

CONTRACT FARMING IN BANGLADESH: POLITICAL ECONOMY OF TOBACCO CULTIVATION AND PROCESSING

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CHAPTER XIII

CONCLUSION AND RECOMMENDATION TOBACCO

Tobacco cultivation can be basically termed as ‘*Contract farming*’, because in majority of the cases the cultivation of tobacco is contracted with a large business organization or multinational company. The tobacco cultivation although earning a lot in addition in the form of government taxation and wage of the employees and labourers, majority of the impacts of this cultivation have negative or adverse effect on health, economic, social and environmental conditions. Most of the profits made from tobacco cultivation or manufacturing of cigarettes and *bidi* is concentrated in the hand of a very few, while most of those who are working to produce tobacco remain extremely poor and marginalized.

In Bangladesh, mainly British American Tobacco Bangladesh Company Limited (BATB) has been operating as the major sponsor or contractor of contract farming in the tobacco cultivation for many years. Through the contract farming agreement, BATB provides credit to the farmers in the form of seeds, fertilizer, pesticides and technical support. The farmers are usually obligated to sell tobacco leaf to the company at a set price.

Tobacco has been cultivating in the country since its independence in 1971. There are different kinds of tobacco in Bangladesh: a) Cigarette-tobacco, b) Bidi-tobacco, c) Hukka-tobacco, and d) Churut-tobacco. Tobacco cultivation starts from Seedbed Works in August-September continues till Transplanting, and ultimately Harvesting and Curing in January-February. There are four curing methods- a) Air curing, b) Flue curing, c) Sun curing, and d) Fire Curing. After curing, the farmer grades the leaves and packs them into ‘bales’ for sell.

The dependent population, like- women and children are working effectively in tobacco cultivation. About 72 percent of contract farmers hold cards of BATB and the next are holding cards of Akij tobacco. As reported, the main reasons for cultivating tobacco are: more profit , less risk , loan/credit/ fertilizer/ seed more/easily available , contract farming profitable, less hassle in selling product, and cultivate hereditarily.

The mean amount of land cultivated under tobacco by each household has more increase in the hilly districts. Regarding the future plan of expanding or lowering tobacco cultivation, three-fourth of the households plan of cultivating in the same amount of land and of expanding tobacco cultivation, and one-fourth plans of lowering tobacco cultivation and of stopping tobacco cultivation.

The non-tobacco cultivators mainly cultivate potato during tobacco season, followed by Boro, Aman, wheat, maize, sweet potato, and winter vegetables. Farmers invest in tobacco in spite of its lower net return per *bigha* is lower than the net return of potato, winter vegetables, chili, and onion.

The total number of direct employees of BATB is 1,300, and the number of indirect employment including farmers, distributors, and suppliers associated with BATB is 40,000. In 2006 the company’s turnover amounted to Tk. 35 billion, up by 19 percent from 2005. The net profit of the company (profit after tax and interest) increased by 55 percent from 233 million Tk. in 2005 to 362 million Tk. in 2006. Tobacco exported by BATB was worth US \$ 13 million in 2006. The total amount of tax paid to the government by the BATB was Tk. 24.59 billion in 2006.

Average annual bidi production is approximately 82 billion sticks. Akiz Company has the major market share in bidi production with 24 percent. Six large companies (Akiz, Aziz, Nasir, Sonali, Karikar, Abul) share about 50 percent of the total bidi production. Rangpur and Kushtia are recognized districts for bidi production. The socio-economic indicators presented here amply demonstrate that most *bidi* workers live under harsh conditions. This is clearly reflected in education, income, land holding, and household assets of these households.

Tobacco depletes soil nutrients at a heavy rate, as it requires regular inputs of chemical fertilizers. Apart from depleting soil nutrients, cultivation of tobacco involves extensive use of pesticides which have negative impact on cultivation of crops in the neighboring land and poison farm-workers and cause chronic health problems. It has been reported that tobacco is responsible for 30 percent of annual deforestation of Bangladesh. The tobacco produced in CHT and Meherpur is of highest variety, Kushtia the next, and Rangpur is the lowest. Out of these six districts, the tobacco companies, especially BATB provides more facilities in CHT districts. In Kushtia, tobacco is cultivated along with rice in some areas, to make it more profitable.

Health and illness is directly being affected among tobacco-cultivators through increasing smoking and leaf chewing practices as well as through cultivation and drying of tobacco leaves. The mean age of death in tobacco cultivating households is during last ten years was 55 years, which was about 11 years less than non-tobacco cultivating households in these areas. The tobacco related diseases like - Green Tobacco Sickness (GTS), Cancer, Acute cough, Chronic cough, TB, and Heart disease were reported in higher proportion of tobacco cultivating households. Most of them take service from village quack doctors (around half), and the next are MBBS doctors (around one-third). The tobacco-laborers and workers from the *bidi factories* don't get any support for health care from the companies. Only 9 percent of tobacco cultivating farmers received 'prescription services' from BATB.

Employment in agriculture sector of tobacco has reduced over time, although employment in its manufacturing sector tends to show increase. Official statistics suggests that share of tobacco manufacturing constitute less than 1 percent of all manufacturing employment, and according to knowledgeable sources, annual employment only in *Bidi* manufacturing amounts to 621,000, with 155,000 direct/full time employees (in the manufacturing industries) and 466,000 indirect/part time employees (who work at home as sub-contract).

The tobacco cultivators are calculating the *benefits of tobacco cultivation* in three ways- (i) facility to work in own field, (ii) getting fertilizer for the field, and (iii) having guaranty to sell dried tobacco leaf without any hazard of storage and damage. And, the *benefits of domestic usage of tobacco* are derived in two ways: (i) tax revenue collected on domestic tobacco consumption, and (ii) net wages (wages minus individual consumption) earned in the tobacco sector. Total benefit amounts to Tk. 28.3 billion, with 20.3 billion in revenue earnings and 8 billion in wage earnings per year approximately. Bangladesh is a net importer of tobacco products, and the trade balance through *cross-border trade of tobacco* becomes negative by importing cigarette. Thus, the present estimate of the benefits of tobacco usage would be discounted if the negative contribution of tobacco to the trade balance of the country is accounted for.

Changes in tobacco cultivating households after its cultivation reported are- 2.7 times increase in exposure to tobacco leaf, 1.6 times increase of smoker in house, 4 times increase of tobacco chewer, and 2.5 times increase of Green Tobacco Sickness. The average health care cost of tobacco-cultivating households per year was Tk. 2862 during last one year. This average was Tk. 408 higher than those of non-tobacco cultivating households. Receipt of health services be them from the tobacco companies is a rare event.

According to Acharya et al, 2006, the *total annual costs incurred due to tobacco-related illnesses* amount to Tk. 110, 149.1, 189.5, and 228.6 billion respectively for 25 percent, 50 percent, 75 percent and 100 percent attendance of patients suffering from tobacco-related illnesses for hospital care. According to our current study, 77 percent of the total costs of treatment of tobacco-related illnesses are share of tobacco-cultivators. Thus, cost of receiving services by the tobacco-cultivating households for tobacco-related illnesses would be Tk. 84.7, 114.8, 145.9 and 176.0 billion respectively for 25, 50, 75 and 100 percent attendance for hospital care. Then, deducting the total benefit (28.3 billion taka) from the total cost of treatment imposed on society directly due to tobacco cultivation, the net cost would be Tk. 147.7 billion or US \$ 2.01 billion per year, if 100 percent of the tobacco-related patients receive care.

Considering all these negative points on cultivation of tobacco and manufacturing of tobacco goods, especially health effect on the farmers and labourers, food security of the country, low payment to the labourers and concentration of benefit in the hand of a very few, tobacco cultivation can no more be encouraged and should be replaced by cultivation of suitable food crops.

RECOMMENDATIONS

- As Bangladesh is a food-deficit country, considering the issue of food security of the country, the government should encourage cultivation of alternative crops and provide easy credit facilities and other supports to the farmers. For this purpose, area-wise research should be done for selection of specific crops.
- Government should take effective measures to ensure easy availability and accessibility of seeds, fertilizer, and other inputs to the farmers, so that they are encouraged to invest in food crops rather than tobacco.
- For cultivation of food crops having better gross margin, govt. should encourage contract farming procedure through govt., NGOs and private organizations.
- The farmers up to the peripheral level should be trained on cultivation of those food crops on regular basis.
- The government agencies, NGOs and private organizations should be provided with all information of contract farming of food crops through advocacy and lobbying.
- Government should provide support, like easy marketing of agricultural goods with easy payment of its price should be ensured for cultivation of food crops.
- Government should take necessary measures to establish sufficient storage facilities in the rural areas so as to reduce the risk of damaging crops and ensure proper price to the farmers.
- The market for tobacco leaf is highly distorted and there is lack of transparency in the process of payment to the farmers in the contract farming system. Government should intervene in the market and monitor the company payment system.
- Although tobacco cultivation is affecting health through many direct and indirect ways, the farmers are not aware of it, and are taking it as a means of collection of fertilizer on loan and easy marketing of their agricultural product. Both government and NGO sectors should be involved in advocacy/lobbying against tobacco cultivation in field as well as office and hospital.
- Sub-Assistant Agriculture Officers (SAAO) and other personnel appointed for the purpose should be properly oriented and trained up. Government should send messages through SAAO to raise awareness among grassroots level farmers about the health and environmental impacts of tobacco cultivation and processing.
- Tobacco-cultivators should be trained to include the cost of their own household labour while calculating the cost of tobacco cultivation.
- Since tobacco cultivation is having negative effect on health, treatment cost of tobacco cultivation and tobacco use should be paid by the companies, and it should be fixed during meeting with government for fixing purchasing cost of tobacco.
- Negative effect on health, the cost of their treatment and cost of their households labour should also be included in the cost of tobacco cultivation, and the amount should be duly adjusted from price of *bidi*, cigarette and other tobacco products.