

Rural employment and tobacco exports



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Chart compiled based on statistics of tobacco board (in rupees in crores)

The strategy paper of the Ministry of Commerce and Industry, Government of India, forecasts that exports of tobacco from India to grow at 7 % in the 2013-14 in spite of the restrictions on the growth of tobacco under the obligations set out by the World Health Organisation Framework Convention on Tobacco Control. The strategic intent of the Ministry translates into taking forward a growth of 21 % in CAGR between 2007 and 2013. to a greater level.

Estimated Flue cured production by top 10 countries (2010- 201 2 3 P)

Million green kgs.

Countries	2010	2011	2012
Argentina	87	74	85
Brazil	708	590	630
PRC	2,354	2,580	2,580
USA	169	204	230
India	278	273	276
Zimbabwe	132	144	165
Tanzania	122	70	125

Banglade sh	87	90	95
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Philippine s	45	44	47
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Indonesia	37	48	48
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Source – Universal leaf tobacco company, USA

Over 60 % of the global production of FCV is controlled by two countries ie China and Brazil and over the last three years the production levels in the world have generally remained constant. The major countries , which produce the crop have not made any significant decrease in production. The global market is in a equilibirm, which constitutes a small number of counytries. In case any country, say India withdraws from the market, the demand will be met by other countries. Any unilateral withdrawal from the global markets, will be detrimental to the farmers of India, who due to soil conditionsand other agro climatic reasons do not have any viable alternative crop to bank upon

Rural Employment and Tobacco Exports

The tobacco industry employs about 38 million people and around 75% are engaged in the agricultural sector. This can be further broken down to about 6 million farmers and 20 million farm labour engaged in tobacco farming. Tobacco Board estimates that there are around 90000 registered tobacco

growers in Andhra Pradesh and Karnataka. The per capita export earnings of FCV tobacco the growers and resultant contribution to rural economy in the two states is about Rs 450000 p. a. In terms of the entire exports the per capita income from exports translates into Rs 2000 a year for the entire 26 million people engaged in growing tobacco in India.

Tobacco industry in India faces unfair challenges from some of the major tobacco growing countries like USA, Argentina, Mozambique and Zimbabwe which have not yet ratified the FCTC. Meanwhile FCTC instrument has been adopted by 177 countries—representing 87% of global population—making it one of the most rapidly-embraced treaties in history. Many of the tobacco growing countries that have not yet ratified FCTC (which includes USA, Argentina, Indonesia , Zimbabwe, Malawi) have had initiatives in place that increase their production by 24 % in the last 3 years.

Tobacco is quite important to the some economies like Malawi and Zimbabwe as tobacco production accounts for, respectively, 17% and 43% of agricultural GDP and tobacco exports accounted for 50% and 35% of national exports in these two countries. Countries with high dependence on tobacco will unlikely voluntarily reduce its production, unless they find an economically viable alternative in the short and medium term. The markets will be skewed and those countries which are not a signatory to the convention could tilt the market in their favour. In that case the farmers in India will be directly affected by such turn of events.

Way Forward: India's institutional level effort for rural livelihood enhancement

A study titled ' Strategy for Doubling Exports in Next Three Years (2011-12 to 2013-14) by the Ministry of Commerce and Industry, Government of India, suggests the following road map to boost exports of tobacco from India:

- Introduction of e-auction system in all auction platforms
- Accessing of important markets like china
- Separate quota for import of Indian tobacco by the USA
- Increasing percentage share of exports vis-a- vis domestic production through R&D

Aggressive marketing and greater market access

Tobacco Board has implemented e-Auction System for export promotion of FCV tobacco in 29 Auction Platforms in Andhra Pradesh and Karnataka. In its board meeting held at in April 2013 in Bangalore the board has also resolved to approach the ministry of external affairs , through ministry of commerce and industry to activate commercial consulates in the countries where FCV tobacco is cultivated and procure details of crop size , quantity of tobacco produced , market prices and other related information.

In case of FCV (Flue Cured Virginia) tobacco, the government of India and the Tobacco Board announce a Minimum Support Price (MSP) from year to year with the objective of protecting the interests of the growers of FCV tobacco. There is a need to establish an organised export promotion system for all types of tobacco especially burley tobacco so that Indian tobacco can achieve a significant share in the international market.

The average productivity of tobacco in India though steadily increased to around 1, 600 kg/ha for FCV and 2, 000 kg/ha for non-FCV, continues to be far below the productivity levels in other countries such as Brazil, China, and USA. owing primarily to various abiotic and biotic stresses. Improving tobacco productivity and quality to increase net returns for farmers and to enhance global competitiveness is a daunting challenge. It is targeted to improve the leaf yield potential of tobacco to 4. 0 t/ha in FCV and 6. 0 t/ha in non-FCV tobacco.[1]

Sustained research and developmental efforts by the scientists of CTRI have resulted in evolving 90 high yielding varieties (HYV) and appropriate agro-technologies, which have made a significant impact on tobacco production, marketing and export earnings. As a result of adoption of HYV and proven production and protection technologies, there has been a quantum jump in the average productivity levels in FCV and non-FCV tobacco types. Research in growing tobacco in various agro climatic zones within India could be another experiment CTRI may look at, with a view of enhancing both yield, crop quality and resultant realization to make Indian tobacco more valuable.

Improvement in physical and chemical quality attributes of the tobacco leaf including lower levels of harmful constituents like TSNA, tar etc. has made the place of Indian tobacco secure in the international market as ‘ quality filler’. Significant reduction in cost of production achieved through the adoption of HYV and improved crop management strategies gave a competitive edge to Indian tobacco in the international market.[2]

The disequilibrium in the global market created by countries like India who have ratified FCTC will shift the growers market to Argentina, Zimbabwe, Mozambique, Malawi and Indonesia as discussed above. In the absence of uncoordinated efforts by countries who have not ratified or either signed it will ultimately lead to trade disputes and illegal smuggling.[3] This would not change the overall supply of tobacco products but countries like India will face the prospect of seeing large number of jobs losses and impact on livelihood of millions. The fiscal impact will come in the form of lower taxes and duties and loss of foreign exchange that comes through lower exports, which in the fiscal year 2013 were Rs 5000 crore and expected to grow at a rate of over 11% based on government's estimates.

In this scenario, if India withdraws from this market wholly or partially, the market will be catered by countries which are not bound by any convention. This would be to the detriment of Indian tobacco growers, who in the absence of alternative livelihood would also lose the benefit that accrues from exports.

Tobacco farmers need to be included in the implementation of the plan as it affects livelihoods of millions in the trade and any overall growth in exports will be beneficial to the entire economy.

In search of an alternative livelihood for tobacco farmers

Tobacco is the largest non-food crop in terms of monetary value in the world and economic imperatives make the search for a solution for an effective alternative livelihood of the farmers a global challenge. Nevertheless, many countries, including the world's largest producers, are taking steps to find

alternatives to tobacco growing. A number of proposed interventions for economically sustainable alternatives to tobacco have been identified in studies in various regions of the world.[4] These studies show that the greater the profitability of alternative crops, the more are the chances of farmers willing to stop growing tobacco, provided that there are sustained economic opportunities and that the necessary market support is provided. Economic and social support are the main arguments which are under debate in major tobacco growing countries including India, and the solutions need to go beyond economic returns and consider social dimensions as an equally significant parameter.

Global alternatives and diversification efforts for tobacco

Tobacco diversification efforts are in progress in various tobacco growing countries like Argentina, Malawi, Zimbabwe, Kenya, Brazil, Bangladesh, Malaysia and India. In the year 2005 after ratifying the FCTC, Brazil launched its Programa Nacional de Diversificação em Áreas Cultivadas com Tabaco, which is one of the most comprehensive state-led initiatives specifically designed to address articles 17 and 18 of FCTC. The programme follows an integrated approach to diversification, not solely aiming at replacing tobacco with a single other cash crop but also exploring possibilities for small-scale farmers to improve self-reliance and food security through the provision of technical training and assistance in other supplementary income streams ranging from poultry farming, aquaculture, and bee keeping to dairy farming.

Rather than focusing on merely replacing tobacco with alternative crops, the Ministry of Health in Mexico has worked in conjunction with the Ministry of Agriculture (SAGARPA) to pilot research into viable substitution strategies for

tobacco farmers in the states of Chiapas, Nayarit and Veracruz. Alternative crops such as tomato, green chilli pepper, papaya, corn, sorghum and rice have been identified for diversification. In 2009, SAGARPA helped finance the conversion of 1, 900 ha of tobacco-cultivated land, and since 2010, a special fund in the SAGARPA household budget has been dedicated to the conversion of tobacco-cultivated areas.[5]

The efforts around the globe for tobacco diversification reflect the intentions of the tobacco producing countries aimed at integrated and carefully monitored programs. Moreover, these efforts set an example for other countries to follow diversification in tobacco with an open mind. However, it is evident from the above examples that diversification of tobacco requires a coordinated effort from all stakeholders of the sector and it will gradually lead to successful results aimed at livelihood diversification of the tobacco industry. The current efforts are still preliminary and in a pilot phase. Hence, the actual results may significantly vary when implemented on a full scale.

The search for alternative livelihood in India

Tobacco is a drought tolerant, hardy and short duration crop which can be grown where other crops cannot be cultivated profitably. Best quality tobacco can be grown only in soils of low fertility without the need of comprehensive irrigation or a perennial water source. Tobacco in India is grown mostly as a rain fed crop. Over a period of time CTRI and its Research Stations have conducted a number of experiments on alternative crops to tobacco, tobacco based cropping systems, and non-tobacco based cropping systems.[6]The results have had varied success and various socioeconomic

factors play a large role in defining a sustainable alternative livelihood to farmers.

Framework for defining alternative livelihood for tobacco farmers

The Framework Convention on Tobacco Control (FCTC) has added a new dimension to the cultivation of tobacco crops around the world. The treaty envisages non-price, price and tax measures to reduce the supply and demand for tobacco across the world. India being a signatory to the FCTC treaty, it is imperative that the area under tobacco cultivation ought to be reduced. In order to find economically sustainable alternatives to tobacco growing, it is necessary to address not only income and crop profitability but all aspects of farmers' livelihoods.

A framework for alternative livelihoods that goes beyond crop profitability to address the problem holistically could form a bridge between academic findings and policy decisions. The livelihood approach is considered to be a good approach to implementing Articles 17 and 18 of the WHO FCTC along with economically sustainable alternatives to tobacco growing or crop diversification.

The aims of the livelihood approach are:

- To promote the establishment of innovative mechanisms for the development of sustainable alternative livelihoods
- To build up development programmes connected with the promotion of food security and feasible markets that cover all aspects of the alternatives to tobacco growing, including economic viability and

environmental protection. Government agencies, particularly those with a strong influence in rural areas, have an important role to play in supporting the diversification of livelihoods in tobacco growing regions, through an array of policies and measures, including the provision of training for tobacco workers and growers and their families. Policies and programmes for shifting to alternative livelihoods may be planned in a time-bound and phased manner.

- To develop simultaneous rehabilitation programmes for growers and workers and share the information with relevant stakeholders. The costs of adjusting supply as demand diminishes will be stretched out over decades. Thus, the transition costs will also be spread over a long period. Countries should orient educational programmes, information and data gathering and information systems in order to prevent any attempt to misinform farmers and the population as a whole. The implementation of these policy options should promote the development of sustainable alternative livelihoods for tobacco growers and workers. Tobacco growing countries should fix realistic goals and targets depending on their prevailing condition and capacity to implement strategies to provide alternative livelihood for growers and workers.

Promoting alternative livelihoods is a complex socioeconomic issue rather than a simple technical issue. The economic feasibility of alternative crops is often the key to inducing small tobacco farmers to switch from tobacco production. However, since tobacco also generates substantial revenue for governments, especially local governments, the political will to control

tobacco production may be inadequate in some cases even if a cash crop can produce higher profit than tobacco for farmers. In order to fully implement Articles 17 and 18 of the WHO FCTC, a systematic approach must be used to establish new value-added chains for tobacco farmer communities that also provide incentives and beneficial effects to society as a whole.[7]

The activities for diversification include:

- Promoting research
- Developing educational and training programmes for workers and growers
- Removing obstacles to diversification or the shift to alternatives to tobacco farming
- Curtailing policies that promote and support tobacco farming
- Identifying and regulating tobacco industry strategies that promote tobacco farming and the manufacture of tobacco products
- Mainstreaming alternative crops/livelihood options into government schemes
- Establishing mechanisms within the existing system to support alternative livelihoods.
- Setting up information and support centres for alternative livelihoods

Examples of mechanisms to support alternative livelihoods

Action	Implementation
Rural credit	Investment and defrayment of costs – with an emphasis on credit for investment and with a grace period and terms consistent with the

diversification or conversion programmes. Emphasis must be placed on credit programmes that enable value aggregation by the farmers themselves, by means of cooperative, associative or family agro-industrial

Food acquisition programmes These should allow purchase for institutional markets (such as schools, hospitals and prisons), besides enabling purchases for simultaneous distribution and for the formation of buffer stocks.

Family farming As a way of securing income and associated with family farming agricultural price assurance insurance.

Technical assistance and rural extension These should be comprehensive and qualified, and integrate state organisations, nongovernmental organisations and the farmers who to disseminate experience and knowledge.

Agrarian reform and credit These should take into account the fact that many tobacco growers are partners and leaseholders, or owners of very small land areas.

[1]Vision 2050

[2]Tobacco in Indian economy , CTRI

[3]Beyond ratification, CSIS global health policy centre , 2010

[4]Conference of the Parties to the WHO Framework Convention on Tobacco Control, fifth session, Korea, July 2012

[5]Sonja von Eichborn, Laure Norger, Alternative Livelihoods to Tobacco. Approaches and Experiences, May 2012

[6]Tobacco status paper, directorate of extension, Ministry of Agriculture, Chennai, 2006

[7]Economically sustainable alternatives to tobacco growing (in relation to Articles 17 and 18 of the WHO Framework Convention on Tobacco Control) Report of the working group, 2012