CYCLE OF POVERTY IN TOBACCO FARMING

TOBACCO CULTIVATION IN SOUTHEAST ASIA

Southeast Asia Tobacco Control Alliance (SEATCA)
September 2008
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Introduction

By 2030, smoking will cause ten million deaths a year. It is estimated that 70% of these deaths will occur in developing countries -- a staggering 50% increase from present estimates. Present figures and projections on tobacco related deaths in developing nations are clear evidence of the losses incurred by tobacco use and cultivation. Alarmingly, it is in these same nations where tobacco cultivation and consumption now reach higher proportions. Though campaigns aimed at reducing demand for tobacco have achieved fair success, the prospects of reducing tobacco supply seem less promising. Tobacco remains an attractive crop for farmers. Its cultivation utilizes significant portions of agricultural land in the region that might otherwise have been used for much-needed rice or other food crops. Tobacco agriculture is further encouraged by support from the tobacco industry and cigarette manufacturing companies. Further scrutiny however reveals that the harmful effects of tobacco farming and tobacco use far outweigh the immediate benefits touted by the tobacco industry. Harmful effects on health, problems related to marketing and selling tobacco products, and damage to the environment are just some of the ruinous long-term outcomes of tobacco farming.
are just some of the ruinous long-term outcomes of tobacco farming. Tobacco companies however downplay these while floating a promise of short-term prosperity to farmers. The chronic cycle of poverty thus afflicts both smokers and tobacco farmers alike. Ultimately, the main beneficiaries of tobacco cultivation are the transnational companies whose earnings far surpass the GDPs of many developing nations. In 2002, the combined earnings of the three largest cigarette manufacturing companies (Phillip Morris, Japan Tobacco and British American Tobacco) was pegged at US$ 121 billion.\textsuperscript{4} If tobacco control is to be effectively implemented, tobacco supply should be addressed and support be given to current tobacco farmers to enable a shift from reliance on to total independence from tobacco.

This report reviews the links between tobacco use, poverty and tobacco farming as a step towards a more efficient implementation of tobacco control measures in the region. It presents data from studies conducted in the ASEAN particularly Laos, Vietnam, Cambodia and the Philippines on tobacco cultivation and the burdens faced by tobacco farmers. It highlights the fact that the long-term outcomes of tobacco cultivation far outweigh its immediate benefits and is aimed as a guide for policy makers in coming up with measures to address tobacco supply.

Smoking fuels poverty. Cigarette spending channels resources away from welfare-enhancing expenditures like food, education and health. The Philippines’ poorest households spend about 2.5% of household incomes on tobacco, more than clothing, education and healthcare.\textsuperscript{5} This disproportionate expenditure on tobacco is the same for the poorest households in Indonesia, Myanmar and Bangladesh.

At least 15% of disposable income goes to tobacco products for poor households in Indonesia, while 5% of households’ incomes for the urban-dwelling poor in Myanmar are allocated to tobacco products. Spending on tobacco in Bangladesh exceeds expenditure on basic needs by about 40%.\textsuperscript{6}
High tobacco consumption among the poor means a larger proportion of their incomes is funneled to tobacco thereby reducing household disposable income.\(^7\) Tobacco spending has placed many households below the poverty line in Vietnam.\(^8\) The annual spending on tobacco would easily cover a US$ 69.44 million deficit in the Cambodian national budget — resources that could well be used for reconstruction projects.\(^9\) Consequently, this exacerbates the widening gulf between the rich and the poor in many developing nations.

**While the poor have scant information about the harmful effects of smoking, they consume more cigarettes than the rich.**

The burdens of smoking both in terms of health and finances are also imposed on non-smokers, as acknowledged even by the World Bank. Smokers face a high risk of premature death, robbing households of primary income earners. Smoking related illnesses are also fatal and disabling. Non-smokers also suffer health damage from exposure to tobacco smoke. Both individual households, markedly the poorer ones, and national governments suffer economic losses from tobacco use and supply.
Bubble Benefits
The myth of profits from tobacco farming

Tobacco consumption and production have reached alarming proportions in developing nations. The claims of prosperity for tobacco cultivation by tobacco companies deliberately obscure the downsides of tobacco farming. Tobacco is grown in over 120 countries utilizing more than 4 million hectares of agricultural land. Recent studies show that tobacco cultivation increased three-folds in developing countries. If this continues, more than 85% of the world's tobacco will be grown in these countries by 2010. Tobacco remains an attractive crop to farmers because it is less perishable than other crops, its global market price remains stable compared to other agricultural crops. Farmers' familiarity with tobacco cultivation is also aided by technical support and loans from tobacco companies and the tobacco industry.10

Across South East Asia the number of farmers employed in tobacco cultivation is small compared to overall national employment. The tobacco industry in Cambodia expanded when the Royal Government adopted a free market economy, encouraging private investor participation. Despite recent declines in tobacco production, it remains a lucrative endeavor for farmers.11 Tobacco plantation areas are evenly distributed in Laos PDR, the largest plantations are in the provinces of Khammouane, Bolikhamxay and Savannakhet. Cigarette companies contracted farmers from these provinces to plant tobacco.12

Farmers in the Philippines cite profitability, market availability, and availability of farm inputs, climate suitability and familiarity with tobacco production technology as reasons for choosing tobacco over other crops. In these circumstances support for tobacco cultivation however, comes largely from cigarette companies allowing them greater room for the manipulation of tobacco purchase prices. Tobacco companies argue for tobacco farming's creation of jobs.

A 2003 International Labor Organization research shows that employment in tobacco manufacture and farming are in steady decline. In the Philippines, tobacco-related jobs constitute less than 1% of the total employment despite increases in cigarette production.13 This figure is echoed by the tobacco industry's share of total employment in Vietnam – 0.32% in 2000.14 Thus, tobacco control will not result to massive job losses as earlier feared. If spending on tobacco is channeled to other expenditures then jobs will be created in other sectors.

Actually, tobacco workers in developing and transitional economies do not benefit from the high added value of the product, and tobacco manufacturing employment is declining, despite the sector's expanding markets and increasing output.15
Tobacco production is a small part of most economies.\textsuperscript{16} Tobacco control will not result to a net loss of jobs and re-channeled spending will in fact create job gains.

Revenues from tobacco cultivation may appear advantageous to both farmers and national governments at the outset. Despite recent declines in production in Cambodia, the crop remains a lucrative income source for farmers. But while tobacco cultivation may seem profitable, growing rice or corn appears to have higher yields and profit. Tobacco framers however, perceive that they have greater profits from tobacco produce because their gross income is higher.\textsuperscript{17} Tobacco farming households surveyed both in Vietnam and Cambodia do not rely on tobacco as a main source of income. If markets for alternative crops can be made as stable as that for tobacco, then present tobacco farmers will be encouraged to shift to alternative crops which are as profitable and are less hazardous to their health and the environment.

Many tobacco farming households in Vietnam and Cambodia do not rely on tobacco production as a main income source. Government revenues from tobacco production also fall behind projected amounts.

Revenue from tobacco production is relatively high, but the cost is also high relative to other crops.

Health problems reported amongst tobacco farming households include dizziness, weakness, headache, fever, nausea, cough, flu, suffocation, hypertension, and fatigue. This translates to higher medical expenditures for current tobacco farmers more than non-tobacco farmers.\textsuperscript{18} Children and adults who handle wet tobacco leaves suffer from Green Tobacco Sickness (GTS). GTS symptoms include nausea, vomiting, weakness, headache, dizziness, abdominal cramps, breathing difficulties and fluctuations in heart rates and blood pressure. Tobacco growers in the Philippines are relatively young, 80\% or more are between 21 and 60 years old. These farmers’ exposure to tobacco leaves places them at high risk
for tobacco-related illnesses. Tobacco cultivation also places farmers at high exposure to strong pesticides and fertilizers, often handled without protective gear. This, on the other hand causes poisoning, skin and eye irritation as well as nervous and respiratory disorders and damage to the kidneys.\textsuperscript{19} Farmers are exposed to these health hazards at the prime of life, curtailing productivity in later stages of life. Tobacco consumption is also relatively high in tobacco farming households. Tobacco farmers in Cambodia tend to smoke an average of 11 to 20 cigarettes a day or chew 1 to 5 tobacco quid daily.

Tobacco cultivation is labor-intensive and employs entire tobacco farming households in most stages of planting, harvesting, curing and marketing. Women and children in tobacco farming households participate in tobacco farming activities. According to interviews, children as young as 7 are involved in tobacco farming-related activities in Vietnam which places them at early exposure to tobacco and pesticide-related illnesses like increased cancer propensity, immune system dysfunctions and nervous system malfunctions.\textsuperscript{20} Flue curing illustrates the labor-intensive nature of tobacco farming. The curing of tobacco leaves demands vigilance in keeping the curing oven’s temperature even; this requires farmers to stay up for long hours and several days to ensure that the leaves dry properly.

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<th>Regional Tobacco Farming Workforce in Southeast Asia</th>
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Tobacco farmers likewise encounter a multitude of problems in marketing their crop. Farmers soon discover that they do not have real bargaining power when selling their harvest. In Cambodia, where farm buyers and BAT buy produce from tobacco farmers, these problems include distant buying stations and low prices.\textsuperscript{21} These problems are intertwined with and result from financing and assistance structures given to farmers. Credits are often provided by non-formal lending institutions while transnational companies (BAT in Cambodia, for example) provide farm input and technical assistance. Tobacco prices become highly susceptible to manipulation and farmers are forced to limit their markets because of agreements entered into with lending institutions and cigarette companies. This binds farmers to cycles of debts to repay farm input loans.\textsuperscript{22} “Contract growing” results to higher interest rates and low prices because of loan conditions. Tobacco growers in the Philippines cite these exploitative practices as causes of progressively lower incomes from tobacco farming.\textsuperscript{23} Price supports and subsidies make little sense in a framework of sound agriculture and trade policies. Their most significant function is perhaps political, enlarging the number of people with a vested interest in tobacco production.\textsuperscript{24}
Deforestation and Environmental Damage

The demands of tobacco growing on farmers, their households and the environment are alarmingly high. An estimated 200,000 hectares of forests and woodlands globally are cut down each year because of tobacco farming. Tobacco also leaches nutrients from the soil as well as causing pollution from use of various pesticides and fertilizers. Majority of tobacco farmers use flue curing for drying tobacco leaves. In the Philippines, wood is collected from forested patches in hills. In Cambodia alone, 63% of tobacco farmers use this method using 27.5 cubic meters of wood per ton of tobacco leaf.

The “prosperity” promised by transnational companies are clearly unsubstantiated. Many tobacco farming households in Vietnam and Cambodia do not rely on tobacco production as a main income source. Government revenues from tobacco production fall behind projected amounts. In Cambodia, a survey on tobacco farming shows that tobacco farms’ productivity have declined in the last three years further pushing down the income of farmers and their purchasing power.

Many countries are net importers of tobacco leaf and tobacco products, losing millions of dollars each year in foreign exchange. In 2003, two-thirds of 161 countries surveyed imported more tobacco leaf and tobacco products more than they exported. The disproportionate contribution of the tobacco industry in Vietnam’s national budget (one third of total spending on tobacco by Vietnamese smokers) illustrates the bloated projections of transnational companies for tobacco cultivation. In Laos, three percent of tax revenue comes from tobacco leaves while one percent comes from cigarettes. In the end, only the transnational companies reap the greatest benefits from tobacco farming. Most tobacco farming households do not rely on tobacco as a main source of income. Decline in productivity, low fetching prices for crop, indebtedness, health and environmental hazards clearly put tobacco farmers and their families at a clear disadvantage. Government revenues do not substantially earn from tobacco production either.
What the Tobacco Industry’s Internal Documents Reveal

While tobacco companies publicly inflate the economic contribution of tobacco farming, their internal documents reveal they had concerns about local tobacco in parts of Southeast Asia. They did not hesitate to take calculated action that benefitted them, rather than the farmers. One concern was that locally grown tobacco was of poor quality or had low nicotine and hence had to be mixed with imported leaves to manipulate nicotine content. A 1988 Phillip Morris document reveals that a ‘Burley’ cultivation project in Perlis, Malaysia was terminated because of its ‘unacceptable’ quality.

Low-quality tobacco leaves were either used for cheap cigarettes or destroyed. A 1992 RJ Reynolds report on cigarette duties in Malaysia show that the RM50.00 or approximately USD20.00 duties provide an artificially high price support for the local tobacco industry. RJ Reynolds used these rates to show how Malaysia was not acting “within the spirit of free trade”.

Tobacco companies also selectively choose those who they will invest in and consequently buy produce from. In Cambodia, a 1996 BAT document shows them selectively buying tobacco leaves “of desired quality” to “meet with blending needs” while pushing down prices of lower quality leaves. An RJ Reynolds marketing document shows a similar practice in Malaysia, where purchase of tobacco leaves with higher nicotine content was recommended.

Tobacco companies also used third parties to lobby the authorities to enable them to use higher pesticides levels. A ZOECON Corporation correspondence showed they were used to lobby the Malaysian government to permit higher pesticide residues. Tobacco farmers were also used to fight restrictions and legislation on smoking.

A BAT document cites Malaysian tobacco farmers and curers as ‘target audiences’ in these campaigns. These companies ignored the welfare of tobacco farmers as they were concerned solely with making profits. Despite evidence that shows poor quality of tobacco produce from farms in the region, wealthy transnational tobacco companies were able to manipulate local tobacco markets for bigger profits. Farmers however remained vulnerable to the business conditions.
Crafting Alternatives: Sustainable Options to Tobacco Cultivation

Farmers in Ilocos, Philippines are reluctant to give up tobacco farming because they lack technical knowledge in growing other crops. A news report however, cites their willingness to grow corn as an alternative crop if technical assistance is provided them.\textsuperscript{33} If resources can be channeled to agriculture infrastructure for alternative crops such as corn, rice, barley, fruit and industrial crops tobacco farmers will be encouraged to give up tobacco farming largely reducing tobacco production on a global scale.

Although the cost of tobacco production in Malaysia is one of the highest in the world, the tobacco industry over the years maintained that tobacco cultivation is a lucrative cash crop. However it is now evident that the expensive tobacco in Malaysia cannot compete with the cheaper tobacco in the region. Both farmers and farm acreage have dropped significantly. Tobacco farmers decreased from over 23,000 in the 1990s to about 10,000 currently. Tobacco farming in Malaysia is now in transition into an alternate cash crop – kenaf [\textit{Hibiscus cannabinus}, a plant in the Malvacea family]\textsuperscript{34}

Imposing uniform taxes on tobacco benefits poorer households because income previously wasted on smoking is allocated to more welfare enhancing expenditure such as education, health and food. High tobacco taxes translate to significant declines in demand and consumption, lower rates in smoking-related deaths and illnesses.

Government revenues greatly benefit from higher tobacco taxes. In Malaysia, although consumption is falling the government collected RM437 million from cigarette excise taxes, 23\% more than it would normally earn.\textsuperscript{35} Various measures to reduce tobacco demand and consumption can alleviate poverty and increase government revenues. Tobacco control should thus be integrated into poverty alleviation strategies. Information on the costs of smoking and the perils of tobacco cultivation should also be widely disseminated. These strategies may vary and may include public education programs, a stronger national tobacco control strategy, annual increases in cigarette taxes and support for tobacco farmers to enable them to switch to alternative crops. This is projected to take place gradually allowing present tobacco farmers to shift to farming alternative crops if adequately supported.

The need for such strategies has never been more urgent as tobacco related deaths reach new alarming heights in the region’s developing countries. Addressing tobacco production means curbing tobacco farming activities and revealing tobacco cultivation’s feeble promise of prosperity. Channeling resources to alternative crops enhances the sustainability of farmer’s livelihood consequently creating ripple benefits for poorer households and allowing governments to fund social reconstruction projects.
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