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Press Release

FAIFA appeals to Government to protect their livelihood from Illicit and Smuggled Cigarettes

- *More than 40% reduction in FCV cultivation resulting in loss of more than Rs 5,000 crore to the FCV Tobacco Farming community in last 6 years*
- *Government revenue loss in excess of Rs 13000 crore on account of illicit cigarette trade*

New Delhi, 17 December 2019: Federation of All India Farmer Associations (FAIFA), a non-profit organization representing the cause of millions of farmers and farm workers of commercial crops across the States of Andhra Pradesh, Telangana, Karnataka, Gujarat etc. today appealed to the Smt. Nirmala Sithraman, Hon'ble Finance Minister, Government of India to save their livelihoods which is caused by rising illicit cigarette trade in India.

The appeal has also been submitted to various concerned Ministries such as the PMO, Ministry of Health & Family Welfare, Ministry of Agriculture, Ministry of Commerce & Industry, Ministry of Labour etc.

Due to higher taxation, smuggled, illicit and contraband cigarettes along with one sided WHO regulations, FCV production of 325 Million Kgs in 2013-14 came down to 210 million Kgs in 2019-20, resulting in loss of more than Rs 5,000 crore to the FCV Tobacco Farming community. Based on the current tax rates on cigarettes, it is estimated that the Government also loses Rs. 13,000 crores per annum on account of illegal cigarette trade.

Illegal Cigarette trade comprising international smuggled and locally manufactured tax-evaded cigarettes accounts for as much as 25% of the Cigarette Industry in India making India the 4th largest illegal cigarette market in the world and clearly a preferred destination for international cigarette smugglers.

The entire legal cigarette value chain is presently reeling under penal taxation on account of continuous increases in excise duties and compensation cess on cigarettes, which have cumulatively gone up by over 200% from 2011-12. As a result of high taxes and growth of illegal cigarette trade, Legal cigarettes have dropped by more than 25% between 2011-12 and 2018-19, while illegal cigarettes have grown by 31% during the same period.

Mr. Javare Gowda, President, Federation of All India Farmer Associations (FAIFA), said, "The FCV Tobacco Farmer is on verge of losing his one and only livelihood due to increase in input costs and drastic decrease in income which is caused by Illicit cigarette trade in India. We would like to appeal to Government to have a taxation policy that disincentivizes cigarette smuggling in India, which will help curb illicit trade and increase the demand of domestic Indian grown tobacco."

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India is the second largest producer of Tobacco in the world. Tobacco is cultivated in 13 States in the country and is providing livelihood to 4.5 crore people that includes crores of farmers, labourers, poor rural population and tribal people and their families.

Mr. Murali Babu, General Secretary, Federation of All India Farmer Associations (FAIFA), said, “The Government has made very harsh tobacco regulations & imposed very high taxation on Cigarettes without caring for the outcome of such measures on livelihood of crores particularly the farmers, retailers, rural poor and tribals engaged in tobacco and who do not have any other source of income.”

The availability of International Smuggled Cigarettes has spread all over the country. These smuggled cigarettes also do not carry the mandated pictorial warnings and more importantly they does not use our domestic legal FCV tobacco produced by Indian farmers.

In recent months, the incidence of seizures of smuggled cigarettes by the Enforcement Agencies, as reported in the Media, has seen a sharp spurt in different parts of the country. However, the reported seizures are only the tip of the iceberg of a much larger operation, as for every seizure dozens of consignments escape any surveillance. Since the enforcement alone cannot fully address the menace of the large and growing illegal cigarette trade in the country, there is therefore, an urgent need for the Government to make systemic policy intervention with regard to high taxation and excessive regulation in order to adequately deal with the huge Illegal Trade problem.

We, the farming community appeals to the Government of India to reduce the taxation to revenue neutral pre GST rates to curb illicit trade, increase rural employment and increase the demand of legal, taxpaying home grown FCV tobacco. With folded hands, we request the Government of India to implement our request and save our Livelihood.

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