

Coronavirus Lockdown 3.0: Delayed auctions hits tobacco farmers

Annapurna Singh, DHNS, May 11 2020

Nearly half of the premium grade tobacco, that India produces, is losing its moisture and weight due to prolonged storage in the wake of Covid-related restrictions on auction and sale of tobacco and its products, making a severe dent into farmers' incomes and the Centre's excise levy.

The Centre earns over Rs 25,000 crore through excise duty and exports of this tobacco grade, known as flue-cured Virginia (FCV) tobacco. The shock comes at a time when the government is planning to regulate the sales of non-Virginia tobacco, which is sold directly to manufacturers by farmers. A few thousand crores could go into COVID-related economic revamp.

India, the globe's third-largest producer of FCV tobacco – the premium variety used in cigarettes. Only two southern states of Andhra Pradesh and Karnataka produce all of India's 240 million kgs FCV tobacco per year.

While Karnataka has auctioned most of the 110 million kgs of its FCV output, Andhra Pradesh has not even begun the auction due to the national wide lockdown. Nearly 130 million kgs of FCV tobacco worth Rs 1,700 crore, which should have been out in the market by the end of March, is lying on storage.

India also produces a little over 500 million kgs of non-virginia tobacco, mostly used in making bidi, Ghutka and Khaini. This variety is directly sold to manufacturers by farmers.

Another 330 million kgs of non-Virginia tobacco worth Rs 2,700 crore is lying in the open fields of Gujarat as the traders are not ready to pick-up the produce because the government has banned the sale of tobacco products.

Now, farmworkers of commercial crops across Andhra Pradesh, Telangana, Karnataka and Gujarat have appealed to the central government to save their livelihoods by the immediate resumption of auctioning process and also help through reducing taxation on tobacco to pre-GST levels as the demand for the crop has weakened due to declining volumes of cigarettes and other tobacco products as a result of prolonged lockdowns.

"The weight of FCV tobacco has already come down by 10 to 20 million kgs due to evaporation of moisture," Yashwanth Chidipothu, of Federation of All India Farmers' Association, which is spearheading tobacco farmers' campaign, told DH.

The auction of Virginia tobacco is conducted by the Tobacco Board for exporters of tobacco, manufacturers of cigarettes and dealers.

The rains are expected in the coming days and if the government will not start the sale of tobacco products both traders and farmers will go bankrupt. In Gujarat, tobacco is produced in several districts such as Anand, Kheda, Vadodara, Panchmahal, Banaskantha, and Sabarkantha.

Source: <https://www.deccanherald.com/business/coronavirus-lockdown-30-delayed-auctions-hits-tobacco-farmers-836521.html>