



FEDERATION OF ALL INDIA FARMER ASSOCIATIONS

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Date: 19th Feb 2020

To
 Smt. Nirmala Sitharaman
 Hon'ble Finance Minister
 Government of India
 New Delhi

Respected Madam,

Sub: FCV Tobacco Farmers appeal
Proposed NCCD on Cigarettes - Impact on FCV Tobacco Farmers Livelihood

Federation of All India Farmer Associations [FAIFA] is highlighting that the increase in NCCD on Cigarettes proposed in the Union Budget 2020-21, which will have an adverse impact on the livelihood of Indian FCV tobacco farmers, as this tax increase will provide a further boost to the smuggled cigarette trade and decline in domestic demand, resulting in weak demand in the ensuing auctions.

The hike in tax is a major set-back to the FCV tobacco farmers who have been fighting torrential and unseasonal rains this year in Andhra Pradesh and Karnataka States.

Nonetheless, we did not expect such NCCD hike from Government even after you were made aware of our current situation through several representations regarding ground level realities of the struggles and losses that are being faced by FCV farmers' due to crop damage and also smuggled and illegal cigarette markets. More over unorganized sectors like Bidi industry was free of tax burdens.

- 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 (Cumulative) 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.
- "Indiscriminate increase of excise duty on cigarettes will ruin farmers' livelihood. Reduction in legal cigarette production will reduce the tobacco purchases of domestic manufacturers, impacting market prices for farmers also due to abnormal increase in excise duty, illicit cigarette in India has been growing enormously and is now the 4th largest smuggled cigarette market in the World,"
- In view of this distressing situation of the FCV tobacco farmers in the country, the proposed NCCD increase on cigarettes will intensify the distress by adversely impacting tobacco farmer earnings.

Appeal from FCV Tobacco farming Community

In view of the above mentioned facts and concerns of FCV Tobacco farming community, FAIFA is pleading you to consider the following requests -

- The increase in NCCD on Cigarettes proposed in the Union Budget 2020-21, will have an adverse impact on the livelihood of Indian FCV tobacco farmers as this tax increase will provide a further boost to the smuggled cigarette trade.
- Strict action against illegitimate market and totally curb the illicit in the country. It is therefore, strongly urged that the proposed increase in NCCD is withdrawn and tax stability maintained on legal cigarettes in order to contain the flourishing illegal cigarettes and safeguard the livelihood of tobacco farmers in the country.
- **Encourage Indian Tobacco Exports :** Indian Government removed Tobacco export incentives, making India a less competitor in the Global market, whereas other countries like Zimbabwe, Malawi, etc are encouraging the tobacco farmers by providing incentives and subsidies - Please include Tobacco in RODTEP scheme and encourage through aggressive export promotion schemes.

Madam, it may be noted that smuggled Cigarettes **do not use Indian tobacco** and impacts the **earnings of our farmers leading to loss of livelihood and provides employment opportunities to farmers in other tobacco growing like Zimbabwe and Malawi etc.**

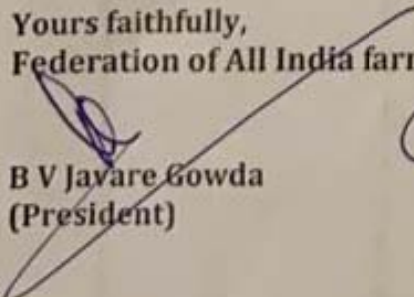
The FCV tobacco farmers are primarily dependent on the legal cigarette industry in India. 95% of the tobacco used in Indian cigarette brands is grown in India and is procured from the Domestic FCV farmers. In comparison, popular international cigarette brands use approximately 5% of their total requirement from the Indian FCV tobacco produce. These tobaccos procured from India are used only as filler; therefore it is not a critical component in their tobacco leaf blends and is easily substitutable.

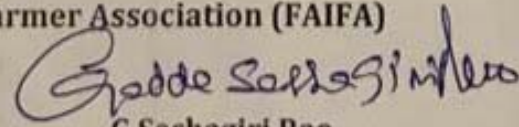
Madam, we are appealing to you through this representation to have a pragmatic approach on Cigarette taxation as it is directly linked to the livelihoods of millions of tobacco farmers and farm workers. The GST was conceptualized as a simple and a revenue neutral tax with the principal objectives to widen the tax base, mitigate cascading effects of taxation, enabling better compliance, lowering tax burden by subsuming all indirect taxes, cesses and duties etc.

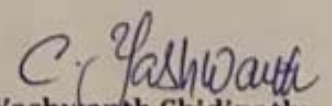
Contrary to objective of this premise, unfortunately NCCD was not subsumed or abolished even though the NCCD was imposed as a temporary measure in 2001. In addition, there was steep increase in the Compensation Cess Rates on cigarettes announced by the GST council on 17th July 2017 which caused extreme distress and pain among the Flue Cured Virginia (FCV) farmers in our country.

The present NCCD hike is levied only on tobacco and it is against the fundamental principles of GST, hence we once again request you to reconsider and withdraw the NCCD hike on Tobacco, which will put a huge strain on the Indian tobacco farmers.

Yours faithfully,
Federation of All India farmer Association (FAIFA)


B V Javare Gowda
(President)


G Seshagiri Rao
(Vice-President)


Yashwanth Chidipothu
(National Spokesperson)