Why Tobacco Control Doesn't Hurt Farmers:

Decoupling Domestic Cigarette Consumption from Leaf Production

Introduction

The supply and demand of tobacco products are linked at the global level. Domestic tobacco control polices therefore, have no impact on domestic leaf production. Although the tobacco industry consistently argues that tobacco control policies to reduce tobacco use will create a "livelihood crisis" among tobacco farmers by reducing demand for tobacco leaf and driving down tobacco leaf prices, the evidence summarized in this policy brief shows that this argument is false.

Tobacco farming is a part of a large and complex global supply chain whose structure allows production activities to be distributed between different enterprises and geographically dispersed to locations that best suit their requirements. The global tobacco supply chain centers on a small number of multinational corporations and a large state-owned monopoly in China that perform the manufacturing, marketing, branding, and coordination functions of the chain[1]. Farmers form the first stage of the tobacco supply chain by providing the main input—unmanufactured tobacco or "tobacco leaf"[2, 1].

Tobacco farming is highly concentrated in a small group of countries. Ten countries—China, India, Brazil, United States, Indonesia, Zimbabwe, Zambia, Pakistan, Tanzania, and Argentina—produce approximately 80% of global tobacco leaf[3].

In the past two decades, the location of tobacco farming has shifted from high-income countries (HICs) to low- and middle-income countries (LMICs). As of 2016, more than 90% of the world's tobacco leaf is grown in LMICs, with China, the largest producer, accounting for approximately 46% of global tobacco leaf production[3].

In most countries, tobacco leaf is produced for global markets. The shift in location of farming activities from HICs to a few LMICs is a result of globalization and trade liberalization[4]. Lower labor costs and lax regulatory environments mean that production is cheaper in LMICs relative to HICs, which encourages export-oriented production activities, such as tobacco farming. Brazil, Malawi, India, China, and the U.S., some of the largest producing countries, are the top five exporters of tobacco leaf[5]. Four of the five largest importing countries – Russian Federation, Germany, Belgium, and the U.S. – are HICs, China being the only LMIC among the top five importers. In 2014, the top ten net exporters of tobacco leaf, mostly LMICs in Africa, accounted for approximately 12% of the global production[5]. The only HIC in this group is Italy. In the same period, the top ten net importers accounted for approximately 7% of global production[5]. Nearly all net importers are HICs, with Indonesia as a notable exception.

China is a major player in the tobacco leaf market. China is the world's largest producer and consumer of tobacco leaf (which is used to manufacture cigarettes). It is also one of the world's largest importers: in 2017, China imported approximately 150,000 tons—representing approximately 5% of tobacco leaf available in the country (production + imports - exports)[5]. Even though imports account for a small share relative to China's local production, they are extremely significant for the major tobacco leaf exporters. In 2017, 94% of China's imports came from five countries: Zimbabwe, Brazil, the U.S., Argentina and Zambia[6, 7]. In Zimbabwe alone, 34% of the total tobacco produced in 2017 was exported to China. Regulatory modifications by the State Tobacco Monopoly Administration or strategic marketing decisions by the China National Tobacco Corporation shape outcomes in the tobacco leaf market in countries, such as Zimbabwe. This dependency implies that variability in China affects the global tobacco supply chain and decisions made locally have a direct affect in major tobacco producing countries.

Policymakers can successfully implement tobacco control policies without impacting local tobacco production. The disconnect between local tobacco consumption and export-oriented tobacco leaf production means that there are no negative impacts on tobacco farming when governments implement tobacco control policies. For example, Brazil has successfully introduced tobacco control policies and reduced demand without a significant impact on tobacco production. In the past three decades, Brazil has implemented the most advanced tobacco control measures and successfully cut the smoking prevalence in half, from 34.8% in 1989 to 18.5% in 2008[8]. A key policy has been periodic increases in taxes specifically aimed at reducing tobacco demand. From 2003 to 2017, real prices increased by 68.2%. At the same time, however, Brazil is one of the largest producers and the largest exporter of tobacco leaf in the world.

Conclusion

Tobacco consumption kills approximately eight million people every year. Across the world, governments are strengthening tobacco control policies to reduce tobacco use, and consequently reducing mortality and morbidity associated with tobacco consumption. These policy interventions occurred earlier in HICs, but have gained greater momentum since adoption and entry into force of the World Health Organization Framework Convention on Tobacco Control in 2005, which provides a range of multisectoral evidence-based measures aimed at reducing tobacco consumption and exposure to tobacco smoke. Although the industry criticizes these measures and claims that policies implemented to curb tobacco demand create a "livelihood crisis" for domestic farmers of tobacco leaf in LMICs, this argument is false.

In many countries, tobacco is primarily an export crop; tobacco leaf is exported to countries where tobacco manufacturing facilities are located. Demand for tobacco leaf is determined by global market conditions, sourcing arrangements, regional and local market systems, technological advancements in manufacturing, popularity of filter tip cigarettes, etc.—factors largely unrelated to the domestic demand of tobacco products, and thus, unlikely to be influenced by domestic tobacco control policies. As the case of Brazil shows, countries have successfully implemented strong policies aimed at reducing tobacco use without a significant impact on domestic tobacco leaf production. Governments should continue to reinforce measures aimed at reducing tobacco use, which in turn, reduces mortality and morbidity caused by tobacco consumption.

References

1. A. Goger, P. Bamber, G. Gereffi and A. Hull, "The Tobacco Global Value Chain in Low-Income Countries," Duke University Center on Globalization, Governance, and Competitiveness: Durham, NC, Durham, NC, 2014.
2. R. Jacobs, H. F. Gale, T. C. Capehart, P. Zhang and P. Jha, "The supply-side effects of tobacco control policies," in *Tobacco Control in developing countries*, Oxford, Oxford University Press, 2000, pp. 311-41.
3. FAO, "Food and Agriculture Organization of the United Nations Database," 2017. [Online]. Available: fao.org. [Accessed October 2017].
4. U.S. National Cancer Institute and World Health Organization, "The Economics of Tobacco and Tobacco Control," Bethesda, MD: U.S. Department of Health and Human Services, National Institutes of Health, National Cancer Institute; and Geneva, CH: World Health Organization, 2016.
5. United Nations, "UN Comtrade," 2017. [Online]. Available: comtrade.un.org.
6. FAO, "Food and Agriculture Organization of the United Nations Database.," 2019. [Online]. Available: fao.org.
7. United Nations, "UN Comtrade," 2019. [Online]. Available: comtrade.un.org.
8. D. Levy, L. M. de Almeida and A. Szklo, "The Brazil SimSmoke Policy Simulation Model: The Effect of Strong Tobacco Control Policies on Smoking Prevalence and Smoking-Attributable Deaths in a Middle Income Nation," *PLoS Medicine*, p. 9(11) e1001336, 2012.

Suggested Citation

Mirza M., Rodriguez-Iglesias G., Blecher, E., Why Tobacco Control Doesn't Hurt Farmers: Decoupling Domestic Cigarette Consumption and Leaf Production, A Tobacconomics Policy Brief. Chicago, IL: Tobacconomics, Health Policy Center, Institute for Health Research and Policy, University of Illinois at Chicago, 2019. *www.tobacconomics.org*

This Policy Brief is based on the Tobacconomics White Paper, "Why Tobacco Control Doesn't Hurt Farmers: Decoupling Domestic Cigarette Consumption and Leaf Production," authored by Mirza, Rodriguez-Iglesias and Blecher and peer reviewed by Jeffrey Drope, PhD, Scientific Vice President, Economic and Health Policy Research, American Cancer Society; and Grieve Chelwa, PhD, Senior Lecturer in Economics, University of Cape Town, South Africa.

This Policy Brief is funded by Bloomberg Philanthropies.

About Tobacconomics

Tobacconomics is a collaboration of leading researchers who have been studying the economics of tobacco control policy for nearly 30 years. The team is dedicated to helping researchers, advocates and policymakers access the latest and best research about what's working—or not working—to curb tobacco consumption and the impact it has on our economy. As a program of the University of Illinois at Chicago, Tobacconomics is not affiliated with any tobacco manufacturer. Visit *www.tobacconomics.org* or follow us on Twitter *www.twitter.com/tobacconomics*.

INSTITUTE FOR HEALTH RESEARCH AND POLICY

UIC