

Excise duty in cigarette hiked. Tobacco farmers in India are struggling to make ends meet

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This budget, the excise duty has been hiked by up to 6 % for cigarettes of all sizes. This wasn't expected at all. Still the shares of ITC Limited are going good because it's still below 10%.

Cigarette smoking is injurious to health. This statutory warning has taken a toll on the tobacco farmers in India. And this budget the tobacco farmers of the country wants the government not to impose any more taxes on legal cigarettes.

While the market is decreasing every other day as far as consumption is concerned, the Indian tobacco exports are also sluggish and this has resulted in 22 % decline in returns to farmers.

There are 96,865 registered tobacco farmers and many more that are not registered in India. Around 0.25% of India's cultivated land is used for tobacco production. Since the independence, the Indian government has supported growth in the tobacco industry. India has seven tobacco research centres that are located in Jeelugumilli, Andhra Pradesh, Kandukuru, Andhra Pradesh, Guntur, Andhra Pradesh, Kalavacherla, Andhra Pradesh, Hunsur, Karnataka., Veda sandur, Tamil Nadu, Dinhat, West Bengal and Rajamundry houses the core research institute. The government has set up Tobacco Board, Guntur.

Guntur is also well known place for tobacco plantation. The Central Tobacco Research Institute works under the aegis of Indian Council of Agricultural Research. Tobacco crop is cultivated in an area of 0.45 M ha (0.27% of the net cultivated area) producing ~ 750 M kg of tobacco leaf. India is the 2nd largest producer and exporter (in quantity terms) after China and Brazil, respectively.

Ahead of the Budget 2017, the Federation of All India Farmer Associations (FAIFA) wants to bring stability in farm prices of the crop.

The non-profit organisation representing farmers across the states, including Andhra Pradesh, Telangana, Karnataka and Gujarat, appealed to Finance Minister Arun Jaitely,, to avoid “the onslaught of heavy taxation on legal cigarette industry” and help bring stability in farm prices of tobacco.

“We are very disturbed because of the declining off-take from domestic manufacturers ... Regulatory overreach has created panic and strain on the FCV tobacco farmers in the country,” FAIFA General Secretary Murali Babu said in a statement.

“Excessive increase in the excise duties on tobacco products , cumulative increase of 118 per cent since 2012/13, leading to 22 per cent” has led to shrinkage in the legal cigarette volumes, FAIFA said.

Source: <http://www.businessinsider.in/Excise-duty-in-cigarette-hiked-Tobacco-farmers-in-india-are-struggling-to-make-ends-meet/articleshow/56872791.cms>