TI/57
05 February, 2007

Tobacco Free Initiative (TFI)
World Health Organisation
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Switzerland
E-mail: copstudygroup@who.int

Dear Sirs,

Submission by the Tobacco Institute of India (TII) for the public hearing on agricultural diversification and alternative crops to tobacco for the WHO FCTC

The Tobacco Institute of India (TII) is a non-profit organisation, registered under Section 25 of the Companies Act, 1956 (India). TII is a representative body of manufacturers, farmers, exporters, and ancillaries of the cigarettes segment of the tobacco industry in India. Its members account for over 90% of domestic sale of duty-paid cigarettes. The Institute’s activities are funded by its members.

TII is recognized as a repository of reliable information on the industry, and is privileged to be consulted by the Government, Parliamentary Committees, Chambers of Commerce and the media for information and policy recommendations on tobacco issues. The Institute’s objective is to enhance the global competitiveness of Indian tobacco, with concomitant benefits accruing to the farming community.

India is the 3rd largest producer of tobacco in the world and the tobacco industry provides direct and indirect employment to around 38 million people, more than 75% of whom are in the agricultural sector. The Institute would like to make a submission to the Study Group, because it is concerned about the possible loss of livelihood of these millions of people.

Given below is the text of our pre-hearing submission, which will be made on our behalf by Mr. António Abrunhosa, the Chief Executive of the International Tobacco Growers’ Association.

WHO’S PROPOSAL NOT A FEASIBLE ALTERNATIVE FOR INDIAN FARMERS

Introduction
India is primarily an agrarian country. Nearly 75% of the population lives in rural areas¹, with the overwhelming majority of them dependent on agriculture for their livelihoods.
Tobacco’s contribution to the Indian economy

Despite occupying less than a fraction of the country’s arable land, tobacco is an important commercial crop that plays a vital role in the country’s economy. India is the world’s 3rd largest producer of tobacco, with an output of 700 mn kg (2005). The crop provides livelihood to 38 million people, almost 75% of whom are in the agricultural sector. Whereas, according to the Planning Commission of India, 3/4th of the unemployed in India are in the rural areas, tobacco provides sustenance to millions of farmers, rural poor, farm labourers and tribals.

Tobacco contributes nearly US$ 2 bn in excise revenue, or 9% of total excise collections. It also contributes nearly US$ 320 mn in foreign exchange earnings, which is equivalent to 3% of the value of our total agri exports.

Pattern of tobacco production and consumption is unique

In most countries, cigarettes form the dominant share of tobacco consumption, and cigarette tobaccos form the bulk of tobacco production. However, in India, the pattern of tobacco consumption is unique. Cigarettes constitute only 15% of overall tobacco consumption, and adult per capita consumption of cigarettes is merely 85, which is the lowest in the world. Traditional products such as bidi and chewing tobaccos comprise 85% of overall consumption. Leaf tobacco production, therefore, is geared to cater to these traditional products. In fact, out of the 65 Nicotiana species available in the world, 45 are being cultivated in India. Non-cigarette tobaccos comprise around 60% of India’s tobacco production. Since the types of tobaccos grown and consumed in India are unique to the country, India does not suffer from a negative trade balance in respect of tobacco, unlike other countries. Unmanufactured tobacco imports in India amount to merely 3% of the value of our unmanufactured tobacco exports.

Hand-rolled bidis, which constitute the bulk of smoking forms of consumption, are manufactured at the cottage-industry level. Bidi rolling provides employment to millions of illiterate, rural people, for whom there are no alternative sources of income.

What makes tobacco a viable crop?

Among cigarette tobaccos, flue-cured Virginia (FCV) tobacco is the dominant form, with a share of 85%. FCV tobacco is grown in the States of Andhra Pradesh and Karnataka, and thrives in soil and climate conditions that are unsuitable for cultivation of other crops. It is planted in poor, marginal soils and, being a hardy, disease resistant crop, grows well in semi-arid and rain-fed conditions. Even in extremely adverse weather conditions, the crop suffers low fluctuations in yield. In a country where over 14,000 farmers have committed suicides in the last five years, the Tobacco Board, under the Ministry of Commerce, recently observed that not a single death had been reported among FCV tobacco farmers. In fact, in a 2006 report titled “Overcoming Drought: Adaptation Strategies for Andhra Pradesh” the World Bank favoured a shift in cropping pattern in Andhra Pradesh from rice to less water-intensive crops to decrease vulnerability to drought impacts. An additional advantage of growing tobacco lies in its flexibility in planting time as compared to other crops.

FCV tobacco is highly labour-intensive and generates more man-days of employment per unit of land than most alternative crops grown in the region. Whereas FCV tobacco requires an average of 250 man-days per acre, cotton, chilies, groundnut and red gram generate only 190, 120, 80 and 45 man-days per acre respectively. The global demand as well as prices for the crop remains relatively stable, while farmers get higher returns as compared to other crops. It is also less perishable than horticultural/poultry products, making it an ideal export commodity. In addition, there are well-established infrastructural facilities for curing, storing and transporting tobacco.
No sustainable alternatives to FCV tobacco
A 2004 study conducted by the Government of India’s Central Tobacco Research Institute (CTRI) has outlined that no single crop is as economically viable as FCV tobacco. In 2000/01, an oversupply situation led to the declaration of a ‘crop holiday’ during which no tobacco was planted in Andhra Pradesh. During this ‘crop holiday’, farmers grew alternative crops such as red gram, Bengal gram, black gram, green gram and, in very limited areas with water resources, they grew paddy and sugarcane. The 2004 CTRI study on the impact of the crop holiday showed that the value realization from other crops amounted to only US$ 39 mn as against US$ 89 mn from FCV tobacco in the previous year, resulting in a loss of US$ 50 mn to the farming community. This included US$ 16 mn in reduced income due to loss of working man-days. The feasibility of FCV tobacco can be gauged from the fact that in the succeeding year, farmers reverted to the crop in four-fifths of the area.

Moreover, year after year, farmers produce tobacco in excess of the crop authorized by the Tobacco Board, despite having to pay penalty for excess production. This trend not only reinforces the remunerative nature of the crop but also highlights the problems associated with cultivating and marketing other crops.

Although the cost of FCV tobacco cultivation is high, the gross income generated is also high. This means that the net returns per unit of land is much higher than for other crops.

Indian FCV farmers enjoy the benefits of a transparent auction system
In India, the traditional contract farming system for FCV tobacco was replaced by the auction system in 1984. Production and marketing of FCV tobacco is now strictly regulated by the Tobacco Board, which has been empowered to establish auction platforms and conduct auctions. Apart from bringing about an element of healthy competition, the auction system also guarantees fair weighment, correct grading and prompt payment to the growers. Unlike in the earlier contract system, which was dominated by the buyers, the auction system ensures that farmers get remunerative prices for their produce. More importantly, unlike their counterparts elsewhere in the world, Indian FCV farmers do not suffer from ‘debt bondage’.

Stable prices for FCV tobacco
In India, the farm prices of FCV tobacco have remained buoyant. In fact, prices have increased over the years:

<table>
<thead>
<tr>
<th>Year</th>
<th>Average Farm Price ($)</th>
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<tbody>
<tr>
<td>1999/00</td>
<td>0.72</td>
</tr>
<tr>
<td>2001/02</td>
<td>0.77</td>
</tr>
<tr>
<td>2002/03</td>
<td>0.84</td>
</tr>
<tr>
<td>2003/04</td>
<td>0.82</td>
</tr>
<tr>
<td>2004/05</td>
<td>0.90</td>
</tr>
<tr>
<td>2005/06</td>
<td>1.04</td>
</tr>
</tbody>
</table>

*2000/2001: Crop Holiday

Source: Tobacco Board

This year the average farm price is expected to rise further.
Improved socio-economic conditions of the farmers

In the case of FCV tobacco cultivation, the existence of liberal bank credit facilities, a regulated market system (auctions) and strong extension support from the CTRI and the Tobacco Board provide an opportunity for the FCV farmers to improve their economic conditions. This has helped contribute greatly towards the social development of farmers and labour through improvement in their employment opportunities, literacy, health and nutrition standards.\(^1\)

At a time when farmer suicides are being reported due to crop failure or poor returns from other crops, the CTRI study\(^1\) reveals that “FCV tobacco cultivation has brought about revolutionary changes in the socio-economic status of the people in the tobacco-growing areas of Andhra Pradesh.”

Tobacco cultivation also has a multiplier effect on income and employment generation in all the three sectors of the economy: primary (agriculture), secondary (industry) and tertiary (services, etc.).

In the year of the ‘crop holiday’, the CTRI observed that there was a marked decline in the standard of living of the entire tobacco farming community. Reduced income led to a reduction in purchasing power, and lower expenditure on health, nutrition, children’s education and social obligations.\(^1\)

Other issues that need to be addressed

India is a developing country and has been ranked 126\(^{th}\) among 177 countries in the UNDP’s Human Development Index – around 40% of the adult population is illiterate and almost 35% of the population lives on an income of less than US$ 1 per day.\(^9\) Given such a dismal situation, it makes little sense to deprive millions of tobacco farmers, farm workers and labourers of their stable source of income and force them into a life of destitution, hunger and abject penury.

In any case, India has other major health problems that remain unaddressed or neglected. India accounts for almost 40% of the world’s under-nourished children – 57 million out of 146 million.\(^2\) The infant mortality rate in India is 62 per thousand live births, as compared to 26 in China, 10 in Malaysia and just around 5 in developed countries.\(^9\) India has the most number of people living with HIV in the world; it is home to 2/3\(^{rd}\) of Asia’s HIV positive people or 5.7 million people.\(^2\) India also has the dubious distinction of having the highest number of people with diabetes in the world. According to the International Diabetes Federation’s Diabetes Atlas, India has 40.9 million people with diabetes or 1/6\(^{th}\) of the world’s diabetic population.\(^3,4\) In addition, 2/3\(^{rd}\) of the population does not have access to sanitation\(^9\) and almost half a million children under the age of five years die each year from diarrhoea.\(^5\) The ever present threat from water-, food- and vector-borne diseases needs to be tackled first, since they have the potential to break out into epidemics that affect large sections of the population. According to the UNDP, the Indian Government spends only 1.2% of its GDP on healthcare.\(^9\) This could easily be reviewed.

Conclusion

In a country where the bulk of the population is dependent on agriculture for their livelihood, tobacco cultivation has brought about a positive change in the socio-economic development of the farmers and farm workers. In addition, it has helped stem large-scale migration from the rural areas to cities and towns. Forcing this large community to give up tobacco cultivation would certainly spell disaster.

It is important to carefully study the implications of any recommendation, made by the WHO and the international community, on India’s tobacco farming community. After all, what may hold true for other countries may not necessarily be relevant to India. As with other tobacco control policies, the
suggestion of replacing tobacco with alternative crops has been conceived in the West. Given the vital role that tobacco plays in our country’s economy, the WHO and the developed world should not impose such policy changes on India. After all, the livelihood of 38 million Indians, including farmers and farm workers, is at stake. In conclusion, we would like to quote from two important studies conducted in India.

“Given the existing level of technology, the possibility of an alternative crop to tobacco, purely on economic grounds does not exist.” – Report on Tobacco Control in India, Ministry of Health & Family Welfare, Government of India.

“Currently, there aren’t any viable substitute crops/sustainable alternatives to tobacco.” – Socio-Economic Impact of FCV Tobacco in Andhra Pradesh, CTRI, Rajahmundry.

Thanking you,
Yours sincerely,

(Udayan Lall)
Director

Note: US$ 1 = Rs 45

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