

6.0 TOBACCO

The Malaysia tobacco industry is a multi-million dollar industry with an estimated value of M\$132 million in a single year for tobacco leaves and M\$1500 million for cigarettes.

In 1987, a total of 12,314 hectares were planted with tobacco. There were 360 curing stations licensed by LTN (National Tobacco Board), of which 185 were in Kelantan, 95 in Terengganu, 29 in Kedah, 20 in Perlis, 14 in Malacca, 13 in Pahang and the rest in Johor and Negeri Sembilan. A total of 33,924 workers were employed at these stations. The cigarette manufacturing companies represent an important source of government revenue. Taxes on corporate profits, import and excise duties paid by the three major cigarette manufacturers namely Malaysian Tobacco Co. Bhd, Rothmans of Pall Mall (M) Bhd; and R.J Reynolds Tobacco Co. Sdn Bhd are estimated to be about \$600 million in 1987.

a) Production

Production of tobacco is regulated through a quota system, as determined on an annual basis by LTN, which has representation from all sectors of the industry. The amount of annual quota is based on demand for tobacco as well as the capacity of the industry to meet the demand without adversely affecting the quality of tobacco to be produced and the stability of the industry. In 1987 the quota allocated to the tobacco curers remained at the previous year's level of 11.4 million kg. The production of green leaves declined from 119 million kg valued at M\$82.55 million in 1986 to 109 million kg valued at M\$73.25 million in 1987. Consequently, the production of cured leaves declined from 12.87 million kg valued at M\$167.07 million to 10.68 million kg valued at M\$132.61 million.

b) Price

To ensure reasonable returns to the farmers, the LTN introduced a minimum price structure for both green and cured leaves. This is subject to review from time to time. Currently the average price is targetted at 67 cents/kg for green leaves and M\$13.00/kg for cured leaves.

c) Prospects

The government encourages the use of more local tobacco leaves in the production of cigarettes and has adopted various fiscal measures to this effect. The import duties on unmanufactured and cut-rag tobacco as well as imported cigarettes are M\$50, \$70 and \$85/kg respectively. The three major cigarette manufacturers on average purchase about 94% of the total local tobacco leaves. Imported tobacco is used to blend with the local tobacco in order to meet certain quality standards as well as to ensure the appropriate taste for the various cigarette brands. At present,