

# SUSTAINABLE TOBACCO FARMING & LIVELIHOOD CHALLENGES IN INDIA



# Sustainable Tobacco Farming & Livelihood Challenges in India

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## **The Tobacco Institute of India**

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## CONTENTS

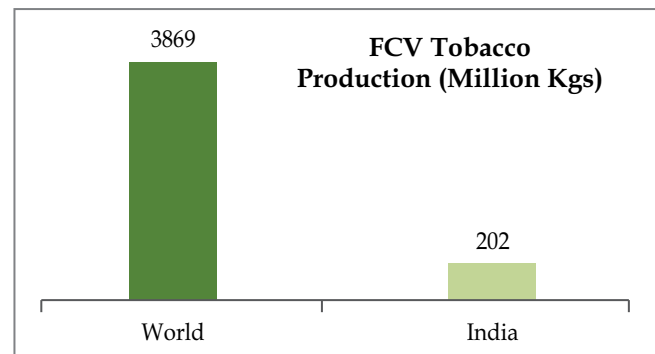
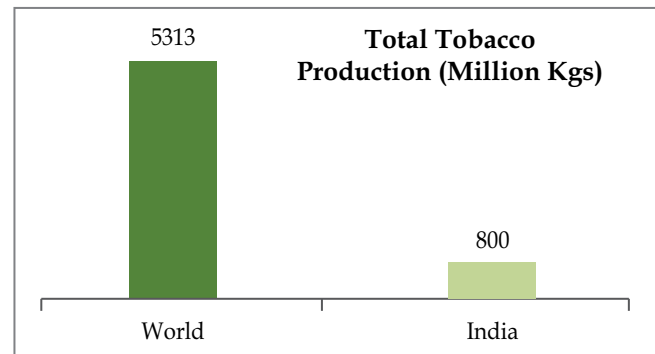
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India is a Leading Tobacco Producer	1
Tobacco is an Important Commercial Crop in India	2
Tobacco Farming in India is Sustainable	4
There is No Viable Alternative to Tobacco	6
Indian Tobaccos have a Huge Export Potential	8
Livelihood of Farmers is Under Threat due to Excessive Regulations and High & Discriminatory Taxation	10
WHO FCTC Proposals are Anti-Farmer	13
Tobacco Provides Livelihood to Millions	14
Measures to Secure Livelihood of Tobacco Farmers	15

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## India is a Leading Tobacco Producer

- India is the world's 2<sup>nd</sup> largest producer of tobacco with an annual production of around 800 million kgs.
- Different varieties of Tobacco such as Flue Cured Virginia (FCV), Burley, Oriental, Bidi, Chewing etc. are presently grown across 13 States in India.
- FCV tobacco is the most remunerative variety and has huge export demand.
- In India, production of FCV tobacco – a variety used in Cigarettes, accounts for 25% of total tobacco production.
- India is the 3<sup>rd</sup> largest producer of FCV tobacco in the world with an annual production of around 200 million kgs.



*Data for the year 2016 except for India's total tobacco production which is for 2014*

*Source: Universal Leaf Tobacco Company; Tobacco Board, & Industry Estimates*

- FCV tobacco is grown primarily in the States of Andhra Pradesh and Karnataka.
- The production of FCV variety of tobacco is regulated by the Tobacco Board, a Government of India body, set up with the mandate to oversee production, marketing and export of FCV tobacco.
- Importantly, FCV tobacco accounts for more than 80% of India's overall leaf tobacco exports in value terms.
- India's FCV tobacco export earnings have grown more than three times in the last decade from Rs. 1,061 crores in 2006-07 to Rs. 3,428 crores in 2016-17.

## Tobacco is an Important Commercial Crop in India

- Tobacco cultivation plays a vital role in India's economy in terms of rural employment, revenue generation and exports.
- Tobacco and tobacco products generated tax revenues of more than Rs.34,000 crores in 2016-17.
- Export of tobacco and tobacco products generate substantial annual foreign exchange earnings of around Rs.6,000 crores for the country.
- Tobacco provides livelihood to millions of Indians including a large section of rural people.
- India's Tobacco Industry provides livelihood to 45.7 million farmers, farm labourers, tribals, women workers and their families.

Type	Millions	Source
Farmers	6	<i>22<sup>nd</sup> Report of the Parliamentary Committee on Subordinate Legislation (10<sup>th</sup> Lok Sabha)</i>
Farm Labour	20	
Bidi/Factory workers	8.5	<i>Reply to Lok Sabha starred question no.180, August 19, 2013; Industry estimates</i>
Tendu Leaf Pluckers	4 *	<i>M.P. Govt. Ad. (TOI, June 8, 2000)</i>
Trade/Retailers	7.2	<i>A.C. Nielsen Retail Census – 2014</i>
<b>Total</b>	<b>45.7</b>	

\* While the M.P. Govt. referred in the source estimated the number of Tendu Leaf Pluckers at 2.2 million, the latest Industry estimates put the number at 4 million

- No other country in the world unlike India has such a huge and wide-spread dependence on the tobacco crop for livelihood.

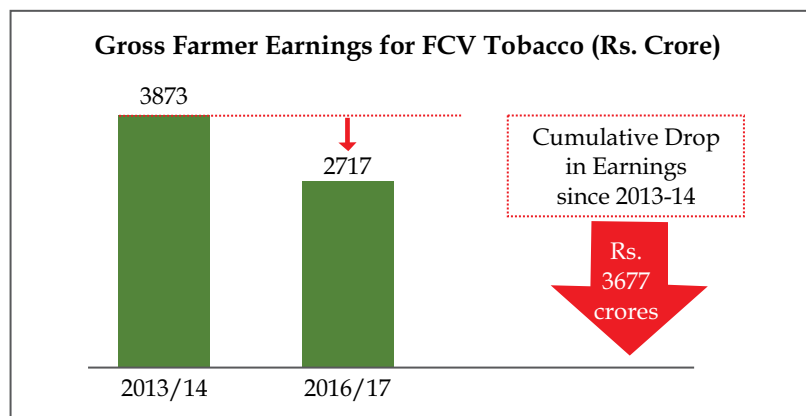
## Tobacco is an Important Commercial Crop in India

- Tobacco is also a highly labour intensive and remunerative crop providing much higher returns than other crops grown in the region. Tobacco growing has been providing sustainable income to the tobacco farmers for past many decades.
- Between 2001-02 and 2013-14, the gross earnings of Flue Cured Virginia (FCV) tobacco growers have increased more than six times.

FCV Tobacco	2001-02	2013-14	Change (%)
Production (Million Kgs)	167.97	315.92	88
Average Price (Rs/Kg)	34.80	122.60	252
Gross Returns (Rs Cr)*	585	3873	562

Source: Tobacco Board, Ministry of Commerce & Industry, Govt. of India (\*Derived)

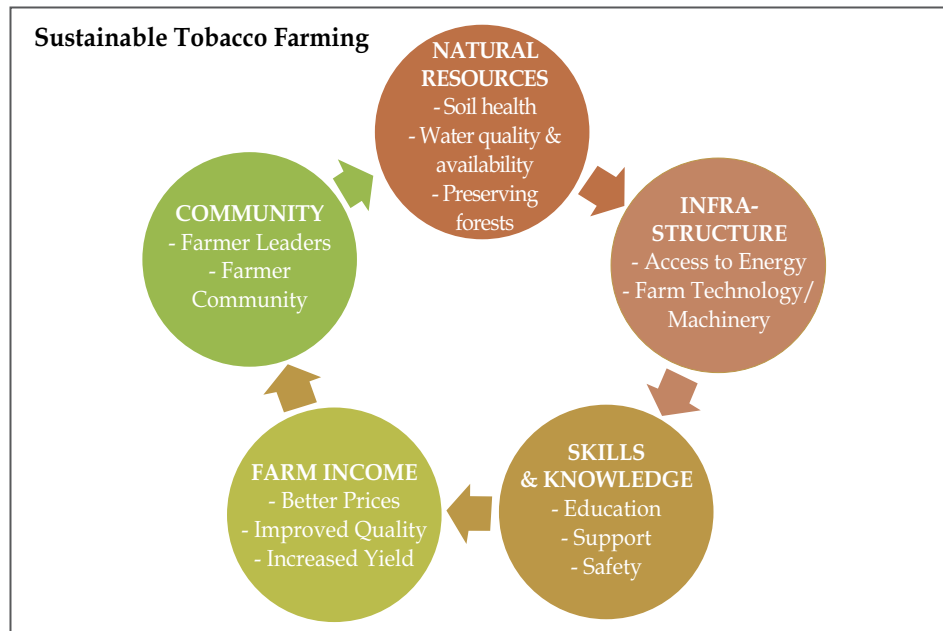
- However, since 2013-14, demand for FCV tobacco has reduced considerably due to sharp decline in legal cigarette volumes on account of high taxes and growth of illegal cigarette trade, leading to shrinkage in farmer earnings by as much as 30%.



Source: Tobacco Board, Ministry of Commerce & Industry, Govt. of India

## Tobacco Farming in India is Sustainable

- Sustainable farming is practiced with many agricultural commodities in India including tobacco.
- Tobacco cultivation in India witnesses several sustainable farming initiatives in order to bring in efficiency and avoid causing any adverse environmental impact through tobacco growing.
- Tobacco production in India does not lead to deforestation or any major impact on soil fertility and erosion.
- Sustainability is a very important aspect for the Indian leaf tobacco companies running through the entire supply chain and contributing considerably to their business success.



*Leaf tobacco companies in India have adopted such an approach to sustainable rural livelihoods that focusses on supporting villages to become economically, ecologically and socially sustainable.*

## Different Aspects of Sustainable Tobacco Farming in India

- Major initiatives in the area of agricultural practices, farm mechanization and fuel conservation that are being undertaken to ensure sustainable tobacco farming in India:

### Adoption of Good Agricultural Practices

- Education of Farmers on the importance of safe and environmentally responsible agrochemical use and minimization of the incidence of Crop Protection Agents (CPAs) residue in the crop through Integrated Pest Management (IPM) practices
- Setting up of waste collection centres in villages to dispose of empty pesticide containers and wrappers
- Tray and Green tech systems of seedling production to facilitate high yielding and disease resistant tobacco seedlings
- Drip irrigation system - one of the most efficient water management practices - resulting in a significant reduction in water usage
- Soil Sustainability measures such as Green Manuring, Sub Soiling, Soil test-based fertility management, soil nutrient management, optimizing fertilizer application etc. ensuring physical, chemical and biological health of the soil
- Using customised Farm Equipment to enable efficient farming
- Aiding Farmers with user-friendly and cost-effective technological solutions to increase crop yield

### Efficient Fuel Management Practices

- Only Flue Cured Virginia (FCV) tobacco (200 million kgs or 25% of total tobacco production) needs an energy source for curing while other tobacco varieties require little or no energy for curing as they are dried in air or sun
- Promotion of large scale use of alternative fuels such as agri-wastes and wood procurement from commercial sources, avoiding consumption of natural wood
- Large scale deployment of energy conservation technologies like Barn roof insulation and turbo ventilator to reduce fuel usage by more than 25%
- Ongoing evaluation of contemporary curing technologies by the designated Government Agencies
- “Energy Plantation” across the FCV growing regions to attain complete sourcing of fuel requirements from commercial/own plantation for curing



## There is no Viable Alternative to Tobacco

- Despite being a leading tobacco producer, tobacco is grown on only 0.24% of India's total arable land. This is very small when compared to other leading tobacco producing countries.

- Tobacco is grown largely in semi-arid and rain-fed areas where the cultivation of alternative crops is economically unviable.

- There is no instance of tobacco displacing any food crop in India.

- Farmers in the country are free to move in and out of tobacco production based on their own assessments of the risks and opportunities.

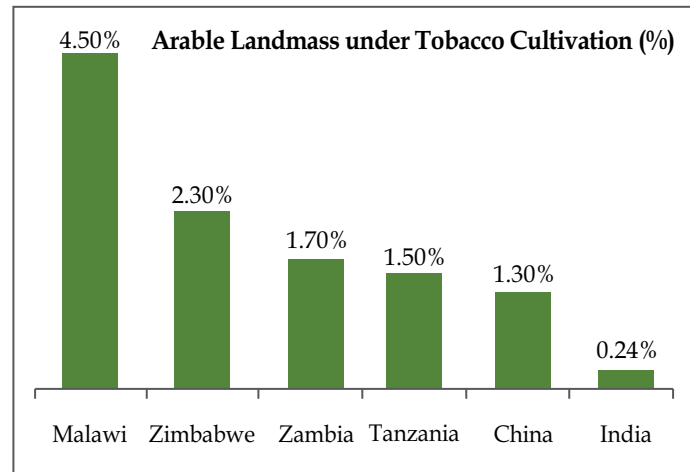
- There is no evidence of coercion, enforcement or entrapment of farmers in tobacco cultivation in India.

- Tobacco is a highly remunerative crop providing robust socio-economic benefits to farmers in the tobacco growing regions.

- Tobacco farmers are prosperous having higher social indicators compared to farmers of other crops in the tobacco growing regions.

- A study conducted by ASSOCHAM 'Tobacco Economics in India: The Voice of the Farmer and other Stakeholders' found that the tobacco growing areas of the three major tobacco producing States in India viz., Andhra Pradesh, Karnataka and Gujarat are better off in several socio-economic parameters as compared to the non-tobacco growing areas of these States.

- Tobacco thrives in poorer and marginal soils that are largely unsuitable for cultivation of other crops.



Source: *The Tobacco Atlas – Fifth Edition (2015); Tobacco Board, Ministry of Commerce & Industry, Govt. of India*

## There is no Viable Alternative to Tobacco

- Studies conducted by Central Tobacco Research Institute (CTRI) have outlined that no single crop is more remunerative than FCV tobacco.
- It has been proven that tobacco-based cropping systems are more remunerative than non-tobacco cropping systems.

Crop	Andhra Pradesh <sup>1</sup>	Karnataka <sup>2</sup>
FCV - Light Soils	33061	31226
FCV - Black Soils	19539	-
Cotton	2906	22380
Maize	4576	15394
Bengal Gram	9325	-

*Source: Tobacco Board, Ministry of Commerce & Industry, Govt. of India*

*1. Returns from FCV tobacco vis-à-vis other Alternative Crops in Andhra Pradesh during 2007-08 to 2011-12*

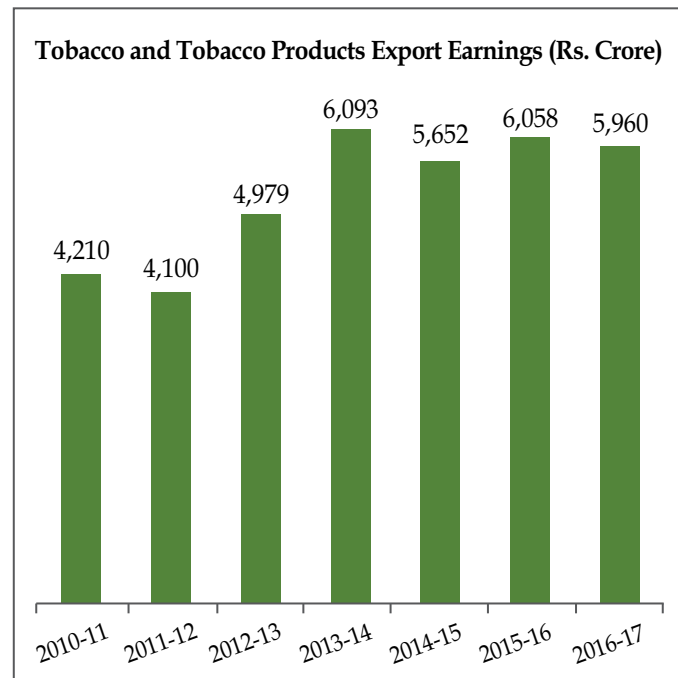
*2. Returns from FCV tobacco vis-à-vis other Alternative Crops in Karnataka during 2004-05 to 2009-10*

- During the FCV tobacco crop holiday of 2000-01 in undivided Andhra Pradesh, farmers grew alternative crops such as red gram, bengal gram, black gram, green gram and in very limited areas with water resources, they grew paddy and sugarcane.
- The 2004 CTRI study on the impact of the FCV tobacco crop holiday showed that due to this substitution of tobacco by other crops, farmers suffered a total loss of Rs.225 crores as compared to the value realization in the previous year.

*The WHO Framework Convention on Tobacco Control (FCTC) – a global treaty to which India is a party - has not been able to suggest a remunerative alternative crop to tobacco or a model tobacco crop diversification programme to tobacco growing countries.*

## Indian Tobaccos have a Huge Export Potential

- India is a leading tobacco exporter with exports of leaf tobacco and tobacco products generating foreign exchange earnings of around Rs. 6,000 crores annually.
- India produces cigarette tobaccos of different grades and types for various end users, thus providing a one-stop shop for different styles, qualities and price ranges.
- The diversity of the product has enabled the country to export this commodity to over 100 countries across the globe.
- India's share of global tobacco exports is not commensurate with its share of tobacco production in the world.



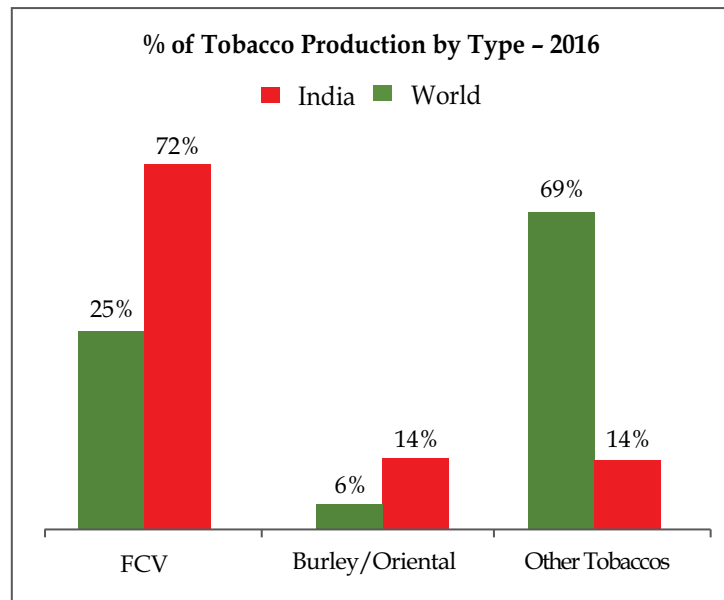
Source: Tobacco Board, Ministry of Commerce & Industry, Govt. of India

- FCV is the main exportable tobacco produced in India and more than half is exported with the rest used in domestic cigarette manufacture.

*India can garner a large portion of US\$42 billion global tobacco trade and particularly, global leaf tobacco trade valued at US\$12 billion, given India's large share of global tobacco production.*

## Indian Tobaccos have A Huge Export Potential

- India's tobacco production is not aligned to the world demand, which is primarily for Cigarette type tobaccos (FCV), thus inhibiting country's export potential for tobacco.
- Although India grows 15% of the world's tobacco, its value share of the US\$ 12 billion global tobacco leaf exports trade is only 5%.
- This is because exportable varieties (FCV tobacco) account for a small proportion of India's overall tobacco production.
- If India aligns its production pattern with global demand, and manages to raise its share of exports to even 15% - which is equal to its share of global tobacco production - export earnings can be more than doubled.
- Withdrawal of export incentives for the tobacco sector under the Foreign Trade Policy, 2015-2020 has diluted the price competitiveness of Indian tobaccos in the global market.



Source: Universal Leaf Tobacco Company;  
Tobacco Board & International Tobacco Growers' Association (ITGA)

*With a vast variety of tobaccos grown in the country and the improving quality of produce, there exists a significant opportunity for India to extend and consolidate its position in the world tobacco market.*

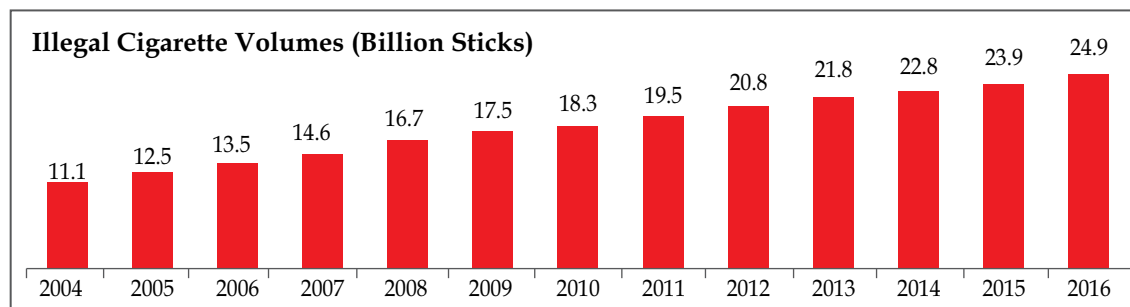
## Livelihood of Farmers is Under Threat due to Excessive Regulations and High & Discriminatory Taxation

- Tobacco control measures in India have always been equally or more stringent than in many developed countries since the enactment of the Cigarettes and Other Tobacco Products (Prohibition of Advertisement and Regulation of Trade and Commerce, Production, Supply and Distribution) Act, 2003 (COTPA).
- Extreme regulations such as excessively large Pictorial Warnings encourage illegal cigarette trade in India, as illegal cigarettes do not comply with tobacco control regulation of the Government.
- Non-adherence of illegal cigarettes with regulations like pictorial warnings, lends an impression that they are safer alternatives to their legal counterpart.
- Post implementation of 85% warnings consumers have begun to demonstrate a noticeable preference for smuggled cigarettes which do not carry pictorial warnings.
- Despite accounting for a mere 11% of total tobacco consumption, the Legal Cigarette Industry in India is the major contributor providing 87% of the Government's revenue collections from tobacco.
- The reason for this distorted pattern of collections is that Cigarettes are subjected to high and discriminatory rates of taxation compared with other tobacco products.
- High and discriminatory taxation on cigarettes over the years particularly the past 6 years, has impacted the legal cigarette industry, sub-optimized Government's revenue collection and provided a huge fillip to the illegal cigarette trade in the country.
- GST has further increased the tax burden on Cigarettes by increasing the GST Compensation Cess rates by a weighted average of about 13% over the pre-GST tax rates.

*As a consequence of high and discriminatory taxation on cigarettes and extreme tobacco control regulations in India, legal cigarettes, using domestic tobaccos, have been on a continuous decline in the country while illegal cigarette trade has grown significantly.*

## Thriving Illegal Cigarette Trade Hits Farmer Earnings

- Both high taxation on cigarettes and extreme regulations produce counter-productive results.
- They do not reduce demand, but merely shift it from the legal to cheaper, regulation non-compliant illegal cigarettes of suspect quality, thereby undermining public health objectives of tobacco control.
- While legal volumes are declining illegal cigarette trade is growing at a rapid pace already constituting 1/4<sup>th</sup> of the cigarette industry.
- According to Euromonitor International, illegal cigarettes have more than doubled since 2004, making India the 4<sup>th</sup> largest illegal cigarette market in the world.



Source: Euromonitor International, 2017

- Growth in illegal cigarette trade has many serious consequences:
  - Results in a huge revenue loss of more than Rs. 13,000 crores to the national exchequer, based on current tax rates on cigarettes
  - Aids the funding of organized criminal syndicates that control illegal trade in cigarettes
  - Undermines the tobacco control policies of the government by not adhering to tobacco regulations
  - Adversely impacts the demand for domestic tobaccos since contraband products do not use locally grown tobaccos

*Curbing the growing illegal cigarette trade and stabilizing domestic legal cigarette market will benefit Indian farmers by increasing the off-take of locally grown tobaccos.*

## NGOs Propagate Impractical Tobacco Control Policies with Livelihood Implications

- Extreme Tobacco Control Policies in India are being promoted by anti-tobacco activists and NGOs that are funded by overseas vested interests.
- These NGOs have no understanding of ground realities associated with tobacco cultivation and no appreciation of the millions of livelihood that are dependent on tobacco in the country.
- The relentless campaign waged by these groups, based on inadequate and misleading information, is directed at influencing government policy.
- Extreme policies have fueled livelihood concerns amongst a sizeable constituent of the country's population that is dependent on tobacco for its livelihood.
- Despite being a leading tobacco producer and exporter, India has remained at the forefront of tobacco control, implementing measures equally or more stringent than in many developed countries.
- This approach incentivizes other large tobacco producing countries to increase tobacco production and hurt the country's economic interests as India surrenders its advantageous and preeminent position in tobacco production and exports.

*There is an urgent need to take cognizance of the consequences of extreme policy measures and promote balanced regulations towards protecting the interests of millions of farmers and workers dependent on tobacco for their livelihood.*

## WHO FCTC Proposals are Anti-Farmer

- The Framework Convention on Tobacco Control (FCTC) is an international treaty under the World Health Organization (WHO).
- FCTC provides a framework for tobacco control measures for implementation at the National, Regional and Global levels.
- Many leading tobacco producing and exporting countries viz., USA, Malawi, Indonesia, Argentina, Cuba etc. have either not signed or not ratified the WHO FCTC, anticipating adverse consequences for their economy and their tobacco farmers.
- India, on the other hand, was one of the earliest signatories to the treaty and also the 8<sup>th</sup> country to have ratified the treaty in 2005 disregarding tobacco's socio-economic importance in the country.
- The FCTC process has become increasingly opaque and decisions are made behind closed doors, with the media, the public and stakeholders like tobacco growers explicitly excluded from the deliberations.
- Tobacco experts and relevant bodies with the requisite technical knowledge on tobacco growing should be allowed to participate in FCTC discussions in order to safeguard the legitimate interests of tobacco growers and other Industry stakeholders.
- FCTC recommendations on some of its Articles have very tangible real life implications for farmers and others dependent on tobacco for their livelihood.

*India's tobacco regulations should be specifically adapted to the conditions prevailing in the country so that they do not jeopardize the livelihood of millions who are engaged in the tobacco industry.*



## Tobacco Provides Livelihood to Millions

- ⇒ *Millions of Indians are dependent on tobacco for their livelihood*

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- ⇒ *Tobacco cultivation is the most reliable source of income to farmers in the tobacco growing regions*

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- ⇒ *Income generated from tobacco crop ensures food security to farmer households*

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- ⇒ *Tobacco farmers have better access to Education, Health Care etc. compared to farmers growing other crop in the tobacco growing regions*

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- ⇒ *Only FCV tobacco cultivation is regulated by the Tobacco Board, balance tobacco crop remains unregulated*

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- ⇒ *Tobacco cultivation has no negative impact on soil fertility*

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- ⇒ *Tobacco crop production does not lead to soil erosion and water pollution*

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- ⇒ *Tobacco cultivation has no harmful effect on the health of farmers and farm workers*










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- ⇒ *Farmers are free to move in and out of tobacco production based on their own assessments of the risks and opportunities*

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- ⇒ *There is no evidence of coercion, enforcement or entrapment of farmers in tobacco cultivation*

## Measures to Secure Livelihood of Tobacco Farmers

-  *Improve Profitability of tobacco production*
-  *Enhance competitiveness of Indian Tobaccos in the world market*
-  *Tap the huge tobacco export potential to boost incomes of large number of tobacco farmers in India*
-  *Align tobacco production in India with world demand for tobacco types such as FCV, Burley etc.*
-  *Regulate all types of tobaccos grown in the country*
-  *Safeguard interest of tobacco growers in WHO FCTC deliberations*
-  *Protect farmer interests against the false propaganda unleashed by anti-tobacco NGOs*
-  *Reject policy measures which are being driven by NGOs and other activists putting the livelihood of millions of farmers at risk*
-  *Allow tobacco growers to participate in policy making process as a key stakeholder*

## **THE TOBACCO INSTITUTE OF INDIA**

The Tobacco Institute of India (TII) is a representative body of farmers, manufacturers, exporters and ancillaries of the cigarette segment of the tobacco industry in India. The Institute is recognized as a repository of reliable information on the industry and is privileged to be consulted by Government, Parliamentary Committees, Chambers of Commerce/Trade Associations and Media for information and policy recommendations on Tobacco issues.

As an organization, TII has always supported evidence-based, equitable, reasonable and implementable regulation and recognises the need to create greater awareness regarding tobacco consumption in India.



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