

# TOBACCO PROFILE

## 2018/2019/2020

AN INSIGHT TO THE  
TOBACCO INDUSTRY IN SRI LANKA

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## INTRODUCTION

The Alcohol and Drug Information Centre (ADIC) was established as an independent organization in 1990. Today, ADIC has become a well-recognized National Resource Centre, promoting drug demand reduction and developing new innovative strategies. ADIC is registered under the Voluntary Social Services Act of Sri Lanka and obtained Approved Charity Status in 1992. ADIC serves in many international networks such as the Global Alcohol Policy Alliance, the Framework Convention. Alliance on Tobacco Control and the International Federation of Non-Governmental Organization (IFNGO) and thereby contribute to the international advocacy by collecting and disseminating information as well as by training youth to carry out changes targeting the community.

The organization also focuses on research as a core component of its main programs. The pillars of work under the research Programme involve:

- Research and analytical work to increase knowledge and understanding of alcohol, tobacco and other drugs
- Information to assist development/health workers in the implementation of their programs
- Information for the development of domestic legislation on alcohol, tobacco and other drugs
- Field-based monitoring and evaluations of the programs of the organization

The Tobacco Profile Report continues to provide a trend analysis of the Sri Lankan situation of tobacco consumption, sales, revenue and the industry. Also, this year's report contains an in-depth look into the litigation and a comparison with the global tobacco markets.

The Report's coverage remains comprehensive and it tries to give the reader a complete picture of the Sri Lankan Tobacco profile. As in previous years, the Report is based on data obtained primarily from the Tobacco references, researches, spot surveys and the Tobacco Atlas.

Alcohol & Drug Information Centre (ADIC Sri Lanka) was inaugurated in April 1987 but was established as an independent organization in 1990, Today Alcohol and Drug Information Centre (ADIC) Sri-Lanka has developed to be a well-recognized National Resource Centre, promoting drug demand reduction. ADIC is registered under the Voluntary Social Services Act of Sri Lanka and obtained Approved Charity Status in 1992.

## VISION

To create a world where every person realizes that use of whatever drug at whatever level impedes happiness.

## MISSION

Prevent drug use through social changes and effective education.

## GOALS

- Identify and neutralize influences that promote drug use and create a social milieu in which drug use is discouraged and which prevents initiation of drug use.
- Incorporate drug prevention into the programs of government and non-government organizations and institutions.
- Promote community-level initiatives as well as the development of resource persons and prevention workers.
- Promote the formulation of effective policies and implementation of existing policy measures about drug use prevention,

To achieve our vision, we follow scientific and evidence-based methods in drug demand reduction within the framework of Health Promotion. We seek to develop and implement effective and innovative interventions and are perhaps the reason for the achievements during the last decade, ADIC designs interventions to create a demand reduction in drug use based on a holistic approach and the organizational structure is designed to reflect this thinking. The organizational structure comprises of ten programs and they are Human Resource and Organizational Development Programme, Community Intervention Programme, Media Advocacy Programme, Policy Advocacy Programme, Research & Evaluation Programme, Library and Information Programme, Plantation Sector Programme, Education Sector Programme, Public Awareness Programme and Finance & Administration Programme.

We at ADIC believe in the team effort. Whilst a particular division takes the major responsibility for planning and implementing a project, there is inter-divisional cooperation when work is carried out. On the other hand, some major activities are planned through teamwork with responsibility being shared by all divisions.



Our work to empower the grassroots reaches diverse communities. Collaborations with a range of government organizations, non-government organizations, and community-based organizations and international donors such as NORRAD, WHO, UNICEF, UNESCO, UNFPA, ADB have resulted in the implementation of a large number of interventions directed at numerous target groups. Such collaborations have made it possible to maximize the output from limited resources to benefit the community.

In addition to the contribution to domestic drug abuse control, the contribution of ADIC to International Drug use control has been felt in several spheres of activity. ADIC serves in many international networks such as the Global Alcohol Policy Alliance, the Framework Convention Alliance on Tobacco Control and the International Federation of Non-Governmental Organization (IFNGO) and thereby contribute to the international advocacy by collecting and disseminating information as well as by training youth to carry out changes targeting the community,

The successful efforts to create a lasting change in communities by changing behaviors has been recognized by the World Health Organization in 1993 by awarding ADIC with the prestigious WHO award, "Tobacco or Health Medal", In 1998 and 1999 ADIC won the awards from the International Federation of Non-Governmental Organization (IFNGO) for the Most Outstanding Project, for the achievements from the Drug Demand Reduction Project launched at Hapugastenna Estate in Sri Lanka and for creating of Voluntarism respectively. ADIC also won the Commonwealth Youth Service Award 1998/99 granted by the Commonwealth Secretariat. Since the year 2000, ADIC is represented at the "Alcohol Policy Strategy Advisory Committee" of the WHO.

## WHAT IS TOBACCO ?

Tobacco is made from the dried leaves of the tobacco plant. Tobacco smoke is a mixture of almost 4,000 different chemical compounds, including nicotine, tar, carbon monoxide, acetone, ammonia and hydrogen cyanide. Forty-three of these chemicals have been proven to be carcinogenic (causing cancer). Tobacco is ingested through smoking cigarettes, pipes and cigars. In the form of a fine powder, it may also be sniffed as snuff, or it is sometimes sold in blocks to be chewed. It can also be ingested through passive smoking. Cigarettes account for majority of tobacco consumed in Sri Lanka.

### *Theoretical Background of the Industry*

With respect to industry analysis, the concept of William Porter's five forces module can be considered as more applicable since this model has been used worldwide in analyzing industries drilling down from its grass root level. As per to this model, it consists of 5 aspects which has been expressed in Chart 01.

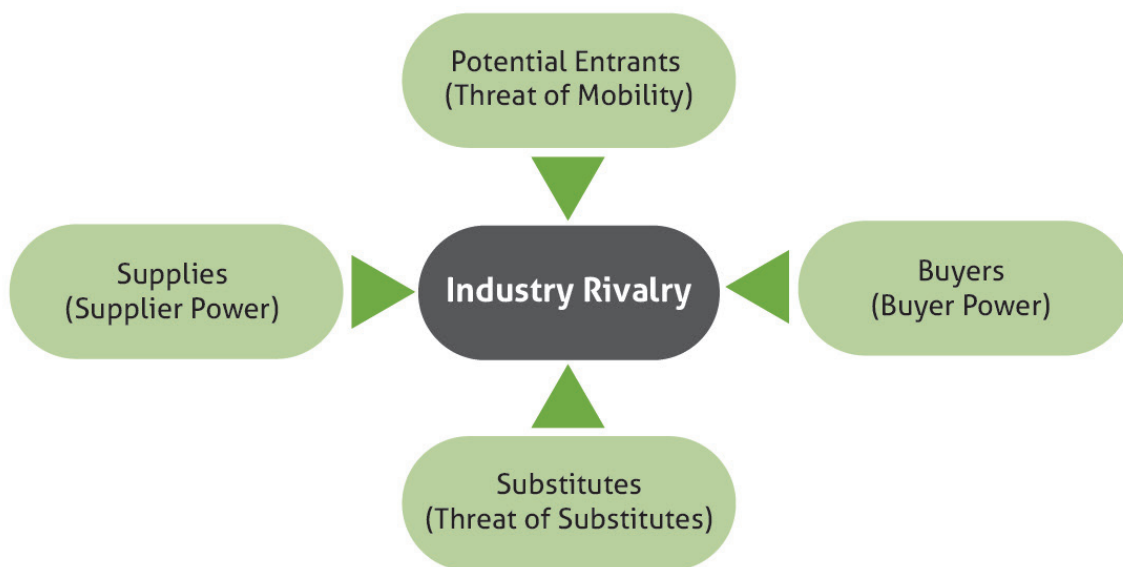


chart 1: Porter's 5 Forces model

## Industry Rivalry

In the traditional economic model, competition among rival firms drives profits to zero. But competition is not perfect and firms are not unsophisticated passive price takers. Rather, firms strive for a competitive advantage over their rivals. The intensity of rivalry among firms varies across industries, and strategic analysts are interested in these differences.

In terms of the tobacco industry, since the Ceylon Tobacco Company (CTC) holds the monopolistic power, they have a higher bargaining power. More importantly CTC is the market leader in the tobacco industry in Sri Lanka. In essence they are capable of doing anything.

## Threat of substitutes

In Porter's model, substitute products refer to products in other industries. To the economist, a threat of substitutes exists when a product's demand is affected by the price change of a substitute product. A product's price elasticity is affected by substitute products - as more substitutes become available, the demand becomes more elastic since customers have more alternatives. A close substitute product constrains the ability of firms in an industry to raise prices.

In the tobacco industry, the threat of substitutes are lesser. Though it exists, they are encouraged by the CTC itself as it is their industry strategy. For an example Beedi, etc. can be considered as such. Those products will replace CTC products but when the CTC itself introduces such products by themselves that will completely drive out the threat of substitutes.



## *Buyers' Power*

The power of buyers is the impact that customers have on a producing industry. In general, when buyer power is strong, the relationship to the producing industry is near to what an economist terms a monopsony - a market in which there are many suppliers and one buyer. Under such market conditions, the buyer sets the price. In reality few pure monopsonies exist, but frequently there is some asymmetry between a producing industry and buyers.

In the context of tobacco industry, there are millions of buyers for the products, but there is only one company to supply the demand. This itself emphasizes the fact that buyers of the CTC products are less powerful and CTC holds the bargaining power over their buyers.

## *Suppliers' Power*

A producing industry requires raw materials - labor, components, and other supplies. This requirement leads to buyer-supplier relationships between the industry and the firms that provide the raw materials used to create products. Suppliers, if powerful, can exert an influence on the producing industry, such as selling raw materials at a high price to capture some of the industry's profits.

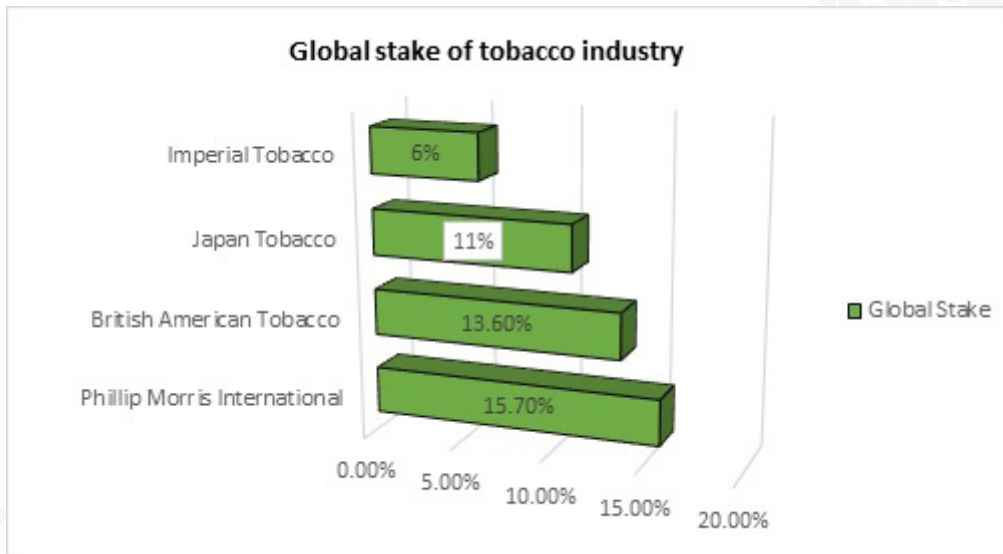
However, in terms of CTC's perspective, they have backward integration on their supply network so that the majority of the supply network acts under the wings of the CTC. That is CTC also controls their supply network, so that Suppliers' bargaining power is also under their thumb.

# INDUSTRY NETWORK OF CEYLON TOBACCO COMPANY

## History

The Company was incorporated in 1932 in Sri Lanka, and took over the operations of three separate tobacco businesses in the country at the time – British American Tobacco Company (Ceylon) Limited, West Minster Tobacco Company Limited, and Thomas Bear & Sons Limited. The Company began growing Virginia flue-cured tobacco in the early 1940s with the assistance of the Department of Agriculture and British American Tobacco Company, London. CTC was listed on the Colombo Stock Exchange in 1954. The same year, the Company acquired the business of Godfrey Phillips Limited (formerly Rothmans Limited), and obtained the right to manufacture its brands in Sri Lanka.

## Global Tobacco Market



Graph 1 - Global stake of tobacco industry

Alcohol is considered as a depressant and is a cause for many socio-economic problems in the society.

## Company Information

Established -1932

Auditors -KPMG Ford, Rhodes, Thornton & Co

Registered office -178, Srimath Ramanathan Mawatha, Colombo 15

## Ownership

CTC is a public quoted Company whose shares are traded on the Colombo Stock Exchange with more than 4,000 shareholders. The Company's largest shareholders are British American Tobacco (BAT) Holdings (Sri Lanka) BV (84.13%) and FTR Holding SA. (8.32%)

## British American Tobacco (BAT)

British American Tobacco is the world's second largest quoted tobacco group by global market share, with brands sold in more than 180 markets. With over 300 brands. British American Tobacco holds robust market positions in each of our regions and have lead-

ership in more than 50 markets. In 2007, British American Tobacco subsidiaries enabled governments worldwide to gather over £17 billion a year in taxes, including excise duty on products, more than 7 times the Group’s profit after tax. British American Tobacco have sustained a significant global presence for over 100 years. The British American Tobacco business was founded in 1902 and by 1912 had become one of the world’s top dozen companies by market capitalization. British American Tobacco subsidiary companies produce some 684 billion cigarettes through 47 cigarette factories in 40 countries.

<b>Largest shareholders</b>	<b>No. of Shares</b>	<b>%</b>
British American Tobacco International Holdings BV	157,590,931	84.13
Philip Morris Brand SARL	15,585,910	8.32
Pershing LLC S/A Averbach Grauson & Co	1,936,731	1.03
SSBT-BMO Investments 11 (Ireland) Public Limited Company	1,295,275	0.69
Northern Trust Company S/A - Fundsmith Emerging Equities Trust PLC	1,092,645	0.58
RBC Investor Services Bank-COELI SICAV	878,756	0.47
SSBT-AL MEHWAR COMMERCIAL INVESTMENTS L.L.C	405,258	0.22
HSBC INTL NOM LTD-BBH-Matthews Emerging Asia Fund	361,292	0.19
HSBC INTL NOM LTD-JPMCB-Long Term Economic Investment Fund	339,568	0.18
Mrs. Jashinderjit Kaur Piara Singh	312,063	0.17
HSBC INTL NOM Ltd - SSBT-BMO-LGM Frontier Markets Equity Fund	244,387	0.13
Miss Neesha Harnam	225,821	0.12
HSBC INTL NOM LTD-SSBT Frank Russel Trust Company	200,124	0.11
HSBC INTL NOM Ltd - SSBT-Deutsche Bank AG Singapore A/C 01	175,600	0.09
Mr. Prabhash Subasinghe	171,038	0.09
AYENKA HOLDINGS PRIVATE LIMITED	164,367	0.09
PICTET and CIE (Europe) SA S/A Lloyd George Indian Ocean Master Fund	160,000	0.09
Harnam Holdings SDN BHD	150,000	0.08
Mellon Bank N. A-Eaton Vance Trust Co. Collective Inv	148,901	0.08
Bank of Ceylon No 1 Account	143,177	0.08

Table 1 : 20 largest shareholders

Source – CTC report 2018

## Tobacco Industry in Sri Lanka

A non-communicable disease, or NCD, is a disease which is not infectious. Risk factors such as a person’s lifestyle, genetics, or environment are known to increase the likelihood of certain non-communicable diseases. Tobacco related illnesses also falls into this category and causes around 20,000 deaths annually within Sri Lanka which holds a population of approximately 20 million.

According to the Global Youth Tobacco Survey conducted in 2007, 5.1% youth (13 – 15-year-old) ever smoked cigarettes; 39.5% smoked cigarettes before the age of 10 years. About 8.6% are current users of other tobacco products. Disturbingly, however, 65.9% are exposed to secondhand smoke in public places.

As a controlling measure to prevent the harm caused by the tobacco industry, the government of Sri Lanka formed an Act originated from the WHO Framework Convention on Tobacco Control (FCTC) which prevents tobacco companies from obtaining their market share;

## TOBACCO CONSUMPTION

In understanding the tobacco consumption of a country, it becomes more important to converse about the number of cigarettes (sticks) consumed by the population in the country within a particular year. In practice, it is not possible to measure the count of cigarette sticks consumed because there is always a large number of sticks which is under circulation within the distribution channels. Although it is a large number, somewhere down the line those sticks will be passed to the consumer irrespective of the time taken. Therefore, the number of sticks issued can be an identical tool to measure consumption. The following Table 02 and Graph 02 will display the number of sticks issued over time.

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>Sticks</b>	<b>4286</b>	<b>4470</b>	<b>4321</b>	<b>4030</b>	<b>3560</b>	<b>3965</b>	<b>3790</b>	<b>3149</b>	<b>3150</b>	<b>2600</b>	<b>2300</b>
<b>Decrease</b>			<b>149</b>	<b>291</b>	<b>470</b>	<b>405</b>	<b>175</b>	<b>641</b>	<b>1</b>	<b>550</b>	<b>300</b>
<b>Increase</b>	<b>184</b>										

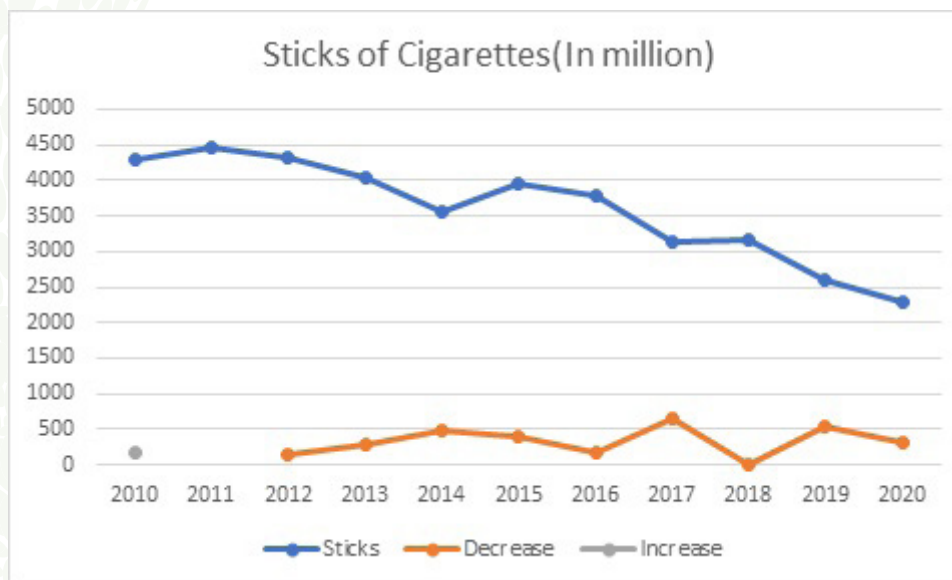
Table 2 : Sticks of cigarettes (In million)

Source: NDDCB Handbook 2018

- Sticks row represents the number of sticks issued annually in millions irrespective of categorizing into brands/types.
- Percentages are based on the number of sticks that increased/decreased compared to its previous year.



According to chart 02, the number of sticks seems to have a dynamic change from 2010 to 2018. When analyzing this chart 02, we can see an upward sloping between 2010 to 2011 by 184. The major effect of this downward sloping can be taken into consideration because of the effectiveness of the taxation gadget in the county.



Graph 2 Sticks of cigarettes (In million)

Source: NDDCB Handbook 2018

This graph shows the number of cigarette sticks issued (in million) in addition to decreases and will increase every 12 months. Additionally, this graph represents the manufacturing of cigarettes from 2010 to 2018. When comparing with 2010 and 2011, it has the 184 increments from 2010 to 2011. But after 2011 a standard reduction in the manufacturing of cigarettes may be visible. Looking at 2015 from 2017 there is a slight decline which is 230 more than in 2014 to 2015. 2019 saw a slight decline in consumption, with 550 million fewer cigarettes than the previous year. Cigarette production in 2020 will be 2300 million. That is because production has fallen by 300 million since 2019. As a result, cigarette production has fallen sharply, which could be a consequence of a decline in cigarette use. Also consider about the reduction of cigarettes issued, a few political attitudes and behaviors had helped to occur the ones superb adjustments considering the fact that 2012. The decline in total cigarette production can be calculated as 2132.

In Sri Lanka, Sri Lankans spend 139 LKR billion per day on cigarettes. 92% of the cigarette sales of CTC goes to its mother company known as British American Tobacco in UK. But in this sense, it's important to determine whether supply is declining due to declining consumption. As well as, the authorities will adopt a broad technique, to drug abuse management within the context of human development, focusing specifically on the links among drug abuse and poverty discount, crime prevention, and improving fitness.



## PRODUCT PORTFOLIO

As the basic practice in product portfolio, most of the companies use a variety of products with modern vast changes that suits their all level of customers both financially and non-financially. This same concept has been applied by CTC but they do not follow the ethical consideration as a social contract. But they have applied new strategies and other kinds of social techniques to make their customers range. Because of, people always depending on their revenue with some situations. "According to the 2018 CTC annual report, they stated "Our multi category portfolio of brands allows us to effectively segment our market and cater to diverse array of consumer preferences. This has enabled us to continuously deliver value to our consumers". In 2018 they sought to deepen their know-how of purchaser behavior by carrying out a segmentation observation based on psychographics and behavioral analysis. These insights might be a key input in figuring out CTC's product launches for 2019 and beyond and could allow responding more effectively to unique patron wishes. Due to that, their product portfolio consists of premium average and low-priced cigarettes. Considering their behavior, the following can be summarized.

### Strategies

- Enhancing the availability of products through improving portfolio-wide distribution capabilities.
- The company sought to strengthen its distribution standards by aligning to global guidelines and restructuring/revamping routes to ensure optimal efficiency.
- CTC aims to conduct a unique Programme, aimed at empowering over 2,000 retailers through providing guidance on consumer behavior, accounting systems and technology adoption.
- Special attention was placed on strengthening female retailers by providing guidance on equal rights, leadership and effective management of their enterprises.



Premium	2010	2011	2012	2013	2014	2015	2016	2017	2018
B & H									-
Dunhill									-
Total									3.15 billion

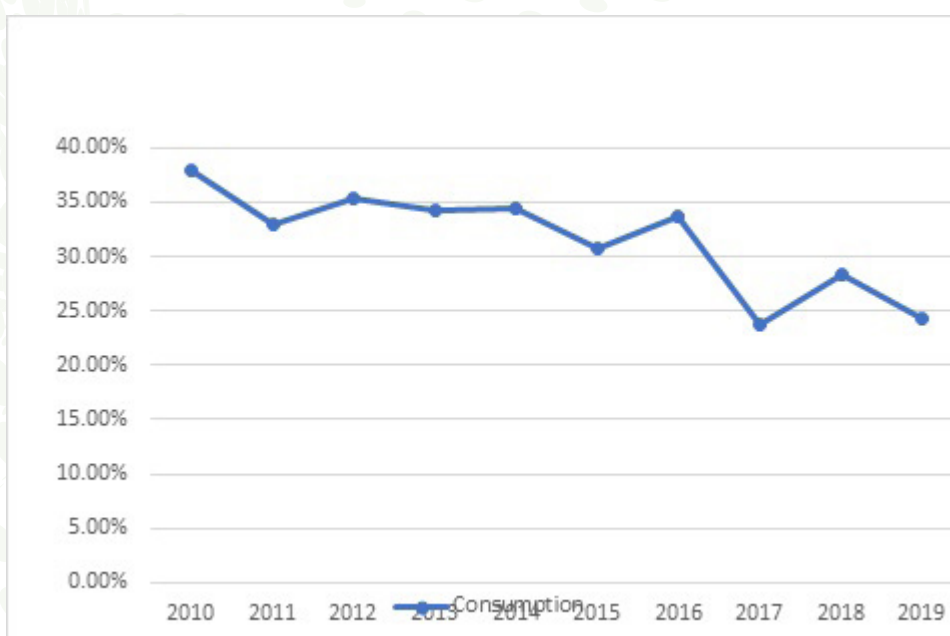
Table 3 : Product portfolio

Source – CTC report 2018

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Consumption	38.00%	33.00%	35.40%	34.20%	34.50%	30.70%	33.60%	23.80%	28.40%	24.24%

Table 4 : Trend of Smoking in the Last 10 Years by Age Groups (2010-2019)

Source – ADIC trend survey 2018/2019



Graph 3 : Trend of Smoking in the Last 10 Years by Age Groups (2010-2019)

Source – ADIC trend survey 2018/2019

The above representation expresses the yearly intake of cigarettes from 2010 to 2018 in Sri Lanka. This survey carried out via ADIC in 2015 and the ADIC website gives details to prove the once-a-year consumption of cigarettes in Sri Lanka. This survey provides the data required to confirm the smoking consumption of the entire population of Sri Lanka.

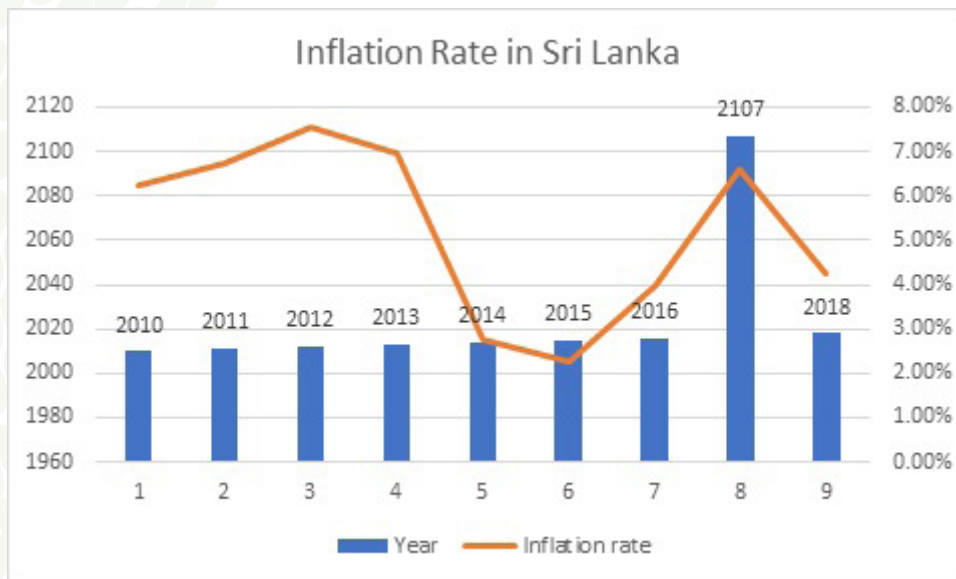
Looking at this chart, there's a reducing pattern after a boom. For instance, it reduced from 38% in 2010 to 33.00% in 2011 and accelerated once more to 35.40% in 2012. According to this chart, cigarette consumption in 2010 was the highest. The lowest value is taken by 2017 cigarette consumption. However, when compared with 2017 and 2018, let's have a look at a 4.6% improvement in the cigarettes consumption of the entire populace. As well women's cigarettes usage represented 0.4% and male's cigarettes usage represented 4.2% in 2016. In 2019, the use of smokers will continue to decline. In this context, cigarette use in Sri Lanka may decline rapidly.

## Inflation in Sri Lanka

Inflation refers to the rise inside the expenses of maximum items and services of daily or not unusual use, such as meals, apparel, housing, exercise, shipping, patron staples, etc. Inflation measures the average rate alternate in a basket of commodities and offerings over time. The opposite and rare fall within the price index of this basket of objects is called 'deflation'. Inflation is indicative of the lower inside the purchasing power of a unit of a country's foreign money. This is measured in percentage. Inflation is the maximum, suitable and comprehensible size to degree the changes in rate levels of a rustic. In extra simple words, inflation is the extent of charge boom of a specific use of a primarily base on its preceding 12 months charge ranges. The Colombo Consumers Price Index (CCPI) is the reliable measurement of inflation of Sri Lanka that's produced by using the Department of Census and Statistics Sri Lanka. Due to a few fundamental inadequacies of the approach that had calculated the inflation, a new method has been added so as to triumph over the effects of the ones.

The vintage technique of CCPI turned into centered because the base 12 months 1952 which means that the rate boom contrast commenced from 1952 because of the base. It became calculated by means of looking at the working-magnificence household within the Colombo region according to the circle of relatives' price range survey of 1949/1950. It can also be cited that even though meantime revisions and upgrades were made to the index sometimes over time, such revisions have been rather restricted. The alternate had caused the subsequent reasons.

- Inadequate representation of the true price changes in line with the changing consumption patterns, as the index was based on an outdated basket of goods and services. The significant changes in consumer habits and income levels since 1949/50 have substantially altered the size, content and composition of the market basket of goods and services consumed.
- Although the range and availability of goods and services had enhanced over the years, these new items were not included in the index.
- The index was highly sensitive to the prices of a few items, due to the outdated consumption pattern and unrealistic weights attached to such items based on the outdated consumption pattern. Hence, even a marginal price change of some of those items led to a disproportionate change in the overall index.
- It was limited in scope, both in terms of geographical and income group coverage.



Graph 4 Inflation Rate in Sri Lanka

Source - <https://www.statista.com/statistics/728516/inflation-rate-in-sri-lanka>

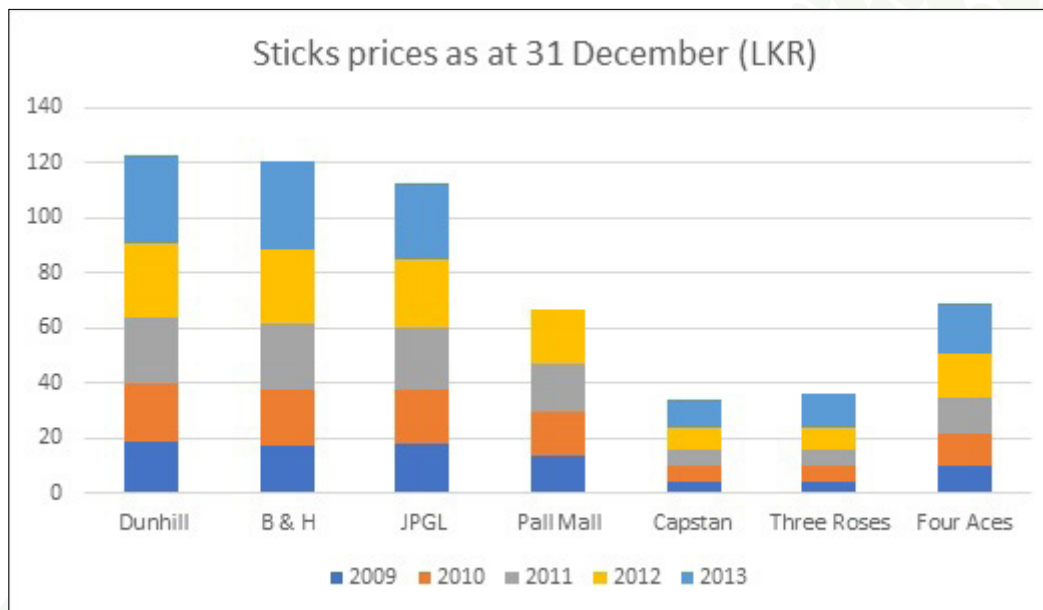
## Annual inflation and tobacco price levels

Brand	2009	2010	2011	2012	2013
Dunhill	19	21	24	27	32
B & H	17	21	24	27	32
JPGL	18	20	22	25	28
Pall Mall	14	16	17	20	NA
Capstan	4	6	6	8	10
Three Roses	4	6	6	8	12
Four Aces	10	12	13	16	18

Table 5 Sticks prices as at December (LKR)

Source – CTC reports





Graph 5 : Sticks prices at December (LKR)  
Source – CTC reports

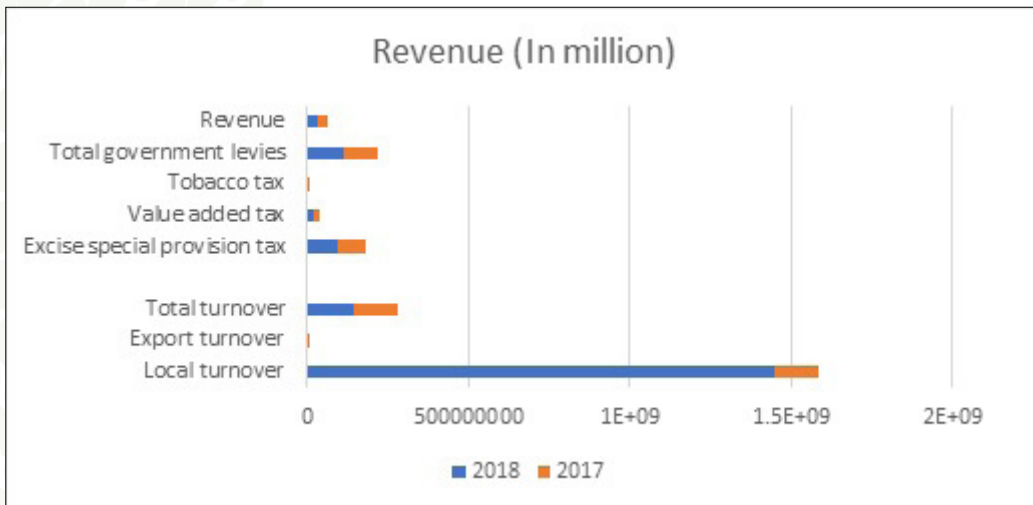
## Tobacco Revenue

Year	2018	2017
Local turnover (In million)	1450110140	138309659
Export turnover (In million)	188150	228907
Total turnover (In million)	145298290	138538566
Excise special provision tax (In million)	92935428	88881942
Value added tax (In million)	19410249	18485990
Tobacco tax (In million)	22083	19366
Total government levies (In million)	112367760	107387298
Revenue (In million)	32930530	31151268

Table 6 : Tobacco Revenue  
Source – CTC report 2018

The organization does not distinguish its products into huge additives for specific geographical/commercial enterprise segments as they may be insignificant. Export proceeds of the organization are less than 1% of overall turnover.





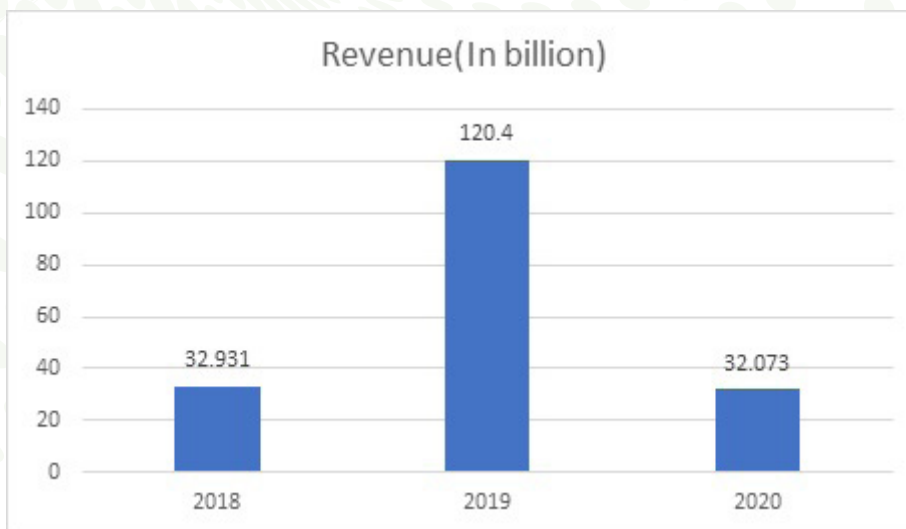
Graph 6 : Tobacco Revenue (In million)

Source – CTC report 2018

Year	2018	2019	2020
Revenue (In Bn)	32.931	120.4	32.073

Table 7 : Revenue

Source – CTC Reports

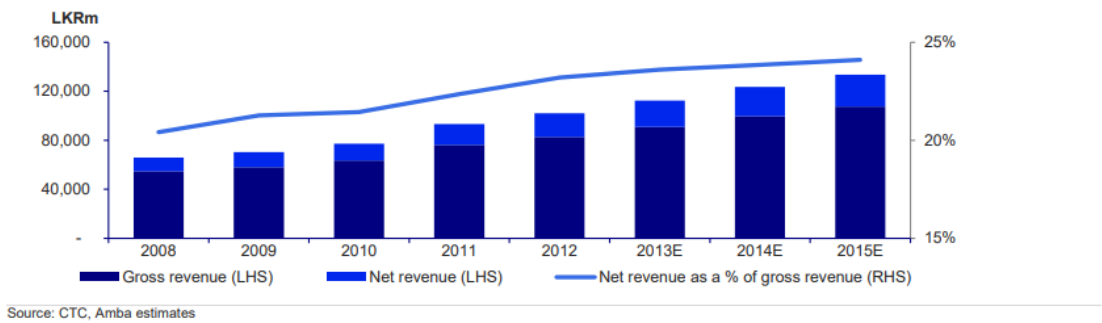


Graph 7 : Revenue

Source - CTC Reports

The table above shows the revenue position for the years 2018, 2019 and 2020. Accordingly, the revenue for 2018 will be 32.931 billion rupees, the revenue for 2019 will be 120.4 billion rupees and the revenue for 2020 will be 32.073 billion rupees. Despite a very high revenue in 2019, it is clear that by 2020, revenue will be 88.327 billion less than the previous year. It also shows a very low-income level compared to 2018.

Figure 2: Net revenue continues to increase its contribution to gross revenue



Source: CTC, Amba estimates

Figure 1 : Net revenue continues to increase its contribution to gross revenue

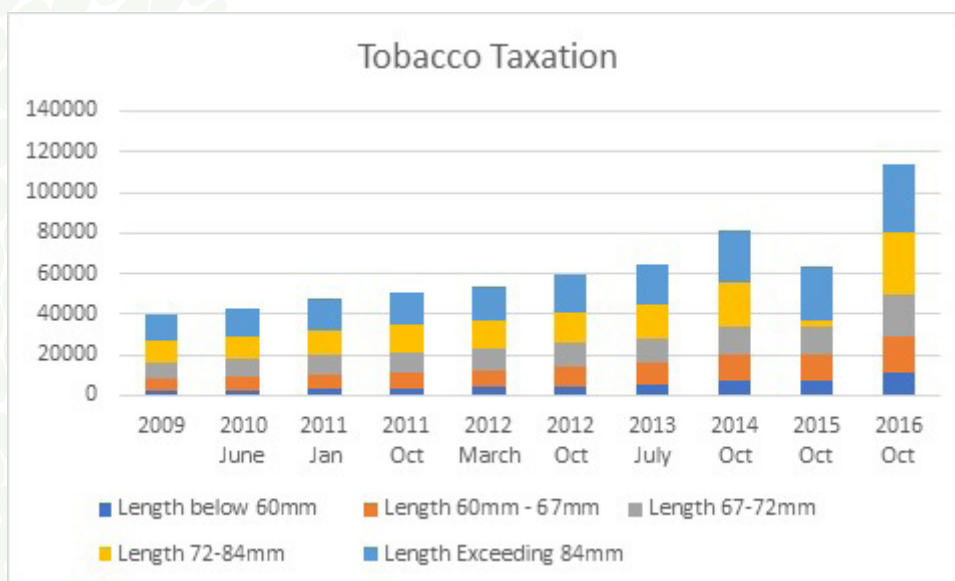
According to this chart, gross revenue and net revenue are steadily increasing in 2008 and 2015. In terms of gross revenue, it started at Rs 45,000 and is growing faster than Rs 80,000. The net income started at Rs. 65,000. Has grown to 120,000 by 2015. Gross and net incomes are growing slightly from year to year, but overall revenues are higher than in previous years.

## Tobacco Taxation

Cigarettes	2009	2010 June	2011 Jan	2011 Oct	2012 March	2012 Oct	2013 July	2014 Oct	2015 Oct	2016 Oct
Length below 60mm	2289	2630	3465	3465	4037	4612	5722	6975	6975	11675
Length 60mm - 67mm	5706	6246	6973	7540	8112	9258	10355	12675	12675	17375
Length 67- 72mm	8485	9028	9811	10381	10953	12100	12100	14660	14660	20500
Length 72- 84mm	10715	11260	12108	13243	13819	14963	16610	21610	2370	30500
Length Exceeding 84mm	12710	13170	15000	16400	17100	18500	20000	25100	27240	34250

Table 8 : Tobacco Taxation

Source - Ministry of Finance. Annual Reports  
<http://www.treasury.gov.lk/web/guest/publications/annual-report>



Graph 8 : Tobacco Taxation

Source - Ministry of Finance. Annual Reports  
<http://www.treasury.gov.lk/web/guest/publications/annual-report>

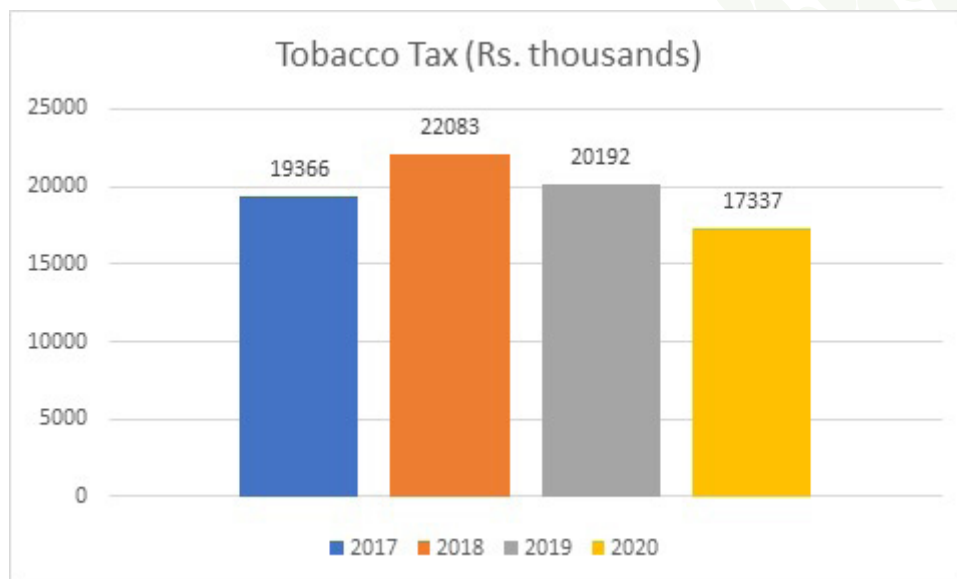
Tobacco tax in Sri Lanka is governed with the aid of the Tobacco Tax Act 6. The government can trade excise tax costs numerous times a year. Currently, a 5-time unique machine is used for cigarettes. In 2005-2015, the excise tax prices for most degrees expanded with the aid of about three hundred; however, the inflation fee for those eleven years mixed turned into 260%. The Nation-constructing tax (NCT) of 2% of the wholesale price is also levied on cigarettes. The fee-brought tax (VAT) price changed to 15% in 2002-2008. From January 2009, the VAT rate turned 12%. The VAT and NBT liability on cigarettes were eliminated from October 25, 2014. For two years, excise became the handiest tax levied on cigarettes in Sri Lanka. The excise fees were improved additionally from October 2014 by using 21-30%, but the general tax burden nearly did not exchange.

The largest changes in cigarette taxation in Sri Lanka took place at the end of 2016:

1. In October 2016, excise rates were increased by 26-28% for two higher tiers, by 37-40% for two middle ties, and by 67% for the lowest tier.
2. From November 1, 2016, the VAT rate was increased to 15 percent, and cigarettes were again made liable for VAT and NBT.

Year	2017	2018	2019	2020
Tobacco Tax (Rs. thousands)	19366	22083	20192	17337

Table 9 : Tobacco Tax Revenue  
 Source - CTC reports



Graph 9 : Tobacco Tax Revenue  
Source - CTC reports

During these two years, the tax value of 2017 is 19366 and the tax value of 2018 is about 22083. Clearly the tax rate is high and the gap between the two years is 2017. Considering the years 2019 and 2020, the tax revenue is 20192 and 17337 rupees in thousands respectively. The lowest tax revenue in the years 2017, 2018, 2019 and 2020 is in the year 2020. The year in which the highest tax revenue is obtained is in the year 2018. From the above data, it can be said that the tax on cigarettes is higher than the income and there is no reduction in income. One of the reasons for this is the low price of cigarettes and the Tobacco Act.

## Tobacco promotion

The tobacco enterprise spends large sums of money on advertising and marketing, sponsorship and merchandising of its merchandise. In 2016, tobacco companies within the United States (US) spent US\$ 9.5 billion on marketing and promotional fees, amounting to US\$ 26 million each day. As a long way back as 1992, Dr Clive Smee, then Chief Economic Adviser to the British Department of Health published a comprehensive examination of the link between marketing and tobacco intake. He concluded: "The balance of proof, therefore, helps the realization that advertising and marketing do have a nice effect on intake." three Reviewing the effect of advertising bans that had been added on the time, Smee similarly concluded: "In each case, the banning of advertising and marketing followed by means of a fall in smoking on a scale which can't be moderately attributed to different factors."

- Tobacco advertising on television and radio was first prohibited by the Broadcasting Acts of 1990 and 1996, and the European Union's Audio-visual Media Services Directive.



- The Tobacco Advertising & Promotion Act 2002 (TAPA) was enacted in November 2002, which banned print media and billboard tobacco advertising in February 2003, tobacco direct marketing in May 2003, sponsorship within UK in July 2003, with a gradual phase out of sponsorship of global events (such as Formula One motor racing) by July 2005.
- In 2004, space limitations were placed on the amount of advertising allowed at Point of Sale (with maximum allowance of 21x15cm). Since 2012 it has been illegal in England, Wales & Northern Ireland (and 2013 in Scotland) to display tobacco products in large stores, which was extended to small stores across the UK in April 2015.
- As part of the Health Act 2009, the sale of tobacco from vending machines became illegal in England since October 2011.
- In May 2016, Plain Packaging legislation came into force in the UK, requiring the removal of all branding on tobacco packs.

### *Types of Tobacco advertising*

- Sports Sponsorship
- Product Innovation
- Targeting Women and Girls
- Corporate Political Advertising on Plain Packaging

## Litigation on Tobacco

### *Tobacco Control Policies*

Sri Lanka became a Party to the WHO Framework Convention on Tobacco Control on February 27, 2005.

**Smoke Free Places:** Smoking is prohibited in many indoor public places and workplaces and on public transport. However, smoking is permitted in smoking areas or spaces in airports, hotels having 30 rooms or more, and restaurants having a seating capacity of a minimum of 30 persons.

**Tobacco Advertising, Promotion and Sponsorship:** Advertising through most forms of mass media is prohibited. There are some restrictions on tobacco sponsorship and the publicity of such sponsorship.



**Tobacco Packaging and Labeling:** Smoked tobacco product packages are required to have pictorial and text health warnings that cover 80 percent of the top front and back of packages and rotate every six months. Misleading packaging and labeling, including terms such as “light” and “low,” is prohibited, but it is unclear if the prohibition also includes trademarks and figurative and other signs. It is prohibited to manufacture, import, or sell smokeless tobacco products.

**Tobacco Taxation and Prices:** The World Health Organization recommends raising tobacco excise taxes so that they account for at least 70 percent of retail prices. Tobacco excise taxes in Sri Lanka are below these recommendations.

Sri Lanka: Packaging & Labeling			
<b>Health Warnings/Messages Features</b>		<b>Other Packaging and Labeling Requirements</b>	
<b>Smoked Tobacco Products</b>			
Type of Warnings	Pictures (Photos), Text Warnings/Messages	Required	Some Restrictions
On front and back of packages	Yes	Not Required	Uncertain
% of principal display areas covered	80	N/A	
Rotation required?	Yes		
Number of messages	Uncertain		
<b>Smokeless Tobacco Products</b>			
Type of Warnings	Not Required		
% of principal display areas covered	0		
Rotation required?	No		
Number of messages	N/A		
<b>Definitions of Key Terms - Alignment with the FCTC and its guidelines</b>			
	Aligns	Does Not Align	N/A
Tobacco Product	■		
Outside Packaging and Labeling		■	
<b>Penalties</b>			
	Yes	No	
Manufacturer	■		
Importer	■		
Wholesaler	■		
Retailer	■		
		Required	Some Restrictions
Warnings on unit packaging and labeling (e.g. packs)		■	
Warnings on outside packaging and labeling (e.g. cartons)		■	
Warning texts in the principal language(s) of the country		■	
Warnings may not be placed where they may be concealed or damaged when opening the pack			■
Tax stamps or other required markings may not be placed where they may conceal warnings		■	
Qualitative (descriptive) constituents and emissions disclosures			■
Ban on display of figures for emission yields (including tar, nicotine, etc.)			■
Plain or standardized packaging			■
Prohibition on misleading packaging and labeling		■	
		Required	Some Restrictions
		Not Required	Uncertain
		N/A	
<b>Content of the Warnings/Messages</b>			
		Yes	No
Health impacts		■	
Advice on cessation			■
The addictive nature of tobacco			■
Adverse economic and social outcomes			■
The impact of tobacco use on friends and family		■	
A quitline phone number			■

Last updated: September 18, 2019

## Tobacco Agriculture

Despite a global fashion of decreasing tobacco intake from 2000 to 2018. Tobacco leaf manufacturing continues to grow, supported by way of the narratives of the tobacco enterprise.<sup>2</sup> Tobacco farming takes region, in its sizeable majority, in low- and center-income international locations (LMIC).

Tobacco smoking leads immediately to the emission of 2 six hundred 000 tons of carbon dioxide and about 5 200 000 tons of methane. Data from 66 low- and middle earning nations showed that tobacco developing and curing induced giant deforestation between 1990 and 1995, amounting to approximately 2000 hectares – on common, 5% of each country’s estimated deforestation at some point of that 5-year period. Worldwide, approximately 13 000 000 hectares of woodland are misplaced due to agriculture or natural causes every

12 months, and of this, at least two hundred hectares are for tobacco agriculture and curing. Deforestation is the second largest anthropogenic source of carbon dioxide to the ecosystem (about 20%), after fossil fuel combustion. One estimate of the effect of deforestation in tobacco agriculture and curing is that it reasons almost 5% of the world greenhouse gas manufacturing.

Health issues due to transdermal nicotine absorption are common amongst tobacco harvesters. GTS in addition to chronic health results on this populace needs to be in addition investigated. The toxicity to the cardiovascular gadget and carcinogenicity of continual dermal nicotine exposure is possible to exist as non-smoking tobacco harvesters show similar cotinine and nicotine levels as compared to lively smokers in the standard populace. Effective intervention strategies addressing the unique desires of the tobacco harvesters in distinctive areas around the sector should be developed, evaluated and similarly progressed. It is crucial to teach tobacco farm employees, farmers and health care providers about GTS and different health dangers.

## The environmental and health impacts of tobacco agriculture, cigarette manufacture and consumption

The World Health Organization (WHO) estimates that there could be more than 8 million tobacco-associated deaths. By using 2030, amounting to 10% of the annual deaths worldwide. The environmental lifecycle of tobacco can be kind of divided into 4 levels:

- (i) tobacco developing and curing
- (ii) product manufacturing and distribution
- (iii) product consumption
- (iv) post-intake waste.

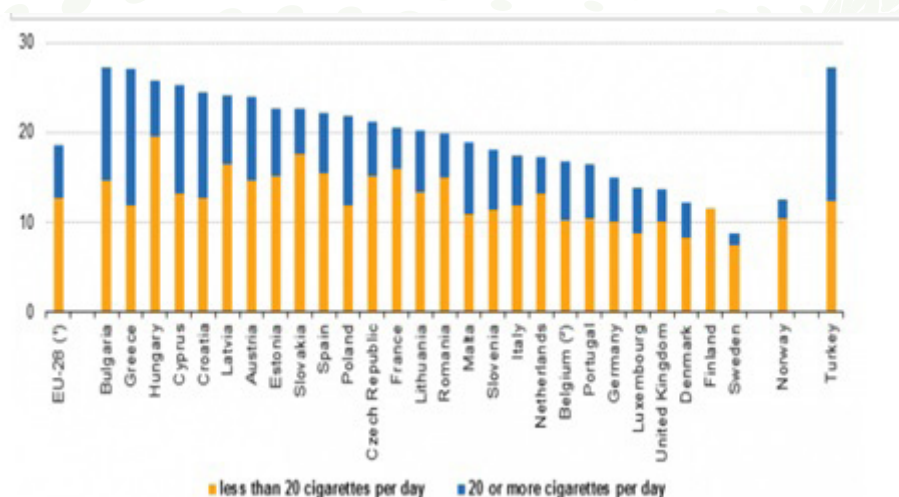
Here, we describe the environmental and fitness issues at every one of these ranges and recommend guidelines for coverage-makers. Tobacco development generally includes sizable use of chemicals with pesticides, fertilizers and increase regulators. These chemical compounds may have an effect on consuming water sources as a result of run-off from tobacco developing areas. Research has additionally proven that tobacco crops deplete soil vitamins by taking on extra nitrogen, phosphorus and potassium than different primary crops. This depletion is compounded by topping and de-suckering plants, which boom the nicotine content and leaf yields of tobacco flora.

Land used for subsistence farming in low- and middle-income international locations may-be diverted to tobacco as a cash crop. Intensive lobbying and investments by using

multinational tobacco groups (e.g. Philip Morris International, British American Tobacco and Japan Tobacco International) and leaf shoppers (e.g. Universal Corporation and Alliance One International) in conjunction with marketplace liberalization measures have encouraged the growth of tobacco agriculture in low- and middle-profit nations. Many of these international locations have restricted legislative and economic capacities to face up to multinational tobacco businesses’ influence and investments. As a consequence of improved tobacco agriculture, there are brief-term financial benefits for some farmers, however, there may be long-term social, economic, health and environmental detriments for plenty others.

## TOBACCO IN TERMS OF INTERNATIONAL PERSPECTIVE

### Global Cigarette consumption

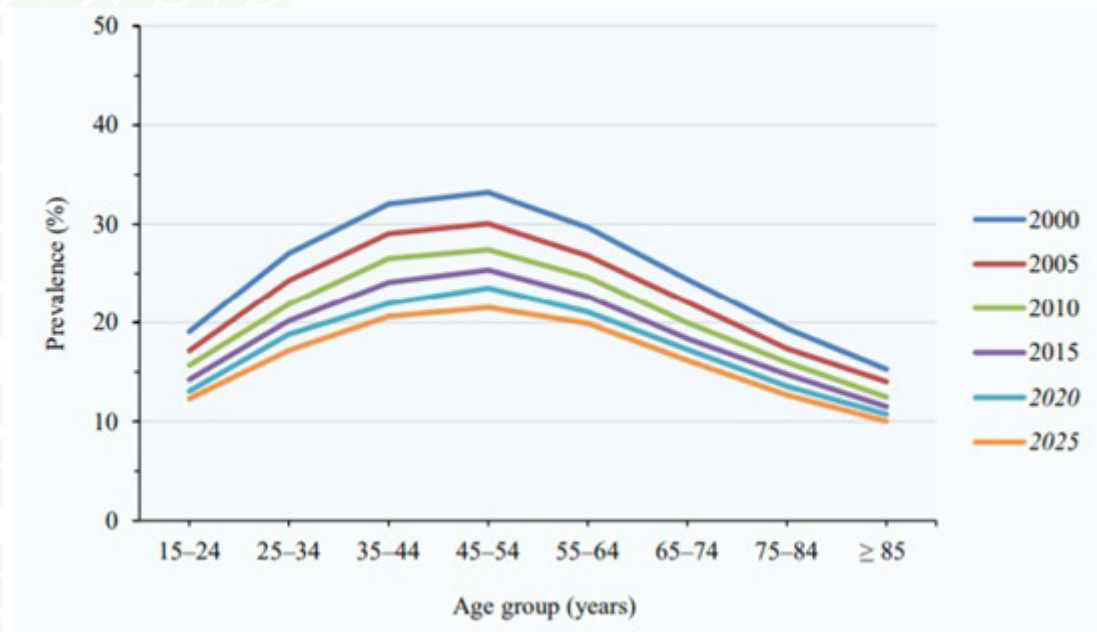


Graph 10 : Global Cigarette consumption

Source - WHO Global report on trends in prevalence of Tobacco smoking 2000 - 2025

In 2014, 5.9 % of the populace over 15 years of age consumed at the least 20 cigarettes consistent with day, and around 12.6 % fed on less than 20. Daily mild smokers of cigarettes accounted for a reasonably similar percentage of the full person populace in most of the EU Member States, ranging from 7.5 % in Sweden, 8.3% in Denmark and 8.8 % in Luxembourg to 16.5 % in Latvia, 17.6 % in Slovakia and 19.6 % in Hungary.

Table - Age-specific fitted (2000–2015) and projected (2020, 2025) global prevalence of tobacco smoking among people aged ≥ 15 years, both sexes.



Graph 11 : Tobacco smoking 2000 - 2025

Source – WHO Global report on trends in prevalence of Tobacco smoking 2000 - 2025

People aged 45–54 years always had the best occurrence price of all age corporations. The incidence amongst those who reached in 2000, who had been born in 1945–1955, turned into 33.2%, which fell by way of an extensive 8.6% to 24.6% inside the 10-year length to 2010 when they were 55, 64 years vintage. A large lower (7.4%) turned into also discovered for the cohort born in 1950–1960, whose prevalence of 30.1% in 2005 reduced to 22.7% by the time they reached the ages of 55– 64 years in 2015. After that point, all of the cohorts shed full-size numbers of people who smoke as they age.

WHO estimates that globally, there are at least 367 million smokeless tobacco users' elderly  $\geq 15$ . More males used smokeless tobacco products (237 million) than ladies (129million). Although smokeless tobacco is used in all areas, the WHO South-East Asian Region has by means of ways the most important number of users (301 million), representing 82% of all customers worldwide. Every WHO location has at least eight million smokeless tobacco users, although 86% live in lower-middle-earning nations.



## Tobacco control and SDG



Reducing tobacco use performs the main function in worldwide efforts to gain the SDG goal to reduce untimely deaths from non-communicable diseases (NCDs) through 1/3 by 2030. Many of the 17 Goals have an immediate or indirect relation to tobacco control. The maximum straight away relevant is subsequent.

Goal 3: Ensure healthy lives and promote well-being for all at all ages.

Goal 1: End poverty in all its forms everywhere.

Goal 5: Achieve gender equality and empower all women and girls.

Goal 10: Reduce inequality within and among countries.

Goal 12: Ensure sustainable production and consumption patterns.

Goal 17: Strengthen the means of implementation and revitalize the global partnership for sustainable development.

***Goal 3: Ensure healthy lives and promote well-being for all at all ages.***



A key target for Goal three is to “support the implementation of the World Health Organization Framework Convention on Tobacco Control (WHO FCTC) in all countries, as appropriate”. The inclusion of tobacco management and WHO FCTC implementation as a key goal acknowledges the value of the smoking epidemic.

Beyond this, several extra Goal three targets can be related to tobacco.

- “By 2030 reduce by one-third premature mortality from non-communicable diseases through prevention and treatment and promote mental health and well-being.”
- “Strengthen the prevention and treatment of substance abuse, including narcotic drug abuse and harmful use of alcohol.”
- “Substantially increase health financing and the recruitment, development, training and retention of the health workforce in developing countries, especially in least-developed countries and small island developing states.”
- “Strengthen the capacity of all countries, in particular developing countries, for early warning, risk reduction and management of national and global risks.”

### ***Goal 1: End poverty in all its forms everywhere.***

Tobacco makes well-documented contributions to growing poverty, particularly in developing nations. Tobacco organizations continually target disadvantaged international locations and communities, thereby growing fitness disparities. Approximately 80% of the world’s smokers are in low- and middle-profit nations, in which a load of mortality and morbidity because of smoking is more and more felt. These nations can be most laid low with the expected increase in deaths from tobacco to 8 million every year by using 2030. Their economies and fitness structures could be especially adversely affected in the absence of powerful tobacco management motion.

### ***Goal 5: Achieve gender equality and empower all women and girls.***

Historically in Europe and elsewhere, smoking occurrence amongst men became a great deal higher than among women. However, tendencies were changing dramatically: throughout Europe, smoking has been growing amongst girls, particularly among young women and ladies. In addition to the harms of smoking which have been nicely documented over a few years, girls are at a unique chance – as are their unborn children. They also are at substantial danger from the harms of passive smoking.

Tobacco enterprise advertising has centered ladies closely, and mainly women and younger women. Marketing focused on ladies and ladies includes each direct and oblique marketing and merchandising through all media (along with social media), as well as a different method along with % and product improvement and design, flavorings and affiliation with applicable behaviors.

It is especially stressful that as evidence unequivocally maintaining the harms of smoking persisted to accrue – consisting of when it comes to ladies and their kids – and as smoking among males started out to say no, tobacco groups genuinely and without delay started out specializing in women and women as a concerning goal. This has been an area of tremendous concern in lots of European international locations and remains so as tobacco promotion and merchandise preserve to truly goal women.

### ***Goal 10: Reduce inequality within and among countries.***

Smoking is diagnosed as a key component in growing and exacerbating inequalities in fitness and associated regions. Further, vulnerable corporations and countries are more and more targeted by the worldwide tobacco industry. As one of the world's largest tobacco groups commented, "BAT [British American Tobacco] sees emerging markets as the source of future income growth."

The NCI-WHO file *The Economics of Tobacco and Tobacco Control* concludes the subsequent.

- "The global health and economic burden of tobacco use is enormous and is increasingly borne by low- and middle-income countries (LMICs)."
- "Tobacco control reduces the disproportionate health and economic burden that tobacco use imposes on the poor. Tobacco use is increasingly concentrated among the poor and other vulnerable groups."
- "The number of tobacco-related deaths is projected to increase from about 6 million deaths annually to about 8 million annually by 2030, with more than 80% of these occurring in LMICs."

### ***Goal 12: Ensure sustainable production and consumption patterns.***

Tobacco is the best patron product known to kill at least 50% of its clients when used exactly as intended. Recent proof indicates even better proportions of smokers in all likelihood to die because of their smoking in international locations with mature epidemics.

There are no situations under which tobacco production and promotion may be visible as accountable.

As the NCI–WHO document notes, “The marketplace energy of tobacco organizations has multiplied in recent years, growing new demanding situations for tobacco control efforts.” Additionally, tobacco farming as practiced in low- and center-earnings international locations is frequently disadvantageous to tobacco farmers. The use of baby labor in tobacco farming is an additional reason for the extreme problem.

### ***Goal 17: Strengthen the means of implementation and revitalize the global partnership for sustainable development.***

Achieving the SDGs calls for partnerships that facilitate cooperation across a number of regions, and that ensure worldwide help for growing ability and enforcing unique programs in international locations. Tobacco manipulate pastime has a long record of robust cooperation amongst governments and nongovernment health and related sectors. Maintaining and strengthening this method ought to be an excessive priority for ensuring similarly development in each developed and developing areas.

## **What can people working in Tobacco control do to increase awareness of the SDGs and ensure further action ?**

The United Nations emphasizes that the SDGs need vast aid throughout groups: “For the dreams to be reached, each person desires to do their element: governments, the personal quarter, civil society and people like you.”

Governments play a vital function in enforcing the SDGs. As the United Nations resolution factors out, “Our Governments have the number one responsibility to comply with-up and review, on the countrywide, regional and worldwide levels, in terms of the progress made in enforcing the Goals and objectives over the approaching fifteen years.”

Work to obtain desires applicable to health in fashionable and tobacco manipulate, in particular, ought to, as identified by the WHO FCTC, be seen as a whole-of-government duty, no longer one for health departments by itself.

While governments must take obligation for developing robust, sustained, complete tobacco management programs, as encouraged by way of WHO, the United Nations resolution also emphasizes the crucial function of other stakeholders.

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