



India should use cash crops to its strategic advantage

Sunday, 23 January 2022 | Javare Gowda

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World Bank has held its growth outlook for the Indian economy at 8.3 per cent despite a global pandemic. To support growth, there would be greater demand on natural sources where agriculture holds a pivotal role. Today, we are expecting agriculture to provide alternative fuel and sustainable energy sources. In India, agriculture remains the largest source of employment. It is imperative for India to actualise the PM's vision for farmer welfare at the core of agri development.

Farm production must be aligned with good market infrastructure to enable farmers to sell their produce at reasonable prices and improve the flow of much-needed private investments in the sector for crop development and farm practices.

Many government initiatives in this regard are laudable such as National Agriculture Market (eNAM) to create a unified national market for agricultural commodities, National Mission for Sustainable Agriculture (NMSA) for enhancing agricultural productivity in rainfed areas, and digitisation.

Cash crops like tea, coffee, tobacco, cotton have a strategic role in India's international agriculture play. Take for example tobacco crops which are one of the largest foreign exchange earners with exports of `6,500 crore in 2021. Indian FCV tobacco has a new opportunity in the global market due to new-found usage in medicines for several autoimmune and inflammatory diseases, including diabetes. But for this to happen, we must invest in R&D to produce value-added tobacco products that capture growing buyer interest and thus improve the country's position as the 2nd largest exporter of tobacco.

Challenges faced by FCV farmers

Unfortunately, tobacco farming is suffering due to the actions of vested groups advocating high taxes on FCV tobacco to achieve tobacco control goals by making cigarettes unaffordable. This has resulted in reduced crop size with a decline in the acreage of land under tobacco cultivation. According to industry sources, tobacco use in legal cigarettes registered a sharp decline in the last few decades when illicit cigarettes gained market share. This contributed to shrinkage in FCV crop size by sharp 39 per cent from 316 million kg per annum to 218 million kg per annum between 2013-14 and 2021-22. Our country has also witnessed a big decline of 1 lakh hectares in FCV tobacco acreage between 2013-14 and 2020-21 which led to 35 million man-days of employment loss.

Also, FCV tobacco exports from Indian have become uncompetitive globally losing share to countries like Zimbabwe, which is catering to the international tobacco market despite its small size.

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 per cent in comparison to 0.46 per cent for the USA and 1.14 per cent for China (WHO Report). This is even though cigarettes are only 8 per cent of tobacco consumed in the country while 92 per cent is other forms of tobacco. This is in stark contrast to the rest of the world where tobacco is synonymous with cigarettes representing 90 per cent of tobacco consumption.

The World Health Organization (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 per cent in 2010 to 13.78 per cent 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.

The above situation is stressing the farm community as consumers shift to smuggled cigarettes that do not use domestic tobacco. This is besides revenue loss to the exchequer which further limits the government's ability to invest in R&D which means farmers are not able to refine their products to meet international standards or come up with other farm innovations which can increase demand for Indian tobacco.

As per FICCI CASCADE's study, the total loss to the economy because of cigarette smuggling has been `16,138 crore while the total employment opportunity lost in the sector is about 3.34 lakh.

Vested groups and flawed research reports

The problem lies in misleading data, which the policymakers are bombarded with, which limits their capacity to make informed and prudent decisions. Take for instance two separate studies conducted in 2018 and 2020 and cited in certain media articles which claim that the illicit cigarette sales figures are exaggerated.

The first study uses empty packs picked from retailers to compare legal and illegal cigarette sales, in total disregard of the fact that retailers would be hesitant to disclose that they are selling illegal cigarettes. No retailer in his right mind would save the empty pack as there is a deep fear because of coercive laws against them. Our custom laws put the onus on retailers to prove that the product being sold is a legal product. So, the researchers using this technique to understand illegal cigarette sales will only get a lopsided view.

The second study, on tax gaps, confirms a steady increase in consumption of illegal cigarettes between two time periods. Also, the proportion of illegal cigarettes as a percentage of legal ones in the two studies has a difference exceeding 100 per cent, raising doubts as to which of the figures are accurate.

It is unquestionable that smuggled cigarettes are a raging phenomenon not only in India but all international markets. It has been established through studies by reputed research firms that India is the fourth largest and fastest-growing illegal cigarette market in the world.

As per Euromonitor International, Illicit cigarette volumes in India registered a whopping 44 per cent 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 per cent in 2015 to 27.6 per cent in 2020.

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.

India has the option to use cash crops like FCV tobacco to its strategic advantage given the huge potential of tobacco in newer applications. We should not let this opportunity slip and extend all necessary policy support to the FCV tobacco farmers in earnest to capture the growing tobacco market.

(The writer is president of Federation of All India Farmer Associations (FAIFA), a non-profit federation whose mission is to support the farming community in India and create a sustainable future for farmers)

Source: <https://www.dailypioneer.com/2022/sunday-edition/india-should-use-cash-crops-to-its-strategic-advantage.html>