

After dream run, tobacco prices may cool off

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From ₹6,496 crore in 2020-21, exports breached the ₹15,000-crore mark in the first 11 months of the financial year. When the full year numbers are available next month, experts expect that the number could cross the ₹16,000-crore mark.

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Admitting that farmers increased the acreage this year encouraged by the good prices, a veteran tobacco farmer said that farmers did try to grow chickpeas (which is being promoted as an alternative to the tobacco

crop). “But continuous intermittent rain in November and December caused crop failure. This led them to come back to tobacco,” he said.

According to the preliminary forecast, production is set to breach the 240 million kg mark in Andhra Pradesh against the stipulated 167 mkg. For Karnataka, the board stipulated production of 100 m kg. In Karnataka, where the market season is nearing its end, about 77 mkg have already been sold.

Though the industry sees no challenge in Karnataka and Andhra Pradesh, where the auctioning process has started in phases, a fear of excess production is felt.

“We have organised awareness campaigns to educate farmers against excessive cultivation, highlighting that the favourable conditions of the previous year might not repeat,” Yashw-

anth Chidipothu, Chairman of the Tobacco Board, told *businessline*.

Obtaining information from tobacco-growing countries like Brazil and China often involves relying on assumptions, trade contacts or inquiries with export companies and individuals with connections, making concrete information scarce.

Having learned about the expected higher production in Brazil (700 m units) and Zimbabwe (300 m units) for the current year, the board decided to caution the farmers not to cross the stipulated production limits.

“We have printed pamphlets and disseminated this information across all 16 auction platforms in Andhra Pradesh to educate farmers about the potential market changes. We also held meetings to advise farmers against overproduction,” Chidipothu said.

After four years of good demand abroad, Indian tobacco farmers might see a stabilised price scenario this year. With indications that production in Brazil and Zimbabwe is coming back to normalcy, the demand for Indian tobacco may be subdued for the current year.

Both the Tobacco Board and the Indian Tobacco Association (ITA) cautioned farmers well ahead of last year’s sowing season not to increase production beyond the stipulated levels.

Farmers, however, went ahead and increased the area significantly, anticipating a repeat of last few year’s price in international markets.

Tobacco exports from India went up by two-and-half times over the last five years.