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Shifting tobacco farming and transforming attitudes

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- **IPS research study on shifting tobacco farming towards alternatives notes need for busting myths on tobacco farming**

The time is apt for the Government of Sri Lanka to promote the identified alternatives to tobacco farming. However, the prevailing myth that tobacco is a lucrative enterprise and that any control on tobacco farming would destroy the livelihoods of smallholders will present some challenges in shifting tobacco farmers to other alternative crops, despite research indicating that tobacco farming is not a particularly lucrative enterprise for most smallholder tobacco farmers in Sri Lanka.

These recommendations and observations were made in a study titled “Transforming Tobacco Farming in Sri Lanka: A Value Chain Analysis”, which was issued by the Institute of Policy Studies of Sri Lanka (IPS) and had been conducted by IPS research fellow Manoj Thibbotuwawa, IPS research economist Dilani Hirimuthugodage, and IPS research officer Nimesha Dissanayaka.

Although in 2017 the Government announced that tobacco cultivation in the country would be banned by the end of 2020, as part of an initiative to curb tobacco use, and had introduced a programme for tobacco farmers to shift to alternative crops, the timeline for the ban has already lapsed without the desired outputs, and the Government presently monitors tobacco cultivation but does not support tobacco production unlike other crops cultivated in Sri Lanka. This is in a context where the latest statistics indicate a significant decline in the cultivated area and production, leaving only 1,142 hectares (ha), a mere 0.04% of agricultural land, and a production of 9,224 metric tonnes (MT) in 2020, according to the study report.

Shifting to better alternatives

The study highlighted the widespread belief that a shift from tobacco to alternative crops is essential due to its negative consequences. “Tobacco cultivation has been identified as a social stigma because of the long-term impacts on the environment and livelihoods, which appear to exceed the short-term benefits such as income generation and employment creation. Further, a growing body of literature highlights the global negative consequences of tobacco cultivation, including high labour

requirements for its cultivation, environmental degradation, and health risks associated with leaf harvesting and leaf curing,” the report added.

With regard to farmers’ expectations from an alternative crop programme, the study highlighted that certain factors have led to farmers continuing to grow tobacco, despite the availability of alternatives. Thus, the most pressing challenge is identifying ways to transform tobacco farmers without destroying their livelihoods. The study results show that 28% of the farmers expect a subsidy for plant materials and inputs such as fertiliser. While 26% of farmers cited an assured market for the new crops as the main expectation, 22% are in favour of the Government extending support, followed by 19% urging well-established contracts.

In addition, it pointed out that the overall contribution from tobacco farming is minimal in terms of employment, the extent of land cultivated, and the production of tobacco farming in the agriculture sector. Despite tobacco farming being insignificant in Sri Lanka and the policy support for tobacco cultivation being minimal, the report noted that farmers still cultivate tobacco for various reasons.

In response to the question regarding why farmers decided to start growing tobacco, farmers had cited the perception that tobacco is easily manageable, drought tolerant, highly profitable, and is a crop with an assured market, while in response to the question as to why they still cultivate tobacco, most of them had cited the same reasons.

Moreover, the study analysed the potential for transforming tobacco farming through possible alternative cropping strategies in the country. It also described the tobacco-related value chain in the country and assessed the farm-level economies of tobacco cultivations on alternative crop cultivations. The factors that determine the initiation and continuation of tobacco cultivation were also looked into as part of the project. It found several crucial features of tobacco farming that could help policymakers to better evaluate any potential of transforming to alternative cropping strategies.

The report said that the study strongly demonstrates that tobacco farming is not a particularly lucrative enterprise for most smallholder tobacco farmers in Sri Lanka: “It has demonstrated that both contract and independent farmers largely depend on family labour in leaf production because of the high intensity of labour required in the production process. In particular, around 50% of the aggregate labour used in leaf production among independent farmers is family labour. In contrast, for contract

farmers, the family contributes 55% of the total labour used in leaf production.” Once the value of family labour is incorporated, the report added, its actual profits diminish drastically. It further said that accordingly, when family labour is not considered, tobacco farmers perceive that they make a significant profit and that therefore, without accounting for family labour in the calculation of profits, tobacco farmers hold the view that tobacco farming is a lucrative enterprise.

Another conclusion was that tobacco farming does not provide a better living for most farmers than other crops. Noting that where average farmer profits are concerned, the amount of profit accumulated by tobacco farmers is significantly less than for chilli, brinjal, carrot, bitter gourd, cabbage, and big onion farmers, the report said that these would offer excellent alternatives for tobacco producers who face a great deal of uncertainty due to the local and global tobacco control movements. Also, there is a relatively small difference between big onion and tobacco profits, although the inherent problem of marketing these crops makes the transformation more challenging than it should be, according to the report.

“It appears that many farmers’ expectations of high profits, lower costs, and fewer pests in tobacco cultivation were not met,” it was noted. “Yet, many farmers continue with tobacco cultivation because of easy crop management, drought tolerance, contract-related benefits, and an assured market. It noted that the perception of a lack of viable alternatives that could match tobacco cultivation is likely to play a significant role in farmers’ decisions concerning switching crops.

The study also found that while females and youth are interested in leaf cultivation as a household activity, youth participation in tobacco farming as a livelihood activity is low. This finding of lower levels of youth involvement, the report said, disputes the industry’s claim about the lucrative nature of tobacco farming. It added: “The prevailing myth that tobacco is a lucrative enterprise and that any control on tobacco farming would destroy the livelihoods of smallholder tobacco farmers will present some challenges in shifting tobacco farmers to other alternative crops. On a positive note, a favourable policy environment exists for getting farmers to switch to alternative crops, contributing to export revenue and farm income and improving food security. Tobacco cultivation has been sidelined to accommodate agribusiness partnerships for high-value food crops in the economic development strategy presented in the Vistas for Prosperity and Splendour national policy framework. Also, the National Export

Strategy, which provides the roadmap to achieve Sri Lanka's export vision, has paid special attention to food and beverage crops, which could be better alternatives for tobacco. Also, the current agricultural policy and the draft overarching 2019 agricultural policy of the Government do not view tobacco cultivation as a strategic priority.

Policy, financial, and practical needs

Based on the findings of the study, several recommendations were presented following a framework consisting of market-driven investment, science and technology-driven innovation, and targeted policy reforms to help farmers transform to alternative cropping strategies. The four essential elements of this framework were identifying alternatives, enhancing productivity, facilitating commercialisation, and strengthening policy.

It was recommended that the Government identify economically sustainable alternatives, which the report said could be built on the already identified alternatives such as chilli, brinjal, carrot, bitter melon, cabbage, and big onion, which have the potential to support the livelihoods of tobacco farmers when they switch from tobacco. New technologies that can enhance agricultural productivity and income and also build farmers' resilience should be developed and applied through timely and reliable extension services. As part of this recommendation, it was proposed to promote public sector resource allocation for demand-driven and participatory agricultural research and extension schemes that promote stakeholders, including people involved in the agriculture industry, directly or indirectly, and to also propagate the concept of farmers and consumers working jointly to identify problems and develop solutions.

“Collaborations between the National Agricultural Research System, national universities, the private sector and other entities involved in agricultural technology development and dissemination with the private sector should be fostered. Likely, profitability enhancements through these interventions will make switching more attractive to tobacco farmers. Dedicated investments to store and transport perishable products with the partnership of private entrepreneurs and intervention will create the market conditions necessary for long-term sustainability.”

The study report further recommended that agricultural extension services should be strengthened for the more reliable and timely delivery of inputs and information

dissemination. “The importance of the timely availability of inputs has been highlighted as a major issue in agriculture in Sri Lanka. This may lead to farmers buying those inputs at a higher price, thus negatively affecting farmers’ profitability. This suggestion aims to match the situation where tobacco farmers can receive the inputs on time at a subsidised rate since the contract buyers provide these,” the report said, adding that the post-Covid-19 situation could be considered an opportunity to familiarise farmers with digital agri-extension services and information systems through mobile applications and short messaging services to obtain market and price related information.

Making investments in inclusive business models and value chains to facilitate commercialisation was also a recommended step. In this regard, the report said that while current Government initiatives such as the Smallholder Agribusiness Partnership Programme would provide an ideal platform to integrate smallholder farmers with dynamic value chains, farmer organisations could be strengthened to involve agricultural marketing and linkages with modern value chains. Even though some cash crops such as peanut, maize, radish, tomato, and pumpkin are less profitable than tobacco, developing value chains for these crops would give them an advantage over tobacco farming, according to the report. “The reason is that poor agricultural marketing with the intermediaries earning excessive profits at the cost of farmers due to various structural and operational deficiencies in the value chain is a perennial problem in Sri Lankan agriculture.”

Another recommendation was to strengthen the said policy framework to create an enabling environment for these new livelihoods and also business strategies through targeted policy and resilience-building action. In this regard, the report said: “This may include developing the rural agricultural financial markets and farmers’ financial literacy. One of the primary reasons farmers agree to low farm gate prices is the advance loans and other physical inputs that they receive from buyers. Since farmers’ access to formal credit is limited, they are compelled to resort to existing networks to borrow money informally, thus pushing them into a less-than-beneficial sales contract. Inadequate resources, including affordable credit for commercialising and modernising agriculture, have been a longstanding issue in agriculture. Thus, concessionary credit schemes and simple procedures in providing loan facilities for agricultural activities and agriculture-based industries should be introduced through

State and private banks especially targeting youth and females. The importance of financial literacy was evidenced because some farmers continue to believe that tobacco is a lucrative crop with no other profitable alternatives, which is not the case.” In addition, it said that these measures to incentivise small farmers should be coupled with measures to disincentivise the manufacturers to prevent existing non-tobacco farmers from joining the industry. Explaining that in Sri Lanka, a robust tobacco control regime is evident, with laws covering various aspects related to restrictions on smoking in public places, packaging and labelling-related requirements, tobacco advertising, promotion and sponsorship, and offences and penalties, it was recommended that continuing price increases through tobacco taxation should be adopted with greater awareness creation.