.S. cent/pack).

1. Unmanufactured Tobacco

1.1 Production

In MY 2003 (2002/03 harvested) total tobacco production is forecast to continue its upward trend in line with burley production. Meanwhile, the production of non-burley tobacco continued to decline due mainly to a reduction in planted areas and unfavorable weather conditions. Overall planted areas of tobacco are expected to decline further but average yields will likely increase in response to improved farm practices.

The following are planted areas and farm-sale-weight production for all types of tobacco in Thailand in MY 2003:

	Area (Hectares)			FSW Production (Metric Ton)		
	2001	2002	2003	2001	2002	2003
Flue cured	19500	16500	16000	20000	18000	17500
Burley	14300	15500	16500	27000	30000	32000
Oriental	7650	8500	7800	5700	5400	5000
Dark Air Cured	1000	950	n.s.	400	380	n.s.
TOTAL	42450	41450	40300	53100	53780	54500

1.1.1 Flue cured

The MY 2003 flue cured production is estimated to decline further due mainly to Thailand Tobacco Monopoly (TTM)'s scale down in the growing area, in order to level off the current high level of stocks. The official estimate of current flue cured stock has reached 20 months of use, which is believed to be more than twice as much as the optimum level. In addition, trade sources reported that major planted areas in the Northern region were damaged by unanticipated hail, leading to an estimated 30 percent reduction in flue cured production. Normally, it hails during March - April when the flue cured harvest is complete, but this year hails come earlier in January.

Trade sources reported that in major producing areas bulk curing systems are heading up to 80 percent of production. Thailand has used mostly traditional curing barns until recently. This new system could lower cost of production by about 6 baht/kg (roughly 0.06 U.S. cent/pound). The authorities also provided some financial support under the 5-year energy saving project of the National Energy Policy Office (1998 - 2002). Also, TTM and the larger curers still encourage tobacco farmers to improve their efficiency. TTM and large curers promoted a new flue cured variety (semi-flavored type) and growing technique to their contracted farmers. Trade sources reported that most of high quality seeds were from the U.S. In fact, seeds from Brazil (products of the same U.S. companies) are 50 percent cheaper than the U.S., but they are not popular due to their low quality. In addition to the improvements in production efficiency and in the flue cured variety, TTM continued to conduct its trial to replace flue cured tobacco with burley in the upper North in anticipation of declining demand for flue cured, despite strong opposition from several large flue curers who claimed that this could result in a negative impact on both production and marketing of flue cured in the future. However, trade sources reported that this was the very first year that burley production was traded in the flue cured trading area. Trading was still limited as most markets are still in the original area (lower North).

1.1.2 Burley

In MY 2003 burley production will likely increase to 32,000 metric tons (FSW basis), due mainly to continued expansion of planted area and favorable weather conditions. Planted area is forecast to reach 16,500 hectares, accounting for nearly half of total tobacco planted areas, due mainly to attractive returns. Also, the favorable weather conditions during cultivation led to an increase in average yields and improvement in quality in major planted areas like Sukhothai and Phetchaburi. In addition, the TTM's production quota for burley increased significantly from the previous year in Chiangmai and Phrae, in order to replace the flue cured production. However, this quota is considered to be marginal as compared with the overall quota allocated to the original planted area, in particular Sukhothai and Phetchabun. Moreover, the expansion of planted area in the upper North which is the major area for flue cured type is still limited as the impact on production and marketing is still controversial.

Nearly all burley is grown in Phetchabun and Sukhothai Provinces, which are located in the lower Northern region of Thailand. Production consists of two main crops, early and late. The early crop is seeded in July-September and harvested in October-December while the late crop is planted in November-January and harvested in February-April. Although the early crop is of higher quality and farmers receive a premium for this crop, the higher risks involved (such as flooding and plant disease) limit the early crop production to about 10-15 percent of total burley production. Unlike flue cured tobacco, only small farmers are involved with burley production. These growers usually produce dry burley leaves to fulfill their quota with TTM, and sell the rest of their production to exporters through local traders.

1.1.3 Oriental

In MY 2003 Oriental tobacco production (approximately 10 percent of total tobacco production) is forecast to decline further as the Adams Company, which is the sole buyer of oriental for export, continued to scale down its contract tobacco area in order to level out current high stock level. Also, TTM's quota for oriental in MY 2003 (2002/03 crop) declined to 3,000 metric tons, compared to 3,336 metric tons in the previous year.

1.2 Consumption

In MY 2003 total domestic consumption for all types of tobacco is forecast to increase slightly in line with the recovery in TTM's cigarette sales. Out of total domestic consumption, TTM would utilize about 23,880 metric tons in MY 2003, as compared to 23,803 metric tons in

2001. In anticipation of continued increases in sales of TTM's Thai-tobacco-only blended cigarettes at the expense of its original popular blended cigarettes (which contain both domestic and foreign tobacco), the content of foreign leaf used by TTM will likely continue to decrease to 19.0 percent in MY 2003. However, the proportion of each type of tobacco used for TTM's cigarette production in 2003 should remain unchanged, due to no significant changes in the production variety of different cigarette blends.

The table below indicates TTM's actual tobacco utilization by type of tobacco during 2001-2002 and an estimate for 2003.

	2001			2002			2003 (fore.)		
	Local	Foreign	Total	Local	Foreign	Total	Local	Foreign	Total
Flue Cured	8,876	2,545	11,421	8,900	2,350	11,250	8,950	2,350	11,300
Burley	6,908	2,481	9,389	7,000	2,300	9,300	7,100	2,200	9,300
Oriental	3,424	0	3,424	3,250	0	3,250	3,280	0	3,280
Dark Air Cured	4	0	4	3	0	3	n.s.	n.s.	n.s.
Total Tobacco	19,212	5,026	24,238	19,153	4,650	23,803	19,330	4,550	23,880

	Percentage of Each Type of Leaf to All Tobacco Used for Cigarette Production								
	1995	1996	1997	1998	1999	2000	2001	2002	2003
Flue Cured	49	48	48	48	48	47	47	47	47
Burley	37	38	38	38	38	39	39	39	39
Oriental	14	14	14	14	14	14	14	14	14
TOTAL	100	100	100	100	100	100	100	100	100

In MY 2003 TTM's overall quota for tobacco production declined slightly in order to level off the current high stock levels which are up to over 20 months of use. However, the quota for flue cured production increased marginally, following some political pressure to keep it high.

	2001/02		2002/03	
	TTM's Quota	Actual Purchase	Average Prices	TTM's Quota
	(M.T.)	(M.T.)	(Baht/Kg)	(M.T.)
Flue Cured	10,540	11,135	66.41	10,760
Burley	12,500	10,845	42.39	12,000
Oriental	3,366	3,174	41.39	3,000
TOTAL	26,406	25,154		25,760
Source: Thailand Tobacco Monopoly (TTM)				

Again, TTM held its prices paid for all types of tobacco in MY 2003 (2002/03 crop year) by claiming that there has been no significant change in production costs. Average prices paid by TTM in MY 2002 were 66.41 baht/kg (70 cents/pound) for flue cured, 42.39 baht/kg (45 cents/pound) for burley, and 41.39 baht/kg (44 cents/pound) for oriental. Trade sources reported that domestic prices for all type of tobacco will likely decline in MY 2003, following downward pressure in export prices due to strong competition from cheaper tobacco from India and China. Prices for burley tobacco is expected to be at 35 baht/kg. (roughly 37 U.S. cents/pound), down approximately 7 percent from the previous year. Meanwhile, prices for flue cured tobacco will decline slightly to 54 baht/kg. (roughly 57 U.S.cents/pound).

1.3 Trade

In MY 2003, total tobacco exports should pick up in anticipation of strong demand, in particular burley exports to the low-end Russian market. Also, flue cured exports are expected to grow further, particularly to the Philippines due to their low import tariff rate of 5 percent, which follows the AFTA tariff schedule. However, competition from cheaper Indian and Chinese tobaccoes is expected to be strong, but trade sources reported that among the Asian region, Thai flue cured tobacco was so unique that it will maintain market share to some extent.

MY 2002 tobacco exports declined slightly to 25,639 metric tons in line with the contraction of burley exports which accounted for about 63 percent of total tobacco exports. The U.S. remained as the largest export market for burley (34 percent of total burley exports), despite 7 percent contraction to 5,528 metric tons. However, burley exports to Russia, which was the second largest market for Thai burley exports, increased by 5 percent to 2,641 metric tons due to greater sales of cigarettes in Russia. Exports of Thai burley to the Philippines increased considerably to 456 metric tons. Meanwhile, flue cure exports increased marginally to 7,110 metric tons. Thai exports of flue cured tobacco to Australia increase significantly to 1,018 metric tons in line with the recovery in Australian cigarette consumption. Also, flue cure exports to the Philippines grew considerably to 962 metric tons.

As for tobacco imports, TTM is still the sole importer into Thailand and utilizes imported tobacco for cigarette blending. TTM imported only flue cured and burley. In CY 2002, TTM's imports of tobacco totaled 5,243 metric tons, down 12 percent from the previous year, in response to the upward trend of domestic tobacco use for a certain cigarette brand. As result, the MY 2003 imports of tobacco will likely continue to decline to 5,000 metric tons, of which 60 percent is flue cured tobacco. The U.S. will remain as largest supplier for both flue cured and burley tobacco, despite the increasing trend to use cheaper Chinese tobacco. In CY 2002, TTM's imports of Chinese flue cured and burley tobacco totaled 691 metric tons and 415 metric tons, respectively. Meanwhile, imports from the U.S. amounted to 1,698 metric tons and 1,751 metric tons, respectively. The import share of U.S. tobacco in CY 2002 increased to 66 percent, recovering from a downward trend over the past couple of years as TTM needed to build up their top quality stocks of imported tobacco, which can only be currently supplied by the U.S.

As mentioned in previous annual reports, although U.S. flue cured and burley are considered superior flavored-type tobaccos, TTM has attempted to replace U.S. tobacco with non-U.S. tobacco in recent years. This is because TTM wanted to maintain profits in the midst of eroding cigarette sales by utilizing cheaper tobacco from non-U.S. supply sources such as Brazil, China, or Malawi. Sources report that TTM can save 20-30 percent of import value when it buys leaf from non-U.S. suppliers.

1.4 Policy

TTM remains as a sole authorized agency for importing tobacco into Thailand. Tobacco imports have been subject to a tariff rate quota (TRQ) system under Thailand's commitment to the WTO. However, the practical import duty for tobacco for both in-quota or above-quota imports are 30 percent, following a reduction in the import tariff under the general tariff schedule in 1998.

Statistical Tables

Table 1.1: Thailand's Production, Supply and Demand for Total Tobacco

PSD Table						
Country	Thailand					
Commodity	Tobacco, Unmfg., Total				(HA)(MT)	
	2001Revised		2002Estimate		2003Forecast	
	USDA Official[Old]	Post Estimate[New]	USDA Official[Old]	Post Estimate[New]	USDA Official[Old]	Post Estimate[New]
Market Year Begin	01/2001		01/2002		01/2003	
Area Planted	43800	42450	41450	41450	0	40300
Beginning Stocks	40400	40400	41646	42042	43294	44493
Farm Sales Weight Prod	53100	53100	53780	53780	0	54500
Dry Weight Production	46691	46691	47288	47288	0	47910
U.S. Leaf Imports	3000	3000	3400	3451	0	3050
Other Foreign Imports	2600	2600	1300	1792	0	1950
TOTAL Imports	5600	5600	4700	5243	0	5000
TOTAL SUPPLY	92691	92691	93634	94573	43294	97403
Exports	26254	26254	26270	25910	0	26580
Dom. Leaf Consumption	19741	19445	19370	19520	0	19600
U.S. Leaf Dom. Consum.	3350	3250	3250	3350	0	2900
Other Foreign Consump.	1700	1700	1450	1300	0	1650
TOTAL Dom. Consumption	24791	24395	24070	24170	0	24150
TOTAL Disappearance	51045	50649	50340	50080	0	50730
Ending Stocks	41646	42042	43294	44493	0	46673
TOTAL DISTRIBUTION	92691	92691	93634	94573	0	97403

Table 1.2: Thailand's Production, Supply and Demand for Flue Cured Tobacco

PSD Table						
Country	Thailand					
Commodity	Tobacco,Unmfg.,Flue Cured				(HA)(MT)	
	2001	Revised	2002	Estimate	2003	Forecast
	USDA Official[Old]	Post Estimate[New]	USDA Official[Old]	Post Estimate[New]	USDA Official[Old]	Post Estimate[New]
Market Year Begin	01/2001		01/2002		01/2003	
Area Planted	19000	19500	16500	16500	0	16000
Beginning Stocks	19231	19231	21011	20975	21851	21465
Farm Sales Weight Prod	18000	20000	18000	18000	0	17500
Dry Weight Production	15840	17600	15840	15840	0	15400
U.S. Leaf Imports	1800	1300	1600	1700	0	1450
Other Foreign Imports	700	1300	800	1360	0	1450
TOTAL Imports	2500	2600	2400	3060	0	2900
TOTAL SUPPLY	37571	39431	39251	39875	21851	39765
Exports	5000	7026	6000	7110	0	7150
Dom. Leaf Consumption	8790	8880	9000	8950	0	9000
U.S. Leaf Dom. Consum.	2370	1850	1650	1750	0	1500
Other Foreign Consump.	400	700	750	600	0	850
TOTAL Dom. Consumption	11560	11430	11400	11300	0	11350
TOTAL Disappearance	16560	18456	17400	18410	0	18500
Ending Stocks	21011	20975	21851	21465	0	21265
TOTAL DISTRIBUTION	37571	39431	39251	39875	0	39765

Table 1.3: Thailand's Production, Supply and Demand for Burley Tobacco

PSD Table						
Country	Thailand					
Commodity	Tobacco, Unmfg., Burley				(HA)(MT)	
	2001 Revised		2002 Preliminary		2003 Forecast	
	USDA Official[Old]	Post Estimate[New]	USDA Official[Old]	Post Estimate[New]	USDA Official[Old]	Post Estimate[New]
Market Year Begin		01/2001		01/2002		01/2003
Area Planted	14300	14300	15500	15500	0	16500
Beginning Stocks	13722	13722	16382	14407	17782	17400
Farm Sales Weight Prod	27000	27000	30000	30000	0	32000
Dry Weight Production	23760	23760	26400	26400	0	28160
U.S. Leaf Imports	2400	1700	1800	1751	0	1600
Other Foreign Imports	1100	1300	500	432	0	500
TOTAL Imports	3500	3000	2300	2183	0	2100
TOTAL SUPPLY	40982	40482	45082	42990	17782	47660
Exports	15000	16675	18000	16170	0	17000
Dom. Leaf Consumption	7100	7000	7000	7120	0	7300
U.S. Leaf Dom. Consum.	1500	1400	1600	1600	0	1400
Other Foreign Consump.	1000	1000	700	700	0	800
TOTAL Dom. Consumption	9600	9400	9300	9420	0	9500
TOTAL Disappearance	24600	26075	27300	25590	0	26500
Ending Stocks	16382	14407	17782	17400	0	21160
TOTAL DISTRIBUTION	40982	40482	45082	42990	0	47660

Table 1.4: Thailand's Production, Supply and Demand for Oriental Tobacco

PSD Table						
Country	Thailand					
Commodity	Tobacco, Unmfg., Oriental				(HA)(MT)	
	2001Revised		2002Estimate		2003Forecast	
	USDA Official[Old]	Post Estimate[New]	USDA Official[Old]	Post Estimate[New]	USDA Official[Old]	Post Estimate[New]
Market Year Begin	01/2001		01/2002		01/2003	
Area Planted	7650	7650	8500	8500	0	7800
Beginning Stocks	7424	7424	5448	6630	4846	5588
Farm Sales Weight Prod	5200	5700	5400	5400	0	5000
Dry Weight Production	4524	4959	4698	4698	0	4350
U.S. Leaf Imports	0	0	0	0	0	0
Other Foreign Imports	0	0	0	0	0	0
TOTAL Imports	0	0	0	0	0	0
TOTAL SUPPLY	11948	12383	10146	11328	4846	9938
Exports	3000	2253	2000	2360	0	2430
Dom. Leaf Consumption	3500	3500	3300	3380	0	3300
U.S. Leaf Dom. Consum.	0	0	0	0	0	0
Other Foreign Consump.	0	0	0	0	0	0
TOTAL Dom. Consumption	3500	3500	3300	3380	0	3300
TOTAL Disappearance	6500	5753	5300	5740	0	5730
Ending Stocks	5448	6630	4846	5588	0	4208
TOTAL DISTRIBUTION	11948	12383	10146	11328	0	9938

Table 1.5: Export Volumes and Values of Thailand's Total Tobacco

	2001 (Jan-Dec)		2002 (Jan-Dec)	
	M.T.	US$ 1,000	M.T.	US$ 1,000
1. U.S.A.	6,417	16,390	5,528	13,942
2. Australia	408	1,281	1,275	3,973
3. Belgium	4,333	8,112	3,945	9,137
4. Egypt	1,450	2,681	897	1,652
5. France	835	1,423	906	2,135
6. Germany	950	2,306	912	1,595
7. Japan	510	2,148	509	1,559
8. Malaysia	3,027	8,530	2,380	6,909
9. Netherlands	840	1,857	740	1,767
10. Russian Fed	2,554	2,322	3,000	2,953
11. Taiwan	643	1,835	235	710
12. U.K.	856	1,759	673	1,697
13. Philippines	119	219	1,563	5,027
14. Others	3,012	6,234	3,076	6,126
TOTAL	25,954	57,097	25,639	59,182
1/ US$ 1.0 = 42.96 Baht				
Source: Thai Custom Department				

Table 1.6: Export Volumes and Values of Thailand's Flue Cure Tobacco

	2001 (Jan-Dec)		2002 (Jan-Dec)	
	M.T.	US$ 1,000	M.T.	US$ 1,000
1. U.S.A.	321	691	0	0
2. Australia	408	1,281	1,018	3,105
3. Belgium	1,469	2,326	1,819	3,715
4. France	237	71	71	87
5. Germany	627	1,923	363	933
6. Japan	510	2,148	259	1,041
7. Malaysia	1,916	5,106	644	1,388
8. Netherlands	218	590	119	315
9. Norway	164	526	278	628
10. Philippines	0	0	962	3,482
11.Taiwan	643	1,835	235	710
12. U.K.	9	29	280	864
13. Canada	62	129	317	1,014
14.Others	442	274	745	720
TOTAL	7,026	16,931	7,110	18,002
US$ 1.0 = 42.96 Baht				
Source: The Department of Customs				

Table 1.7: Export Volumes and Values of Thailand's Burley Tobacco

	2001 (Jan-Dec)		2002 (Jan-Dec)	
	M.T.	US$ 1,000	M.T.	US$ 1,000
1. U.S.A.	5,925	15,462	5,528	13,942
2. Belgium	2,820	5,719	2,126	5,422
3. China	163	477	138	356
4. Egypt	850	1,602	0	0
5. France	598	1,352	835	2,048
6. Germany	323	382	548	662
7. Italy	291	385	307	485
8. Malaysia	575	1,418	661	1,677
9. Netherlands	622	1,266	622	1,452
10.Pakistan	267	295	0	0
11.Russian Fed	2,512	2,304	2,641	2,782
12.U.K.	847	1,730	393	833
13. Philippines	119	219	456	988
14.Others	763	1,519	1,915	3,948
TOTAL	16,675	34,131	16,170	34,594
US$ 1.0 = 42.96 Baht				
Source: The Department of Customs				

Table 1.8: Imports of Thailand's Total Tobacco

Import Trade Matrix			
Country	Thailand		
Commodity	Tobacco, Unmfg., Total		
Time period	Jan - Dec	Units:	Metric Ton
Imports for:	2001		2002
U.S.	3012	U.S.	3449
Others		Others	
Brazil	2589	Brazil	672
China	17	China	1106
Total for Others	2606		1778
Others not Listed	332		16
Grand Total	5950		5243

Source: Thai Custom Department

Table 1.9: Imports of Thailand's Flue Cured Tobacco

Import Trade Matrix			
Country	Thailand		
Commodity	Tobacco,Unmfg.,Flue Cured		
Time period	Jan - Dec	Units:	Metric Ton
Imports for:	2001		2002
U.S.	1382	U.S.	1698
Others		Others	
Brazil	1290	Brazil	672
China	0	China	691
Total for Others	1290		1363
Others not Listed	0		0
Grand Total	2672		3061

Source: Thai Custom Department

Table 1.10: Imports of Thailand's Flue Cured Tobacco

Import Trade Matrix			
Country	Thailand		
Commodity	Tobacco, Unmfg., Burley		
Time period	Jan - Dec	Units:	Metric Tons
Imports for:	2001		2002
U.S.	1630	U.S.	1751
Others		Others	
Brazil	1299	Brazil	0
China	17	China	415
Total for Others	1316		415
Others not Listed	332		16
Grand Total	3278		2182

Source: Thai Custom Department

2. Manufactured Tobacco, Cigarettes

2.1 Production

In MY 2003, total cigarette production (including contraband cigarettes) is forecast to increase slightly in line with a recovery in domestic consumption. In MY 2002, TTM's cigarette production increased by about 3 percent from the previous year to approximately 30,000 million pieces, but still below the initial target of 46,000 million pieces. At present TTM's production capacity is at 26,410 million pieces a year, covering 21 cigarette brands, most of which are filter cigarettes. In light of strong competition from foreign cigarettes and domestic contraband cigarettes, TTM has reorganized its organization in order to lower its operating costs. However, TTM has postphoned its privatization plan which initially was due to finish by 2003 to 2005 to allow for the authorities to develop clearer market prospects for their cigarettes. Moreover, TTM has released several new cigarette brands. The most successful one is the "Wonder" brand which is the blend of domestic tobaccoes only. Trade sources reported that its sales are second to the "Krongtip" brand due to a competitive price and relatively good quality.

TTM's cigarette production reached a record high level in 1996 (47,127 million pieces). Since 1997, TTM's cigarette production has decreased gradually to 29,530 million pieces in 2001 (7-8 percent decline annually).

2.2 Consumption

In MY 2003, total cigarette consumption (including inventories) is expected to bottom out, following sustained economic conditions. TTM' cigarette sales will likely increase further from the previous year's level of 29,500 million pieces. Trade sources reported that market share of TTM's cigarette should remain unchanged at about 80 percent of total market. TTM's cigarettes are expected to maintain market share in the middle and low-end markets which are the major markets for TTM due to price advantages as the import tariff for cigarettes from Indonesia and Philippines (ASEAN countries) remains at 5 percent for cigarettes in CY 2003 instead of 0 percent like any other products under AFTA tariff schedule. Indonesia and the Philippines are production bases for competing foreign brands. Indonesia is a production base for Marbolo and L&M brand. Meanwhile, the Philippines produces the brands like JPS, London, Lucky Strike, and Mild Seven.

Retail prices for all cigarettes have remain unchanged since March 2001. Prices for TTM's cigarettes vary in a wide range of 20-45 baht/pack (0.47 - 1.00 U.S.$/pack). The Thailand's no.1 brand (Klongthip 90) is sold at 35 baht/pack (81 U.S. cents/pack), as opposed to 37-38 baht/pack (86-88 U.S. cents/pack) for competing foreign brands, like L&M and Moore. Prices for the bright market prospect "Wonder" brand are 25 baht/pack (58 U.S. cents/pack).

The latest official survey on smoking behavior in Thailand done by the National Statistics Office (NSO) in 2001 indicated that numbers of regular smokers (15 years of age and over) totaled 10.55 million persons, up approximately 3.1 percent from the previous survey in

1999. Smokers accounted for about 17 percent of total population in 2001, smoking on average about 11 cigarettes/day. Smokers between 40 - 49 years of age played a dominant share of total smokers (21%), followed by 25 - 29 years of age (14 %) and 30 - 34 years of age (13%).

2.3 Trade

MY 2003 total cigarette imports are forecast to pick up in response to increasing demand for foreign cigarettes, following the sustained economic recovery. The market share of foreign cigarette brands is expected to remain at about 20 percent. U.S. brands will likely maintain their market share of about 90 percent of total cigarette imports.

In MY 2002 cigarette imported totaled 7,261 million pieces, most of which were from Indonesia (76 percent of total cigarette imports), as it is a production base for international brand manufacturing and enjoy a low tariff rate of 5% under the AFTA tariff schedule.

As for exports of Thai cigarettes, TTM remains as the sole exporter. Thai cigarette exports are still negatively impacted by illegal border trade. Official sources reported that TTM could earn additional revenue of 3,000 million baht (roughly US$ 70 Million) if the contraband cigarettes and smuggled cigarettes could be stopped. Trade sources reported that export prices (f.o.b.) for Thai cigarettes were only 6-7 baht/pack (20 pieces) (roughly 15 U.S. cent/pack), tempting illegal re-export of TTM's cigarettes from neighboring countries to Thailand along the border. In MY 2002 cigarette exports declined sharply, particularly exports to Laos, the Philippines and Vietnam. However, cigarette exports to Cambodia increased significantly.

2.4 Policy

2.4.1 Tariff and Other Taxes

The excise taxes on cigarettes remain unchanged at 75 percent since March 27, 2001. Also, the special tax for the Health Fund is unchanged at 2 percent of the excise tax.

In addition to the excise tax and the special tax, importers must pay an import duty of 5-60 percent, varying by origin. For imports from non-ASEAN countries, the import tariff is 60%. For ASEAN country imports with local content of at least 40% of total cost, importers are able to enjoy lower import duties due to the AFTA tariff reduction schedule. Cigarettes from Indonesia and Philippines, for which tariffs had been reduced from 10 percent to 5 percent in 2002, remain at 5 percent in 2003.

2.4.2 Non-Tariff Barriers

The Thai Customs Department still imposes a 25-54% surcharge on imported cigarette brands for import duty valuation. It was first imposed in September 1999 when the authorities investigated possible underpricing declarations on the CIF value by some importers. This resulted in an increase in retail prices of imported cigarettes by 3-5 baht/pack (20 pieces) (roughly 12 U.S. cent/pack). This implementation could be considered to be a discriminatory action on imported cigarettes in favor of TTM's cigarettes.

2.4.3 Quality, Safety, & Health

The Ministry of Public Health (MOPH) still plays a crucial role in smoking control. The enforcement still focuses on health warnings on cigarette labels (occupying at least the one-third of space on pack), a ban on cigarette advertisement, prohibition on cigarette sales to young people (aged under 18 years), smoking prohibitions in public place, and the disclosure of cigarette ingredients sold in Thailand. In addition, MOPH is actively developing anti-smoking campaigns in the mass media and pushing an increase in cigarette taxes.

Statistical Tables

Table 2.1: Thailand's Production, Supply and Demand for Cigarettes

PSD Table						
Country	Thailand					
Commodity	Tobacco, Mfg., Cigarettes				(MIL PCS)	
	2001Revised		2002Estimate		2003Forecast	
	USDA Official[Old]	Post Estimate[New]	USDA Official[Old]	Post Estimate[New]	USDA Official[Old]	Post Estimate[New]
Market Year Begin		01/2001		01/2002		01/2003
Filter Production	30200	30200	29200	30410	0	30600
Non-Filter Production	300	300	300	300	0	300
TOTAL Production	30500	30500	29500	30710	0	30900
Imports	5700	8800	6100	8000	0	8100
TOTAL SUPPLY	36200	39300	35600	38710	0	39000
Exports	608	608	550	386	0	400
Domestic Consumption	35592	38692	35050	38324	0	38600
TOTAL DISTRIBUTION	36200	39300	35600	38710	0	39000

Note: Since 1998, FAS/Bangkok began including estimates of illegal cigarette figures, due to the significance of contraband cigarette production and smuggled cigarette imports in the domestic market.

Table 2.2: Thailand's Cigarette Imports

Import Trade Matrix			
Country	Thailand		
Commodity	Tobacco, Mfg., Cigarettes		
Time period	Jan - Dec	Units:	Metric Ton
Imports for:	2001		2002
U.S.	64	U.S.	113
Others		Others	
Indonesia	6151	Indonesia	5503
Malaysia	345	Malaysia	324
Philippines	505	Philippines	404
Singapore	359	Singapore	348
China	199	China	216
Total for Others	7559		6795
Others not Listed	505		353
Grand Total	8128		7261

Table 2.3: Thailand's Cigarette Exports

Export Trade Matrix			
Country	Thailand		
Commodity	Tobacco, Mfg., Cigarettes		
Time period	Jan - Dec	Units:	Mil. Pieces
Exports for:	2001		2002
U.S.	0	U.S.	27
Others		Others	
China	94	China	56
Indonesia	7	Indonesia	0
Denmark	11	Denmark	25
Cambodia	16	Cambodia	30
Laos	103	Laos	21
Burma	22	Burma	52
Malaysia	0	Malaysia	17
Singapore	7	Singapore	4
Philippines	193	Philippines	69
Vietnam	127	Vietnam	51
Total for Others	580		325
Others not Listed	28		34
Grand Total	608		386