

WHAT CAN WE LEARN FROM PRICE ELASTICITY FOR TOBACCO

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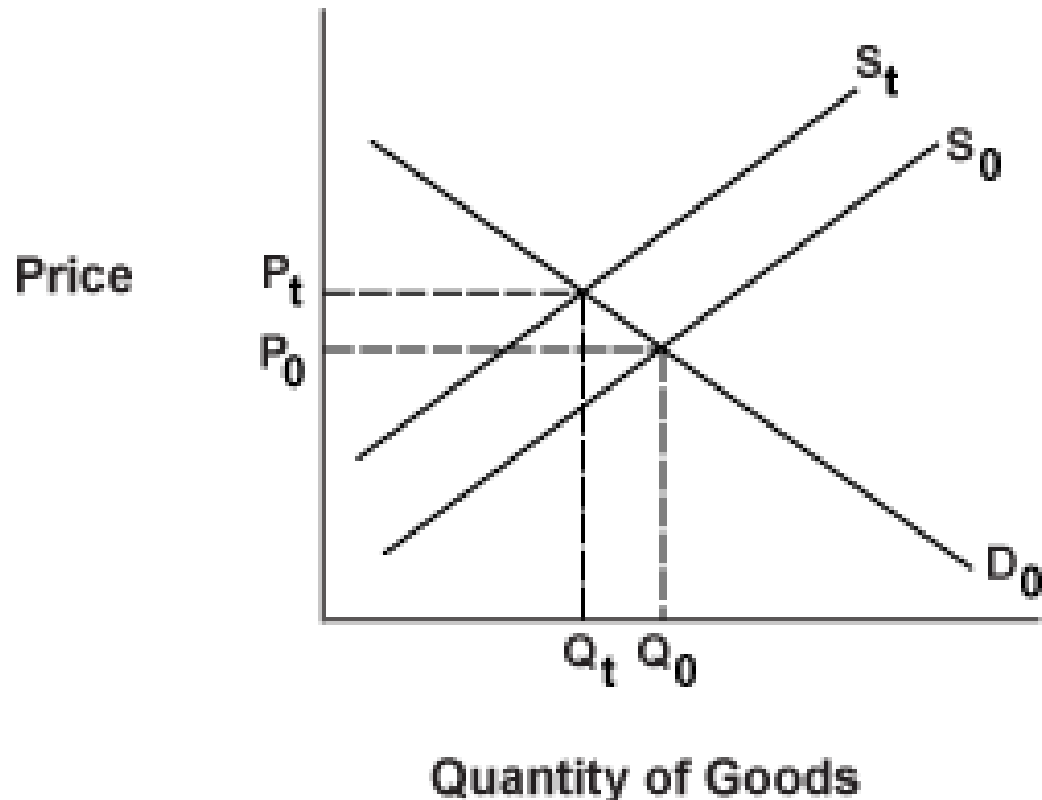
PRICE ELASTICITY OF DEMAND

$$\frac{\% \text{Change in Quantity Demanded}}{\% \text{Change in Price}}$$

Change in price (%)	Change in quantity demanded (%)	Elasticity
10	20	2
50	25	0.5

$$\text{Price elasticity} = \frac{\% \Delta \text{in Quantity}}{\% \Delta \text{in Price}} \Rightarrow \frac{\frac{\Delta Q}{Q} \times 100}{\frac{\Delta P}{P} \times 100} \Rightarrow \frac{\Delta Q}{Q} \times \frac{P}{\Delta P} \Rightarrow \frac{P}{Q} \times \frac{\Delta Q}{\Delta P}$$

DEMAND AND SUPPLY CURVE



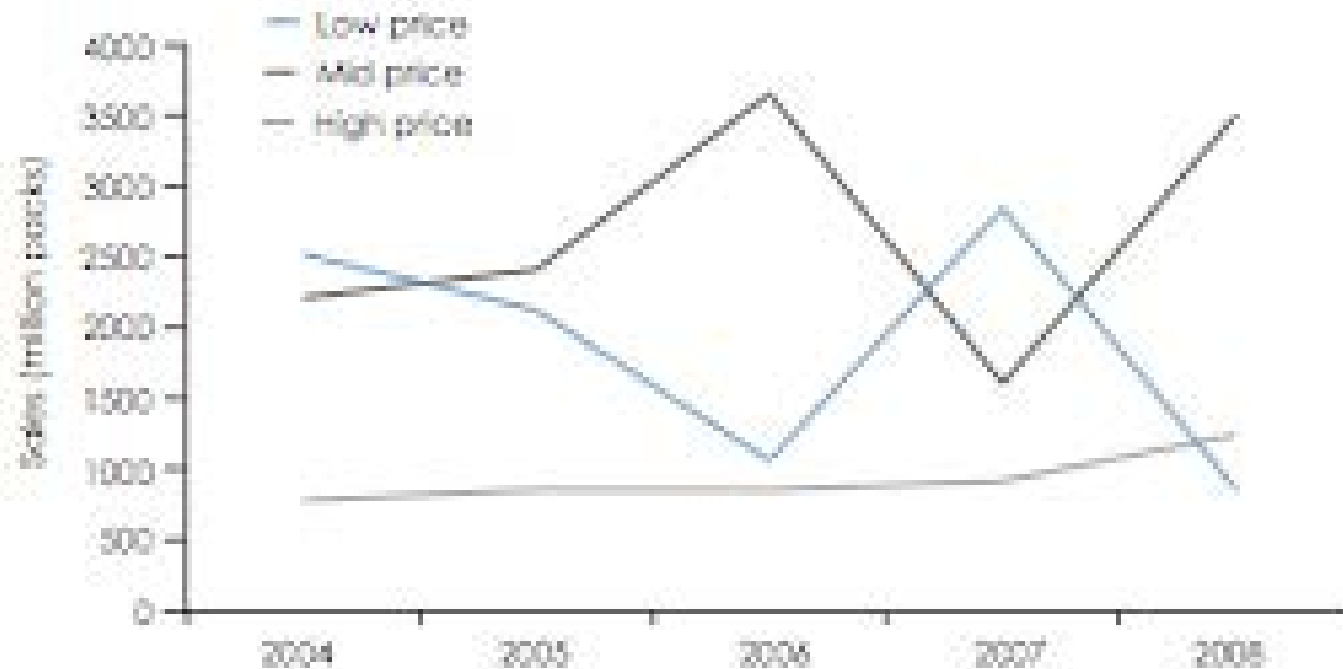
$Q=f(\text{Price, Tax for tobacco, elasticity, Income})$

SCENARIO FOR PRICE ELASTICITY FOR TOBACCO

% Sales price	37%	50%	64%	70%
% Government retail price^a	31%	43%	57%	64%
Reduction in number of smokers (million)	56.9			
Price Elasticities^b				
-0.29		1.8	5.0	7.3
-0.40		2.5	6.9	10.0
-0.67		4.1	11.5	16.8
Mortality averted (millions)	28.45			
-0.29		0.6	1.7	2.5
-0.40		0.9	2.4	3.5
-0.67		1.4	4.0	5.9
Mortality averted (% of expected)	--			
-0.29		2%	6%	9%
-0.40		3%	8%	12%
-0.67		5%	14%	21%

LESSON LEARN FROM TURKEY

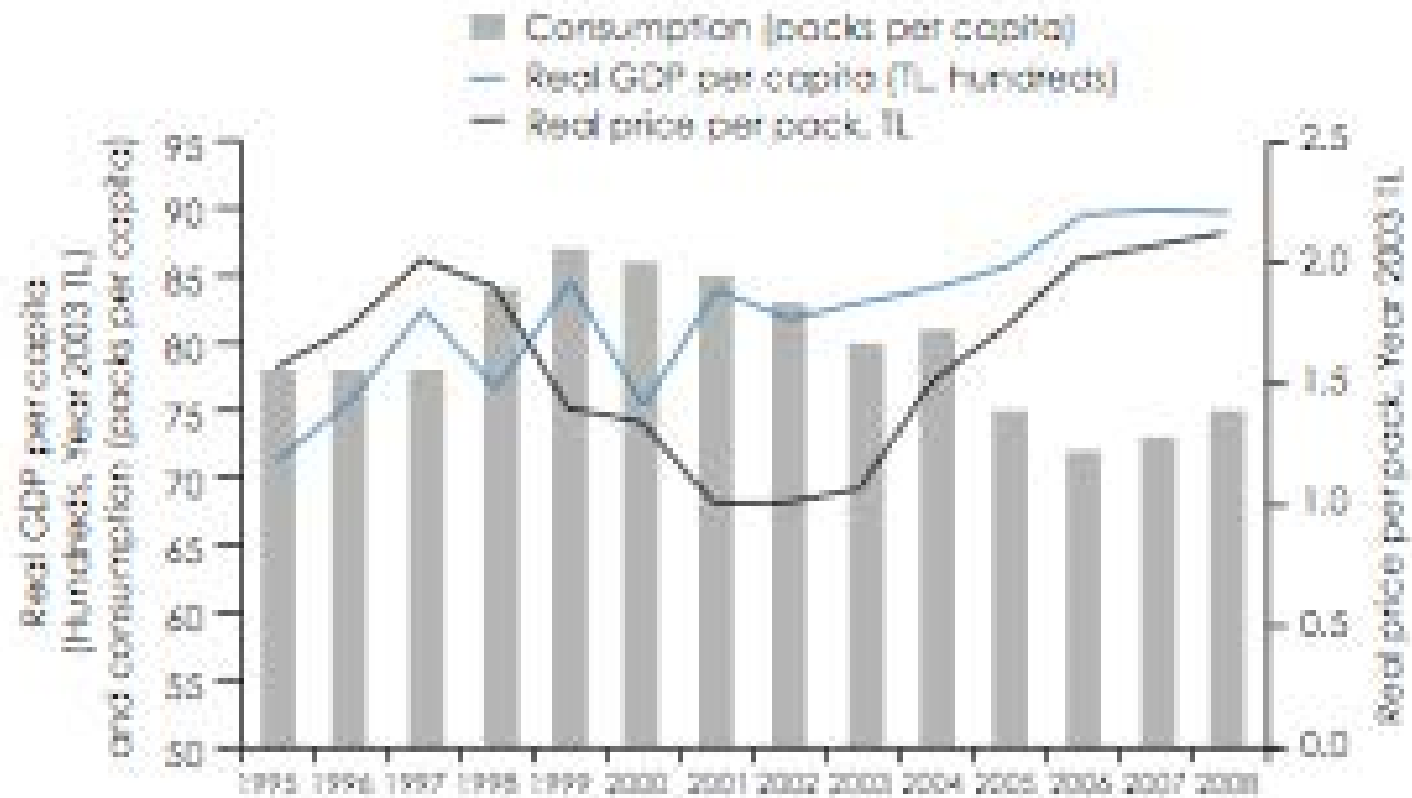
Graph 2.5: Sales of cigarettes by price category, 2004-2008



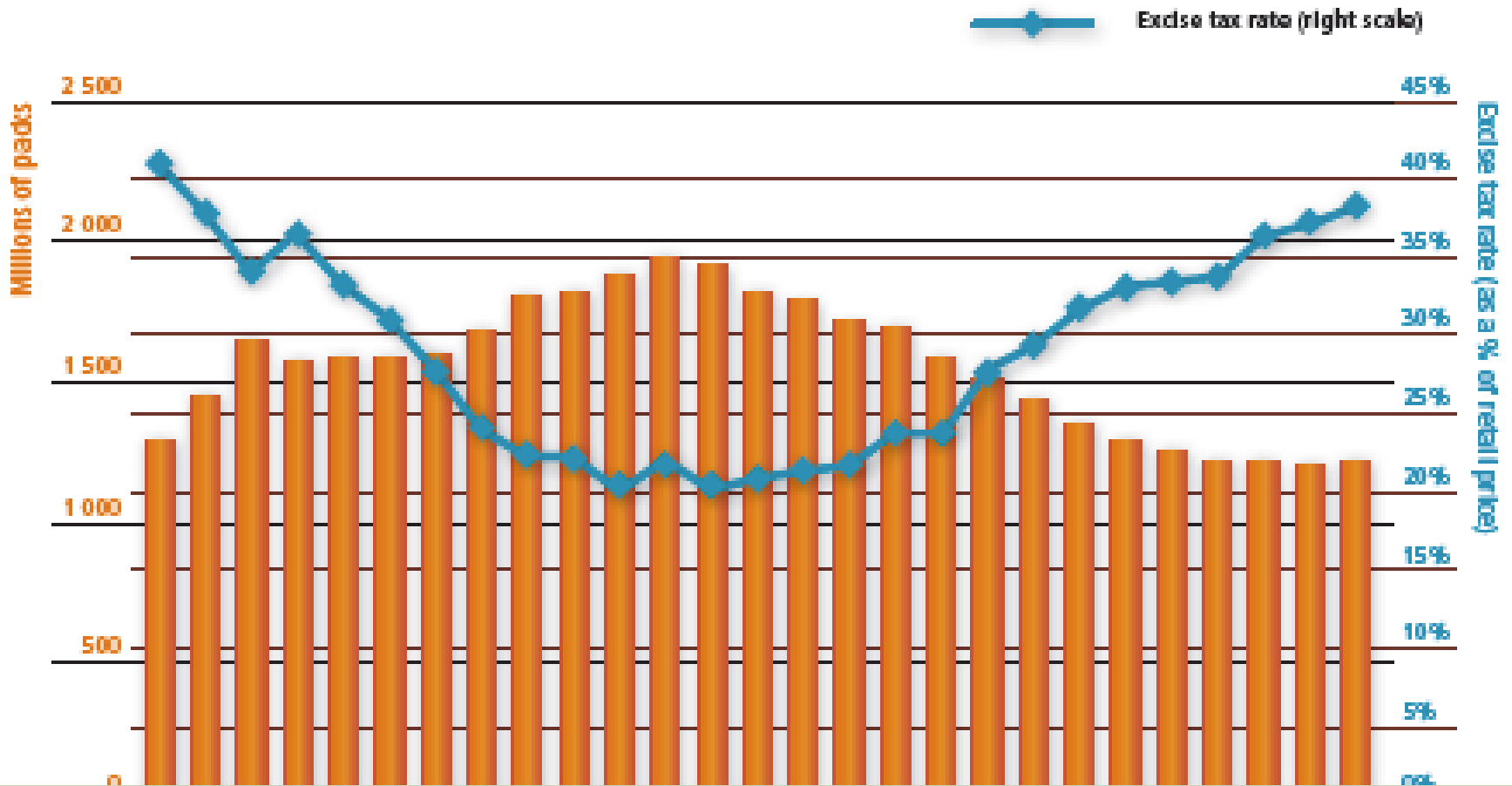
Source: DAFD and Ministry of Finance

Note: Low price cigarettes are brands subject to the specific excise tax, mid price brands are subject to either specific or ad valorem, and high price brands are those premium brands (Marlboro or Camel) that are subject to the ad valorem rate.

LESSON LEARN FROM TURKEY



LESSON LEARN FROM SOUTH AFRICA



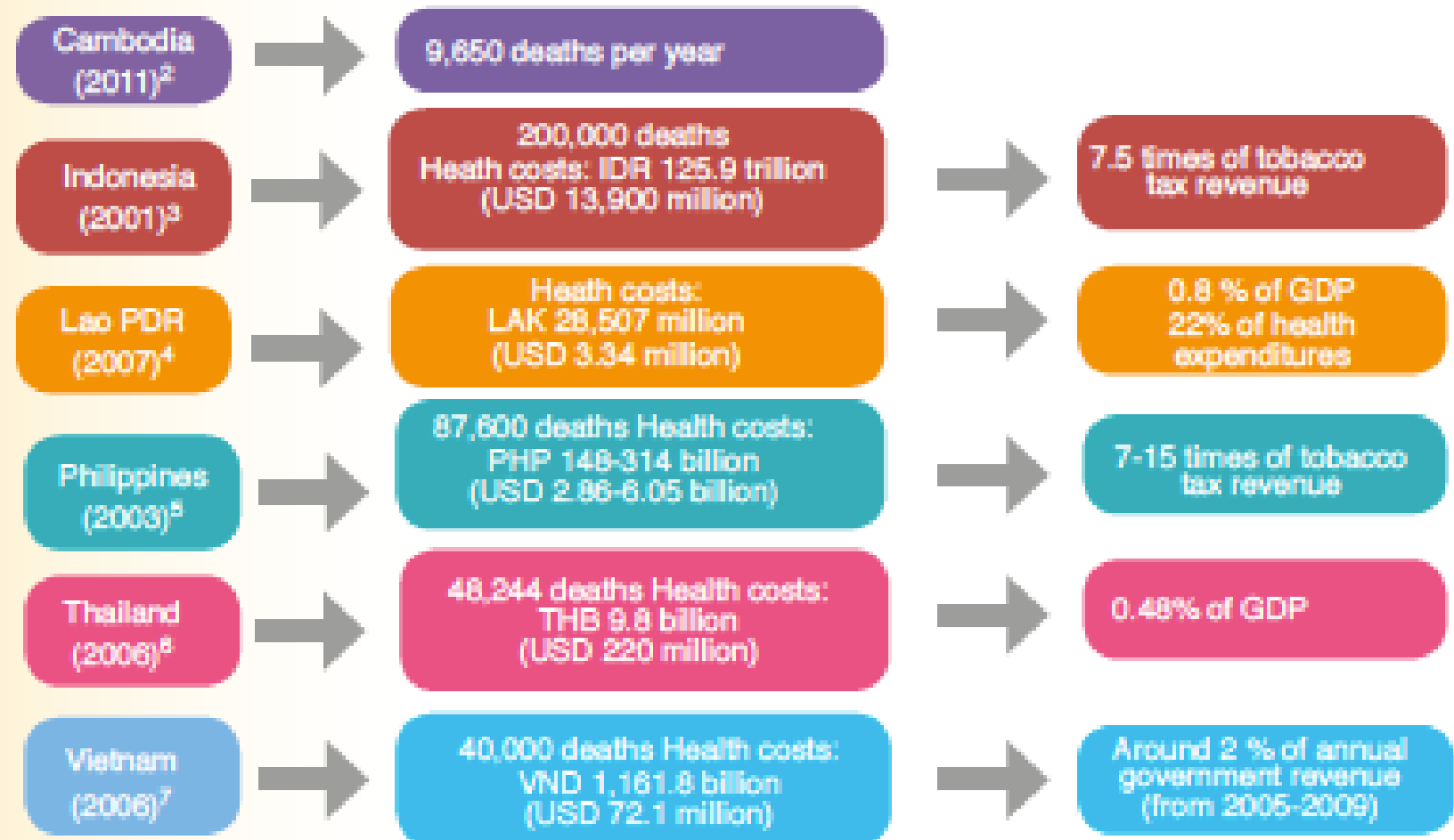
GOV. REVENUE FROM TOBACCO EXCISE

Country	Tobacco Tax Revenue		Proportion of Tobacco Tax to Government Revenue (%)
Cambodia (2008)	KHR 53.54 Billion	USD 13.1 Million ²⁰	3.5
Indonesia (2008)	IDR 43.48 Trillion	USD 4,770 Million ²¹	6.2
Lao PDR (2008)	LAK 78,111 Million	USD 9.16 Million ²²	2.4
Philippines (2009)	PHP 24.23 Billion	USD 522.6 Million ²³	2.5
Thailand (2009)	THB 43 Billion	USD 1,370 Million ²⁴	2.6
Vietnam (2009)	VND 9,633 Billion	USD 521.1 Million ²⁵	2.2

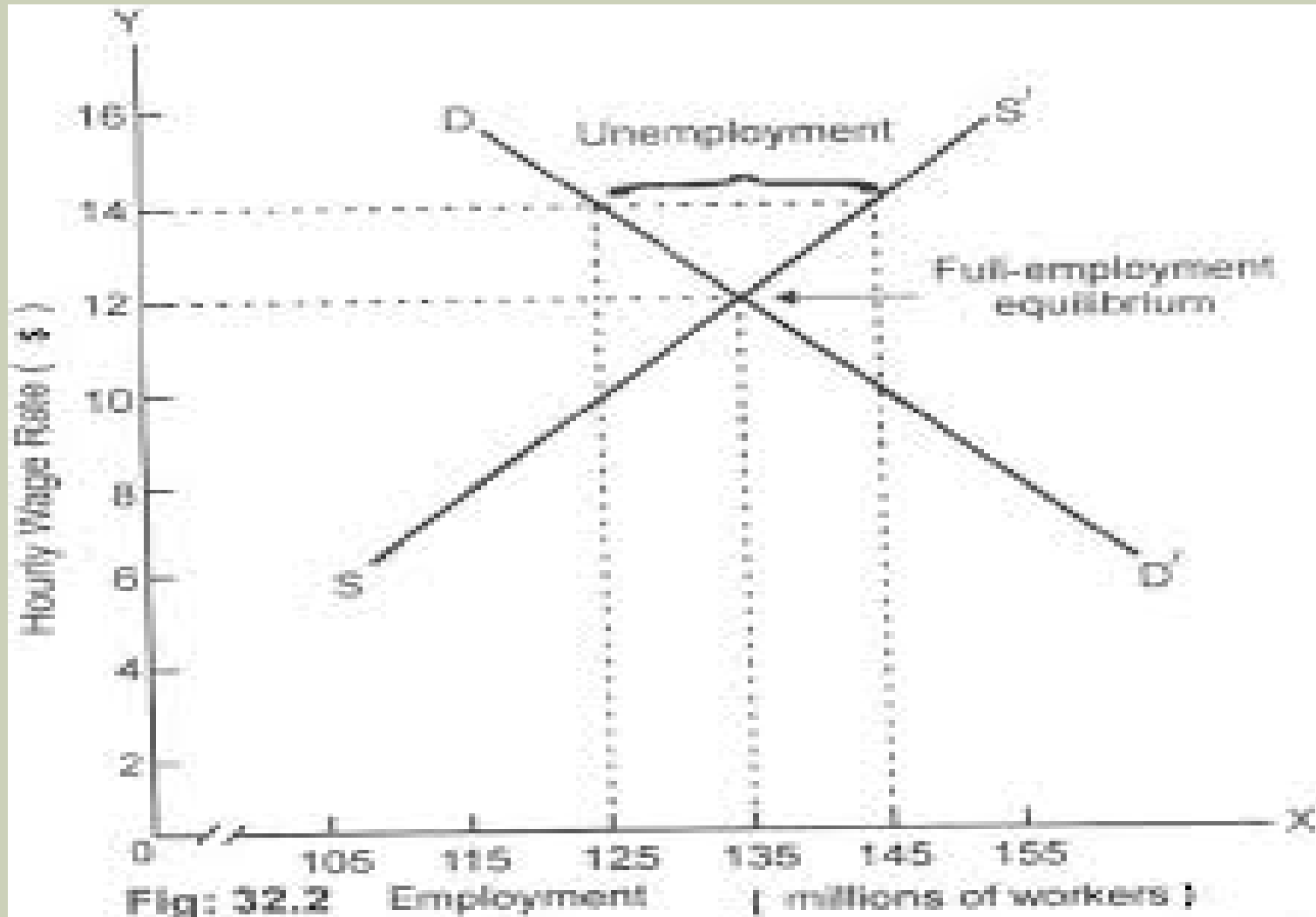
IS IT WORTH?

Thousands of premature deaths and high health care costs due to smoking-related illness in all six countries.

Table 1: Health Care Costs of Tobacco Consumption



RAISING TOBACCO EXCISE WILL DERIVE THE UNEMPLOYEMENT?



CONCLUSION

- The key points is the political will from Government, either from central government or local government.
- There's no policy can make everyone's happy, so we have to force for the better future.
- Must be need an appropriate reallocation for tobacco farmer.