



# TOBACCO FARMING IN THE ASEAN REGION

March 2013

**Authors:** Dr.Rene Espino, Dr.Mary Assunta and Dr.Foong Kin

**Contributors:** Dr.Kong Mom, Mr.Abdillah Ahsan, Ms.Jennie Lyn Reyes, Ms.Tan Yen Lian, Dr.Nuntavarn Vichit-Vadakan, Dr.Uma Langkulse, Ms.Le Thi Thu and Dr.Ulysses Dorotheo

## TOBACCO FARMING IN THE ASEAN REGION

### INTRODUCTION

Although cultivation of tobacco (*Nicotiana tabacum L.*) forms a small part of the overall agricultural sector in Southeast Asia, the tobacco industry and its representatives overstate its importance and inflate its contributions to employment and economy, presenting tobacco as a lucrative cash crop and underplaying the enormous support needed to keep it viable. This report looks at tobacco farmers in the ASEAN region, the extent of tobacco cultivation, government support to assist tobacco growers, and efforts in alternative crops to tobacco. The report shows:

- The tobacco industry overstates the economic importance of tobacco cultivation;
- Tobacco farming contributes less than 0.6% to total employment in all ASEAN countries and less than 1% in the agricultural sector in nearly all ASEAN countries;
- Tobacco cultivation is subsidized and supported by the tobacco manufacturers to make it viable;
- Tobacco growers are overseen by the government through specific agencies dedicated to tobacco

### STATUS OF TOBACCO FARMING IN ASEAN REGION

The tobacco industry overstates the number of farmers involved in tobacco cultivation. About 1,030,000 farmers in total are engaged in tobacco leaf production in six ASEAN countries (Table 1); Brunei and Singapore have no tobacco farmers. The International Tobacco Growers Association (ITGA), a pro-tobacco industry group, however, claims an inflated 4 million tobacco farmers in the ASEAN region. In terms of employment, tobacco farming is insignificant and contributes less than 0.5% to employment in the agricultural sector (0.6% in Indonesia) and less than 1% of total employment in all the countries except in Indonesia where it was 1.6%. The ITGA claims Indonesia has 3.5 million growers by including clove farmers, when in reality the actual number of tobacco growers is 689,360. Only Indonesia, Thailand and Vietnam have full-time tobacco growers. In Cambodia and Philippines, farmers are not full-time tobacco growers; tobacco is only one of many crops they plant as part of their cropping scheme.

**Table 1: Contribution of Tobacco Farming to Employment in Selected ASEAN countries (2010-2011)**

	Cambodia	Indonesia	Malaysia	Philippines	Thailand	Vietnam	All countries
Total tobacco farmers	13,000*	689,360	3,024	55,533**	49,166	220,000	1,030,083
Tobacco farming to total employment (%)	0.17	0.64	0.11	0.16	0.13	0.44	0.42
Tobacco farming in agriculture sector (%)	0.31	1.61	0.84	0.47	0.28	0.90	1.02

\* Figures are for 2008    \*\* Figures are for 2011

In 2010, a total of 321,097 hectares were planted in six countries<sup>1</sup> producing a total of 340,941 metric tons. Indonesia had the highest hectarage (216,271 ha) while Malaysia had the least (3,658 ha). Annual income per household from tobacco growing ranged from US\$ 870 to 2,667 per year (Table 2).

<sup>1</sup> Southeast Asian countries involved in the study are Cambodia, Indonesia, Malaysia, Philippines, Thailand and Vietnam

**Table 2: Profile of Tobacco Farming in Selected ASEAN Countries (2010/2011)**

	Cambodia	Indonesia	Malaysia	Philippines	Thailand	Vietnam	All countries
Total number of tobacco farmers	13,000*	689,360	12,635	55,533	49,166	220,000	1,026,694
Total area planted (ha)	8,308	216,271	3,698	38,274.78	28,384.96	26,161	321,097.74
Total yield (mt)	12,861	135,678	3,140	79,092.40	62,448.78	47,721	340,941.18
Average yield(mt/ha)	1.55	0.63	1.09	2.07	2.20	1.82	1.06
Average annual income (US\$)	870	1,516	1,550	2,666.67	2,209.03	no data	1,762.34

\* Figure for Year 2008

Overall, tobacco farming is insignificant in Malaysia, Philippines, and Thailand contributing 0.82%, 0.42%, and 0.35%, respectively, to the total revenue generated by the agricultural sector in those countries. Tobacco contributed to varying levels of export earnings for Cambodia (US\$ 341 million) and Vietnam (US\$ 32,229); however Indonesia, Malaysia, Philippines and Vietnam are net importers of tobacco amounting to 41,233 metric tons valued at US\$ 200.65 million. Hence, these four countries have a negative trade balance in tobacco.

Tobacco growing is concentrated in specific areas in each country:

- a) Cambodia: Kampong Cham
- b) Indonesia: East Java
- c) Malaysia: Kelantan, Terengganu and Kedah
- d) Philippines: Ilocos Sur, La Union, Pangasinan, and Ilocos Norte
- e) Thailand: Chiang Rai, Sukhothai, Chiang Mai, Phrae, Petchabun and Roi Et
- f) Vietnam: Cao Bang, Lao Cai, Lang Son, Bac Can, Thai Nguyen, Khanh hoa, Gia Lai, Dac Lak, Ninh Thuan, Binh Dinh, Yay Ninh, Phu Yen, Long An, Binh Thuan, and Ba Ria

### **ASSISTANCE PROVIDED TO FARMERS**

Although tobacco farming forms less than 1 percent of the agricultural sector in most countries, both the government and cigarette manufacturers in each country provide assistance to farmers. This is primarily in the form of inputs such as fertilizers and pesticides for the production of tobacco leaves. Furthermore, technical assistance is provided through extension workers on the proper technology in production and post-production of tobacco to increase production and quality.

In Indonesia and Philippines, specific laws, Law No. 39 of 2007 and RA 7171, respectively, were enacted to support the tobacco farmers. In Indonesia the law prescribed that 2% of the excise tax on tobacco products is used for: 1) improvement of the quality of raw materials; 2) development of the tobacco industry; 3) social development; 4) dissemination of excise regulations; and 5) law enforcement on illicit tobacco products. In the Philippines, RA 7171, an “Act to Promote the Development of the Farmers in Virginia Tobacco-Producing Provinces”, specifies that 15% of the excise tax revenue is allotted to: a) increasing farmers income through cooperatives; b) development of alternative farming system; c) agro-industrial projects; and infrastructure projects such as farm to market roads and post-harvest facilities.

In Thailand, a more comprehensive support system is provided by the government through the Thailand Tobacco Monopoly (TTM) by providing crop insurance, educational scholarship to farmers’ children and

health examination of farmers. Cigarette manufacturers extend credit to contracted farmers for the purchase of production inputs which is deducted when the farmers sell their produce to them.

In Malaysia, the National Kenaf and Tobacco Board Act was enacted to look after tobacco growers. In addition to a subsidy on fertilizers and agro-chemicals provided by cigarette manufacturers, tobacco growers pay 25% of total costs, while the remaining 75% is borne by cigarette manufacturers. Tobacco cultivation is not viable without this support.

### **PURCHASING OF TOBACCO LEAVES**

The primary buyers of tobacco leaves produced by farmers are cigarette manufacturers, traders, and middlemen. Government controlled corporations, namely the Thailand Tobacco Monopoly (TTM) and the Vietnam National Tobacco Corporation (VINATABA) also purchase tobacco leaves from farmers.

The price and purchase volume is generally dependent on the supply and demand of the tobacco leaves as well as its quality. In Malaysia, a set fixed price is used, while in Vietnam, a fixed price is determined at the start of the harvesting season. In the Philippines, the government's National Tobacco Administration (NTA) sets a floor price on the different types and quality of tobacco. This serves as a reference price to both the farmers and buyers. While the price may be set, in reality farmers in some countries remain vulnerable to market forces and tobacco companies. In the Philippines, the buyers pay slightly higher than the floor price, but much lower than the international export/import price. Last year farmers in Indonesia complained that the sales price of first-class dried tobacco in West Java dropped by up to 40% (from Rp 50,000 (\$5.00) to Rp 30,000 (\$3.00) per kilogram) compared to 2011, when manufacturers did not purchase their leaves. In Malaysia, Philip Morris and JT International will not be purchasing local leaves as of 2013.

### **NATIONAL AGENCIES RESPONSIBLE FOR TOBACCO GROWING**

In each country a specific government agency is responsible for overseeing tobacco planting and production and for the welfare and improvement of the tobacco farmers:

- a. Cambodia: Ministry of Agriculture, Fishery and Forestry
- b. Indonesia: Directorate for Seasonal Crops, Ministry of Agriculture
- c. Malaysia: National Kenaf and Tobacco Board (NKTB)
- d. Philippines: National Tobacco Administration (NTA)
- e. Thailand: Thailand Tobacco Monopoly (TTM)
- f. Vietnam: Vietnam National Tobacco Corporation (VINATABA)

### **CROP DIVERSIFICATION IN THE TOBACCO AREAS**

Tobacco is grown either as a main crop or part of the cropping system of farmers. Crop diversification in tobacco growing areas has been implemented by farmers in all countries as part of the development program for an integrated farming system. Indonesia, Malaysia and the Philippines have a national policy on this. Alternative crops such as corn, kenaf, garlic, vegetables, sesame, castor, etc. are being grown as part of the cropping system. In Malaysia the government has a specific policy and programme to assist tobacco farmers to shift completely to alternate crops by 2020, providing farmers transitioning to kenaf (*hibiscus cannabinus*) with financial incentives (US\$751 [MYR 2,300] per hectare), bonuses and other assistance. In Indonesia shifting to other activities includes the inclusion of livestock rearing such as goat/sheep. Efforts towards alternate crops are challenged by the tobacco industry since it is

detrimental to their business. In March 2012 the International Tobacco Growers Association (ITGA) organised a meeting in Kuala Lumpur attended by farmers from several Asian countries. Following this meeting the ITGA claimed there are no viable alternatives to tobacco although at this meeting the Malaysian government explained its support for alternate crops.

## **FAMILY LABOR IN THE FARM**

Tobacco cultivation is highly labour-intensive, hence family labor, including child labour, is used in all the six countries. Children take part in all tobacco farm activities from planting to harvesting to post-harvesting handling of tobacco, particularly in stringing of tobacco leaves in preparation for drying them. Children and adults (mainly women) working with tobacco are at high risk for green tobacco sickness, caused by dermal absorption of nicotine from contact with wet tobacco leaves. Children working with tobacco are also denied educational opportunities that could help lift them out of poverty.

## **CONCLUSION**

The tobacco industry overstates the importance of tobacco cultivation's contribution to employment and economy. Tobacco farming contributes less than 0.6% to total employment in all the countries and less than 1% of the agricultural sector in nearly all ASEAN countries. Tobacco cultivation is subsidized and propped up by tobacco manufacturers to make it viable. It is not tobacco control that ruins farmers but rather tobacco manufacturers who pose problems to the farmers. Tobacco cultivation is labour and capital intensive. Many tobacco farmers would like to switch to alternatives, but often face considerable challenges, including access to credit, markets, technical assistance, inputs and skills. Assistance to reduce these barriers, protected from interference by the tobacco industry, will assist small farmers in securing long-term sustainable livelihoods.

Under Article 17 of the WHO Framework Convention on Tobacco Control (FCTC), Parties agree to promote economically viable alternatives for tobacco workers and growers. This is to be undertaken by Parties in cooperation with each other and with international and regional intergovernmental organizations. Under Article 18, Parties agree that they will protect the environment and the health of persons in respect of tobacco cultivation and manufacture within their countries.

### **References:**

1. Ministry of Agriculture, Forestry and Fisheries. (2011). Agriculture Statistics. Cambodia.
2. Office of Agricultural Economics. (2011). Agricultural Statistics of Thailand. Retrieved from [http://www.oae.go.th/main.php?filename=journal\\_all](http://www.oae.go.th/main.php?filename=journal_all)
3. Ministry of Agriculture and Agro-based Industry AgroFood Statistics Book. Malaysia.
4. National Kenaf and Tobacco Board. (2010). Annual Report. Ministry of Plantation Industry and Commodities. Malaysia.
5. Bureau of Agricultural Statistics. (2011). Crop Statistics of the Philippines. Republic of the Philippines .
6. Ministry of Finance. (2011). Economic Report 2010/2011. Malaysia.
7. Espino, R.R.C., Evangelista D., and Dorotheo, E.U. (2009). Survey of Tobacco Growing Areas in the Philippines. Bangkok. Southeast Asia Tobacco Control Alliance.
8. Office of the National Economic and Social Development Board. (2010). National Income of Thailand, chain volume measures 1990-2010. Retrieved from <http://eng.nesdb.go.th/Default.aspx?tabid=94>
9. Ministry of Industry and Trade. Vietnam. (2012.) Project Report on Management of Tobacco Production and Develop the Tobacco Planted Area. Retrieved from <http://ttm.vecita.gov.vn/dstk.aspx?New=329E&CatelD=103>
10. National Kenaf and Tobacco Board. (2010). Tobacco Statistics 2010. Ministry of Plantation Industry and Commodities. Malaysia.
11. National Institute of Statistics. (2010). Socio-Economic survey. Ministry of Planning. Cambodia.
12. Statistics from General Statistics Office. Vietnam. Retrieved from <http://gso.gov.vn/default.aspx?tabid=387&idmid=38&itemID=12847>
13. National Institute of Statistics. (2011). Statistical Yearbook, 2011. Ministry of Planning, Cambodia.
14. The Center for Population Study. (2009.) The Study on Tobacco Farming. Royal University of Phnom Penh. Cambodia.