



FEDERATION OF ALL INDIA FARMER ASSOCIATIONS

H.No. 26-3-274, 4th Line Devapuram, Ashok Nagar, Guntur Andhra Pradesh
Mobile: +91 98494 33885, Email: contact.faifa@gmail.com

Date: 14th Dec 2021

To,
Shri. Sameer Sharma, IAS
Hon'ble Chief Secretary
Government of Andhra Pradesh
1st Block, 1st Floor, A.P Secretariat Office
Velagapudi-522023

Respected Sir,

Subject:

- **Alarming growth of smuggled cigarettes (without Indian Health Warnings) in the State of Andhra Pradesh contributing to massive distress to tobacco farmers**
- **Humble appeal for strict enforcement action against smuggled cigarettes (which do not carry Indian Health Warnings)**

The Federation of All India Farmer Associations ([FAIFA]) is a non-profit federation whose mission is to support the farming community in India and create a sustainable future for Farmers. FAIFA's objective is to create awareness among the farmers and Government circles on current agriculture issues and try to provide them a united voice at the local, regional and national levels to ensure sustenance to their livelihood.

1) Alarming growth of smuggled cigarettes (without Indian health warnings) is causing massive livelihood issues to Indian tobacco farmers

Our main purpose in addressing this communication to you sir is to highlight how the growing smuggled cigarettes (without mandated Indian health warnings) trade has contributed to the acute distress of tobacco farmers and seeks your help in mitigating the problem. Since the smuggled cigarettes (without Indian health warnings) do not use local tobaccos, significant increase in illegal cigarette trade has already impacted the livelihood of lakhs of tobacco farmers in the country as demand for domestic tobaccos / domestic legal cigarettes has reduced alarmingly.

The smuggled cigarette (without Indian health warnings) trade is controlled by smugglers, anti-social & criminal elements of society and therefore should be a matter of great concern to the State Government as well.

2) Socio-economic importance of Tobacco

Tobacco in India generates enormous economic benefits in terms of agricultural employment, farm incomes, revenue generation and foreign exchange earnings. India is the world's **2nd largest producer and exporter** of tobacco and although tobacco is grown on a meager **0.24% of the country's arable land**, tobacco & tobacco products contribute around **Rs. 54,000 crore** in tax revenues. In addition, foreign exchange earnings through the export of tobacco & tobacco products garners **Rs. 6,500 crores** annually.

Tobacco is an extremely important commercial crop in India, **providing livelihood to 45.7 million farmers, farm labourers, tribals, women workers and their families**. Tobacco is also a highly labour intensive and remunerative crop which thrives in poorer and marginal soils that are largely unsuitable for cultivation of other crops. It is hardy and disease resistant crop that grows in semi-arid and rain-fed conditions. Even in extremely adverse weather conditions, the crop suffers low fluctuations in yield. An additional advantage of tobacco cultivation lies in its flexibility in planting time as compared to other crops.



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3) Importance of Flue-Cured Virginia (FCV) tobacco and the associated need for enforcement action against smuggled cigarettes (without Indian health warnings)

In India, production of Flue-Cured Virginia (FCV) tobacco – a variety used in Cigarettes, accounts for around 30% of total tobacco produced in India and the country is the 3rd largest producer of FCV tobacco in the world. FCV is the main exportable tobacco produced in India and more than half (60%) is exported with the rest used in domestic cigarette manufacture. Studies conducted by the Central Tobacco Research Institute (CTRI) have shown that FCV tobacco is more remunerative than other crops grown in the region, and is difficult to substitute. Between the period 2007-08 to 2013-14, gross farmer earnings have almost doubled.

However, the demand for FCV tobacco has reduced considerably post 2013-14 due to sharp decline in legal cigarette volumes on account of alarming growth of smuggled cigarette trade due to high taxes and excessive regulations on tobacco products.

In fact, since 2013-14, the earnings of FCV tobacco farmers have shrunk cumulatively by more than Rs. 6,053 crores due to drop in offtake of tobacco for the manufacture of domestic legal cigarettes. From a normal crop size of 316 million kgs in 2013-14, the crop size has shrunk to an average crop size of around 215 million kgs per annum for the past 5 years.

Such alarming growth of smuggled cigarettes (without Indian health warnings) also undermine Govt.'s tobacco control policies besides causing revenue loss and massive loss of farmers' income

Extremely high and constantly increasing tax rates on Cigarettes provide a highly profitable opportunity for smugglers in illegal cigarette trade. **The escalating and unprecedented tax burden on Legal Cigarettes has more than trebled since 2012-13 as a consequence of successive increases in taxation.** Further, extreme regulations such as 85% Pictorial Health Warnings provide further encouragement to the smuggled cigarette (without Indian health warnings) trade in India, as illegal cigarettes do not comply with tobacco control and other regulations of the Government.

By not adhering to Regulations such as the Pictorial warnings, illegal cigarettes undermine the tobacco control policies of the Government and deliberately create the impression that these products are safer.

Smuggled cigarettes (without Indian health warnings) undermine the tobacco control policies of Govt. besides leading to loss of revenue to the tune of over Rs 15000 crores per annum and affecting Indian tobacco farmers' income significantly.

4) Staggering growth of smuggled cigarettes (without Indian health warnings) in the State of Andhra Pradesh

On the issue of smuggled cigarettes (without Indian health warnings), we are alarmed to note its frightening growth in the State of Andhra Pradesh across urban as well as rural markets of the state.

We are attaching photographs of some of the smuggled cigarettes brands (without Indian health warnings) which are openly sold in almost every market of the State of Andhra Pradesh.

(Annexure-1)

It is estimated that currently in the State of Andhra Pradesh smuggled cigarettes (without Indian health warnings) constitute around 30% of the total cigarette market. The availability of International Smuggled Cigarettes (without Indian health warnings) has spread all over the State as retailers benefit enormously by pushing sales of these cigarettes due to higher trade margins as these Cigarettes are offered to retailers at extremely low prices compared to Indian manufacture as also shown in the **annexure-1**. Illegal cigarettes are sold cheap due to tax evasion affording a huge arbitrage opportunity.

Smuggled Cigarettes (without Indian health warnings) are particularly popular among youth as they carry International Brand names and are significantly cheaper than Indian legal cigarette brands and do not carry the



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mandated pictorial warnings.

5) Appeal for enforcement action against smuggled cigarettes which affect farmers' interest enormously

We humbly plead that the Govt of Andhra Pradesh have a more perceptive view on smuggled cigarettes which are becoming a major menace for the society as well as for the Indian economy and in turn causing a huge loss in livelihood of lakhs of Indian tobacco farmers' income.

Sir, we once again humbly appeal to you for initiating urgent and strong enforcement actions by the State authorities like Police, Commercial Tax and Legal Metrology departments against wholesalers, retailers and shop-keepers who are dealing in smuggled cigarettes which are without Indian Health Warning (85% on both sides of the packs) and are also without any other mandatory declaration like MRP, Date of Manufacture / import etc.

Sir, you may be well aware that The Cigarettes And Other Tobacco Products Act, 2003 (COTPA) under GSR 1866 (E) has given power to officers of the rank of Inspectors & above of various government departments like Police, Commercial Tax & Food & Drug for Entry, Search, Seizure & Destruction of Illegal Smuggled Cigarettes.

Sir, we would be forever indebted to you for your immediate actions which will help lakhs of Indian tobacco farmers to survive in these most difficult and challenging times.

Thanking you.

Yours faithfully,

For Federation of All India Farmers' Association [FAIFA]

P S Murali Babu, General Secretary

Encl:

Annexure-1-

- 1) Photographs of legal cigarette packs showing Indian Health Warning on it and photographs of illegal / smuggled cigarette packs without mandatory Indian Health Warning
- 2) Similarly, above photographs also show other mandatory declaration like MRP, Date of Manufacture etc. on legal cigarette packs and complete absence of it on smuggled cigarette packets

CC :

- 1) Smt.A.R.Anuradha, IPS
Principal Secretary, Home department,
Government of Andhra Pradesh,
A.P. Secretariat, Velagapudi- 522023
- 2) Sri. Shamsheer Singh Rawat, IAS
Principal Secretary, Finance department,
Government of Andhra Pradesh,
1st Floor, 2nd Block, A.P. Secretariat, Velagapudi- 522023



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- 3) Sri. Mukesh Kumar Meena, IAS
Secretary & Commissioner(Commercial Taxes)
Government of Andhra Pradesh,
OFFICE OF THE COMMISSIONER OF INCOMETAX, 1ST FLOOR,
RAJKAMAL COMPLEX, LAKSHMIPURAM MAIN ROAD, GUNTUR- 007

- 4) Sri. Damodar Goutam Sawang, IPS
Director General of Police,
Government of Andhra Pradesh,
DGP Office, Mangalagiri -522502

- 5) Sri. K.R.M Kishore Kumar IPS
Controller, Legal Metrology Department,
Government of Andhra Pradesh,
10-152-1, Civil Supplies Corporation, 1st Floor, Bandar Road, Ashok Nagar, Kanuru,
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