



FEDERATION OF ALL INDIA FARMER ASSOCIATIONS

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Date: August 29, 2025

To

Shri Sanjay Kumar Agarwal, IAS

Hon'ble Chairman,

Central Board of Indirect Taxes & Customs (CBIC),

Government of India, New Delhi.

Sub: Appeal – Proposed GST Reforms should Help FCV Tobacco Farmers to Sustain Livelihoods

Respected Sir,

We the Federation of All India Farmer Associations (FAIFA), a non-profit organization represent the cause of millions of farmers (of commercial crops across the States) in India. FAIFA strives to project farmers' voice at regional, national and international levels and works towards ensuring sustenance of stable livelihood of farmers. One of the important issues that FAIFA is representing currently, is the cause of millions of tobacco farmers and farm workers in India, whose livelihoods are under serious threat.

We are writing on behalf of lakhs of FCV tobacco farmers and farm workers of the country. FCV tobacco produced in the country is used in the manufacture of cigarettes in India and the balance is exported. FCV farmers and their families are dependent on tobacco cultivation for livelihood.

We welcome our Hon'ble Prime Minister Shri Narendra Modi ji's announcement for reforming the GST system. We see this as a ray of hope for farmers like us who are in distress due to heavy taxation on cigarettes. However, we are very worried that the proposal to increase GST rates on cigarettes from 28% to 40% will put an even heavier tax burden on cigarettes which use our produce in the manufacture. This will push down demand for our crop further, increase smuggling and destroy the livelihoods of thousands of farmers like us.

Because of very high taxes on cigarettes, the share of legal cigarettes in India's tobacco consumption has fallen. At the same time, the share of other tobacco products and smuggled cigarettes has increased. These smuggled cigarettes do not use Indian tobaccos and so the demand for our FCV tobacco crop has gone down. Our hard work in the fields is going waste and our families are suffering.

With high tax burden legal cigarettes have become unaffordable and consumers are shifting to cheaper illegal or smuggled cigarettes and other tobacco products like bidis and chewing forms which are available in the country and are sold cheap due to evasion of taxes.

Illicit cigarette sales in the country have become huge by capturing one-fourth of the cigarette market. These cigarettes are made with foreign raw materials including tobacco and are not only causing loss of Rs. 21,000 crores of revenue to the Government but also snatching livelihood of the farming community in the country. Infact, while we are losing our livelihood, farmers in other countries whose tobaccos are used in the smuggled cigarettes are benefiting.



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In the last ten years, the fall in legal cigarette sales and the rise of illegal cigarettes have taken away millions of man-days of work in tobacco-growing regions. Families who depend on this crop are suffering because of this situation. Tobacco remains the only dependable cash crop providing livelihood in rain-fed and drought-prone areas with steady returns even under adverse climate conditions. Taxes on cigarettes in India are already far higher than in our neighbouring and other tobacco-growing countries, putting Indian farmers at a big disadvantage.

Legal cigarettes are now only about 10% of all tobacco consumed in India, but they contribute almost 80% of the government's total revenue collection from tobacco. On a per kilogram of tobacco use, taxes collected on Cigarettes are 54 times higher than bidis and 32 times higher than chewing tobaccos. This clearly shows the step-motherly treatment of FCV tobaccos, used in cigarettes, while other types of tobaccos used in other tobacco product forms like bidis, chewing, hookah etc, are lightly taxed.

We believe that the GST rationalisation is a golden opportunity for the Government to rectify the step-motherly treatment given to FCV farmers in the past, compared to farmers of other tobacco types and other commercial crops.

FCV tobacco is an important commercial crop grown in the country and supports lakhs of farmers livelihood. More than 60% of FCV tobacco crop is exported, bringing nearly Rs. 8,000 crore in valuable foreign exchange every year.

We farmers depend on legal cigarettes produced in the country for our livelihood, but very high taxes are killing demand for our crop. When taxes on cigarettes increase, smuggling also increases and consequently demand for locally grown tobaccos reduces. If taxes are reduced, smuggling will be controlled and demand for our crop will also rise.

We humbly request you to kindly look at our pain with compassion. Any further GST rate on increase on cigarettes will ruin our lives, cut jobs in our villages, and push more trade into the hands of smugglers. We beg the government to protect farmers and reduce the heavy tax burden. By reducing and rationalising GST rate on cigarettes, you can save the livelihood of lakhs of farmers, curb smuggling and also increase government revenue.

We have great faith that under the leadership and guidance of our Hon'ble Prime Minister, the voice of poor farmers will be heard. Please give us relief from any further increase in taxation on our end-use product i.e. cigarettes so that our families can live with dignity.

Our plea:

1. Give relief to FCV farmers by reducing tax on Cigarettes
2. Remove discrimination in tobacco taxation
3. Ban import of unmanufactured tobacco and direct domestic cigarette manufacturers to use only locally grown FCV tobacco

Yours faithfully,

For Federation of All India Farmers' Association [FAIFA]

P S Murali Babu, General Secretary