



Press Release

FAIFA Appeals to Policy Makers to Sustain Market Price of Finished Goods to Protect Livelihoods of FCV Farmers

- *FCV crop size has witnessed a sharp drop of 39% from 316 million kg per annum to 194 million kg per annum between 2013-14 to 2021-22 due to high taxes on legal cigarettes.*
- *Big decline of more than one lakh hectares in acreage for land in FCV cultivation between 2013-14 to 2020-21 leading to 35 million man-days of employment loss.*

New Delhi, 20 January 2022: Federation of All India Farmer Associations (FAIFA), a non-profit organization representing the cause of millions of farmers and farmworkers of commercial crops across the states of Andhra Pradesh, Telangana, Karnataka, Gujarat, etc. today flagged that consumption price of legal cigarettes in India have reached the maximum limit to what the purchasing capacity of consumers can absorb against the backdrop of cheaper and fast growing illicit cigarettes and alternatives, and any further increase in taxes would lead to a severe reduction in FCV cultivation and impact the livelihoods of farmers.

As per Euromonitor International, Illicit cigarette volumes in India registered a whopping 44% in a decade from 19.5 billion sticks in 2011 to 28.1 billion sticks in 2020. This takes the market share of illicit cigarettes in the country from 21.3% in 2015 to 27.6% in 2020.

This increase has resulted in shrinkage of FCV crop size by a sharp 39% from 316 million kg per annum to 194 million kg per annum between 2013-14 to 2021-22. The FCV cultivation acreage in India has also witnessed a huge drop from 2,21,385 hectares in 2013-14 to 1,22,257 hectares in 2020-21 leading to 35 million man-days of employment loss.

Today, legal cigarettes have become unaffordable in India. Cigarette in India cost amongst the highest in the world as a percentage of per capita GDP at 7.70% in comparison to 0.46% for the USA and 1.14% for China (WHO Report). This is even though cigarettes are only 8% of tobacco consumed in the country while 92% is other forms of tobacco. This is in stark contrast to the rest of the world where tobacco is synonymous with Cigarettes representing 90% of tobacco consumption.

The World Health Organisation (WHO) in a report on the Global Tobacco Epidemic, 2021 has acknowledged that the affordability of legal cigarettes in India reduced sharply from 11.10% in 2010 to 13.78% in 2020. These findings were further corroborated with the results of the American Cancer Society study which observed that India has one of the lowest per capita cigarette consumptions in the world.

Pointing to the plight of FCV tobacco farmers, **Mr. Gadde Seshagiri Rao, Ex-Vice Chairman, Tobacco Board & Vice President, Federation of All India Farmer Associations (FAIFA)** stated, "The above situation is stressing the farm community as consumers shift to smuggled cigarettes that do not use domestic tobacco. Given that India has a huge and widespread dependence on the tobacco crop for livelihood, the government must act reasonably and responsibly to bring price parity between cigarettes and other forms of tobacco to check the illicit cigarettes market which has grown exponentially at the cost of legal cigarettes jeopardizing tobacco farmer's interest and government's tobacco control goals."

FAIFA also highlighted that the tobacco farmers in the country are suffering due to the actions of vested groups that are advocating high taxes on FCV tobacco under the garb of achieving the government's tobacco control goals. These groups are bombarding the policymakers with misleading data and flawed research reports that present a skewed



picture of the illegal cigarette trade in India with an intention to downplay the severity of the illegal cigarette trade in the country.

Mr. Javare Gowda, President, Federation of All India Farmer Associations (FAIFA) stated, “It is noteworthy to know that a recently released report by Organized Crime and Corruption Reporting Project (OCCRP) states that one of the largest global cigarettes MNC as part of its market expansion strategy has been using smuggling as one of the distribution channels to increase their market penetration. Unfortunately, vested groups do not share such market developments with the policy makers. Despite this, the move to project in studies low penetration levels of illicit cigarettes below international markets (which are better regulated) is an obvious mis-projection. Such grossly unreliable studies should be looked at with caution as they give a skewed picture of the illegal cigarette trade in the country and downplay the severity of the illegal cigarette trade in the country.”

Mr. Murali Babu, General Secretary, Federation of All India Farmer Associations (FAIFA), commented, “The approach taken by the government to make cigarettes unaffordable by high taxation policy to discourage its consumption has put the livelihood of FCV tobacco farmers at risk. Also, there is no clear evidence to show that there is a decline in tobacco consumption as a drop in legal cigarette demand is matched or even exceeded by the exponential rise in the illicit cigarette market and growth in demand for other forms of tobacco. It is high time that the government takes an all-en-compassing approach to meet its tobacco control goals so that the interests of FCV tobacco farmers are also protected.”

It further highlighted that the growth of the illicit cigarette market in the country is causing massive revenue loss to the exchequer further limiting the government’s ability to help farmers refine their products for global markets through innovations. As per FICCI CASCADE’s study, the total loss to the economy because of cigarette smuggling has been Rs 16,138 crores while the total employment opportunity lost in the sector is about 3.34 lakh.

FCV tobacco has been one of the largest foreign exchange earners and in 2021 the crop worth more than Rs 6500 crores was exported. Indian FCV tobacco has a new opportunity in the global market due to new-find usage in medicines for several autoimmune and inflammatory diseases, including diabetes.

Talking about the need to create new avenues for FCV tobacco farmers, **Mr. Ch. Yashwanth, National Spokesperson, Federation of All India Farmer Associations (FAIFA)** stated, “The government needs to embrace an integrated approach to tobacco control in India given tobacco industry’s substantial contribution to country’s GDP and livelihood dependence on tobacco farming. It should strive for stable taxation on legal cigarettes and plow the tax revenue from tobacco to foster R&D in tobacco cultivation to address the emerging demand for tobacco in the international market.”

We urge the policymakers to take note of the double whammy that has hit farmers who are not able to sell their produce locally and at the right price due to a fall in demand for FCV tobacco as price parity between cigarettes and other forms of tobacco has been disturbed and are losing their competitive edge in the exports markets to smaller countries like Zimbabwe which are gaining global market-share at the cost of Indian tobacco exports.

Yours Sincerely,

For Federation of All India Farmers' Associations [FAIFA]
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