



FEDERATION OF ALL INDIA FARMER ASSOCIATIONS

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Date: January 5, 2026

To

Smt. Nirmala Sitharaman

Hon'ble Minister of Finance and Corporate Affairs

Government of India

New Delhi.

Respected Madam,

**Sub: Protect FCV Tobacco Farmers — Major Concerns with Excise Duty Rates
published on 31st December, 2025 on Cigarettes & Tobacco Products**

We, the undersigned representatives of the Flue-Cured Virginia (FCV) tobacco growers of Andhra Pradesh, Telangana and Karnataka, draw your kind attention to the high tax rates published in the Notification No. 03/2025 - Central Excise dated 31st December, 2025 which will have a devastating impact on the livelihood of Crores of people in the country.

Tobacco Farmers are predominantly small & marginal farmers cultivating tobacco in poor soils under rainfed conditions with limited resources. FCV tobacco (used in cigarettes), produced by Crores of Indian farmers, is a critical raw material for the domestic cigarette industry. The crop is also exported, earning Rs 16,728 Cr in foreign exchange for the country in 2024-25. The livelihoods of FCV tobacco farmers, agricultural labourers, warehouse workers, transporters and others employed in the domestic cigarette ecosystem depend on stability of the domestic cigarette industry.

We are deeply disturbed and scared by the recent notification of steep increase in excise duties on cigarettes which will destroy the demand for legal cigarette industry and drastically reduce the offtake of Indian FCV tobacco.

We are already suffering under the burden of extremely high taxation rate on cigarettes (using FCV tobacco) which on per kg basis is more than 50 times higher than for bidis and more than 30 times higher than for Chewing tobacco thereby unfairly penalizing the FCV tobacco farmers. This unprecedented tax increase is highly discriminatory to the FCV farmers and will further increase the gap in tax burden impacting the industry and farmers severely.

The steep increase in Central Excise duty will result in following changes in domestic cigarette industry resulting in devastating impact on livelihoods of Crores of Indian families-

- Unintended consequences on legal trade – Steep drop in demand for legal cigarette resulting in drastic reduction in domestic FCV leaf demand.
- With retail prices rising sharply, consumer substitution toward cheaper illicit cigarettes will accelerate- reducing demand for Indian FCV tobacco and lower our tobacco prices. For instance, the tax increases from 2012 to 2024 led to increase in illicit cigarettes from 16.9% of the total cigarette industry to 26.1% thereby causing a revenue loss of Rs 23,000 Crore per



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year for the Government and loss of livelihood and earnings for the FCV tobacco farmers to the tune of 23.8 Crore mandays. The illegal cigarettes use tobaccos grown in other countries thereby benefiting farmers of those countries. The continuous growth in illicit cigarettes in the country has led to reduction in FCV tobacco consumption from 1981-82 to 2023-24 by 28%.

- Acceleration of other forms of tobacco consumption which does not use tobacco produced in India - reducing demand for premium Indian tobacco and lowering our tobacco prices.
- Lack of economically viable alternate crop suiting our soil & weather conditions will have a devastating impact on socio-economic fabric in our villages and will lead to widespread social unrest.

FCV tobacco farmers form the foundational base of India's legal tobacco ecosystem. Sustainable demand for quality Indian FCV tobacco leaf depends on a balanced tax regime that discourages illicit trade & other forms of tobacco consumption while safeguarding jobs, incomes and government revenues. With record production of tobaccos in other countries during this year, the international demand for Indian tobaccos is already under pressure leading to reduction in prices. Any adverse impact on domestic demand from legal cigarette industry will be disastrous for Indian FCV tobacco farmers.

While tax reforms aim to balance government revenue and public health goals, policy must guard against collateral damage to farmers, their families and the large ecosystem of people whose livelihood depends on the stability of the legal tobacco industry in the country.

In view of the above, we most respectfully urge your good self to reconsider the recently notified excise tax rates on cigarettes and bring them down to moderate and balanced levels, so as to safeguard the livelihoods of crores of poor agricultural families dependent on the domestic cigarette industry.

Yours faithfully,

(P. S. Murali Babu)

President

Federation of All India Farmer Associations (FAIFA)

Guntur, Andhra Pradesh.