

## NEW HANDBOOK ON INDIA'S TOBACCO SECTOR



# TOBACCO IN INDIA

Importance & Policy Challenges



The Tobacco Institute of India (TII) recently brought out the Fourth Edition of its Handbook Tobacco in India - Importance & Policy Challenges with an updated and a more comprehensive picture of the Tobacco sector in India.

The Handbook covers several Policy issues being faced by the sector besides highlighting the enormous socio-economic significance of tobacco cultivation in India and the huge livelihood dependency on it. Findings and statements from various national and international studies, Government Sources/Publications, UN and other International agencies constitute an integral part of this Handbook. Following are the key takeaways from this handbook, which seeks to provide a balanced understanding of the various facets of the country's tobacco sector:

### ■ Tobacco Has Enormous Socio-Economic Significance in India

Tobacco generates enormous socio-economic benefits in the country in terms of agricultural employment, farm incomes, revenue generation and foreign exchange earnings.

### ■ Tobacco Crop Has No Viable Alternative

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.

### ■ Tobacco Farming in India is Sustainable

Tobacco cultivation in India witnesses several sustainable farming initiatives in order to bring in efficiency & avoid causing any adverse environmental impact through tobacco growing, with no decrease in forest cover.

### ■ Indian Tobaccos Have A Huge Export Potential

Government should provide export incentives similar to what other large tobacco producing/exporting countries like Zimbabwe, Malawi etc. offer to the tobacco sector. This would improve price competitiveness of Indian tobaccos in the world market, help tap the export potential of the tobacco sector, benefitting the domestic tobacco farmers. This would also enhance rural employment opportunities and bring valuable foreign exchange to the country.

## ■ **Pattern of Tobacco Consumption in India is Unique**

With just 9% share in overall tobacco consumed, Legal cigarettes are the smallest constituent of tobacco consumption in India but bear the brunt of over regulation and excessive taxation.

## ■ **Legal Cigarettes Major Revenue Contributor Despite their Small Consumption Share**

The tax and regulatory policies of the countries, where tobacco consumption is synonymous with cigarettes, cannot be replicated in our country to achieve the social objectives of tobacco control.

## ■ **High Cigarette Taxation Making Legal Cigarettes Unaffordable**

The unaffordability of legal cigarettes has led to a shift in consumption from legal tax-paid cigarettes to cheaper forms of tobacco consumption, including tax-evaded illicit cigarettes.

## ■ **Tobacco Regulations in India are Extreme**

Despite being a leading tobacco producer and a major exporter, India has remained at the forefront of tobacco control, implementing measures more stringent than in many developed countries and also large tobacco producing and consuming countries.

## ■ **High Taxation and Extreme Regulations Undermine Legal Cigarette Industry**

The combination of low prices to consumers, consequent to nil tax cost and the incorrect perception created by the absence of statutory pictorial warning on smuggled cigarettes provides significant buoyancy to illicit cigarette volumes.

## ■ **Burgeoning Illegal Cigarette Trade Poses Serious Threat**

According to Euromonitor International, illegal cigarettes have reached an annual volume of 30.2 billion sticks in 2022. India is now the 3<sup>rd</sup> largest illicit cigarette market in the world.

## ■ **Domestic Tobacco Farmers Affected by Growing Illicit Cigarette Trade**

A stable domestic legal cigarette market achieved through reduction in cigarette taxes will benefit Indian FCV tobacco farmers by increasing the offtake of locally grown tobaccos. Assured domestic demand will also encourage farmers to grow better quality tobaccos and protect them against fluctuations in international market.

## ■ **Extreme Tobacco Control Measures are Propagated by NGOs to Influence Policy**

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 Unreasonable & Impractical**

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.

## ■ **FCTC Proposals Pose Serious Challenge to Farmers & Other Stakeholders**

FCTC has deviated from its original mandate and is engaged in advocating arbitrary and extreme proposals that pose serious threat to tobacco farmers and the millions that are dependent on tobacco for their livelihood in the country.

## ■ **Policy Interventions are Needed to Revive Farmer Earnings, Enhance Government Revenues and Sustain the Legal Cigarette Industry**

Balanced and equitable tobacco taxation will optimize tobacco tax proceeds and leverage the untapped revenue potential from the industry by arresting the shift in consumption from legal duty paid cigarettes to illicit/smuggled tax-evaded cigarettes and to revenue inefficient tobacco products.