

Lockdown pushes tobacco farmers to the brink

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Sees loss of quality, weight due to halted auctions

Going by the initial pace of auctions, it seemed like good going for the tobacco farmers of Andhra Pradesh. A week into the auctions

on March 21, 2020, they had sold 4.47 million kilograms of tobacco. But the lockdown changed it all.

Considering the fact that there is a long window for tobacco auctions, the beginning looked promising.

“It was a promising start. But it was abruptly stopped because of the lockdown announced to check the spread of Covid-19. Now they face losses as the dry weather would have taken the moisture off the leaf,” Murali Babu, Secretary-General of the Federation of All-India Farmers Associations (FAIFA), told BusinessLine.

Though auctions have resumed about three days ago after a gap of nearly 40 days, they brought no cheer to the farmers as the number of auction platforms is very low.

For the year 2020, the target is put at 136 million tonnes, against the estimated production of 137.81 million kg. The production level, which is set by the Tobacco Board, remained the same as that of last year.

With almost the entire stock yet to be auctioned, farmers could lose about 1.35 million kg due to loss of weight. “At an average sale price of ₹121.53 per kg last year, the farmers could have lost ₹16.41 crore by now,” he said.

The quality of leaf too would be impacted due to the prolonged storage in dry weather. Delay in sales would mean additional interest burden on the loans taken by the farmers. “There are about 40,000 barns and 45,000 registered tobacco farmers in Andhra Pradesh,” he said.

“With farmers taking a loan of ₹4 lakh per barn, the total loan outstanding is put at ₹1,600 crore. The interest burden would be around ₹15 crore. Any delay in sales would add to their problems,” he said.

This, along with other overheads such as maintenance, would result in total losses going up to ₹48 crore.

Slump in demand

The farmers also expect poor intake by traders and manufacturers due to piled up inventory as sales of cigarettes and other tobacco products have been hit in the last five weeks.

“As sales have been hit for five weeks, manufacturers may not show interest in picking up the stocks,” he said.

The farmers are also worried that the Tobacco Board might go for a pruned crop size for the next season on the prospects of poorer global demand.

Source: <https://www.thehindubusinessline.com/economy/agri-business/lockdown-pushes-tobacco-farmers-to-the-brink/article31452540.ece>