Diversification is the future for many tobacco farmers

World tobacco production has been increasing steadily. Worldwide unmanufactured tobacco production for 1996, for instance, is forecast at 6.50 million tonnes (7.17 million US tons), up 10% from the revised 1995 crop of 5.91 million tonnes (6.51 million tons). Most of this growth in world output can be attributed to continued expansion in China. In general, the role of the developing countries has become more important. The share of world tobacco production in developing countries has risen from 53% in the early 1960s to 75% in the late 1980s. Tobacco growing is labour intensive, and as such, leaf production is more suited to countries with low labour costs.

On the basis of these figures, growing tobacco would seem to have a promising future. In several parts of the world, however, tobacco farmers are struggling with huge problems for different reasons. Some of those problems are as follows.

Non-competitive prices
In developed countries labour costs are too high to compete with comparable leaf from Zimbabwe or Brazil. Elsewhere in this issue Altman and colleagues explain that, unless American tobacco becomes more price competitive on the world market (foreign tobacco is a third to a half the cost of American tobacco), the number of growers in the United States will likely decline, and the number attempting alternative enterprises will increase.

Low-quality tobacco and poor adaption to varieties in commercial demand
In 1994 the European Union (EU) spent $1.3 billion subsidising tobacco production. The subsidies were originally intended to encourage farmers to grow commercially valued varieties and thus to reduce imports. The policy has failed to adapt production to demand or to reduce imports, because most tobacco grown in the EU has little commercial value. Growing conditions in the EU are better suited to the varieties for which there is now little commercial demand—most of the sun-cured and dark, air-cured varieties. Even the desired types, especially flue-cured varieties, are often of poor quality. In Poland tobacco farmers are having similar problems. A study by the Institute of Agricultural Economics and Food showed that tobacco production plummeted from involving nearly 138,000 farmers and 43,600 hectares in 1987, to 40,000 farmers and 16,100 hectares in 1994. Demand for Polish tobacco went down as American transnational companies operating in Poland imported their leaf tobacco to make their cigarettes from the same American and Macedonian tobacco that they use for their brands elsewhere.

Declining domestic tobacco market
In Canada a crop diversification plan was launched in response to decreased demand for tobacco. The number of farms producing flue-cured tobacco in Canada decreased from 2,916 in 1981 to 1,326 in 1992. This policy was necessary as the tobacco market was in decline and could no longer support nearly 3,000 farmers.

Overdependence on earnings from tobacco
In countries such as Zimbabwe and Malawi, income from tobacco is crucial for the national economy. This creates a problem of overdependence on the earnings of one crop and fluctuating world market prices. In 1993 sales of flue-cured tobacco averaged US$0.97 per kg in Zimbabwe, little more than half the $1.89 price of a year earlier. In 1992 the Zimbabwean dollar was devalued by 17%. The country is too dependent on the export earnings of one commodity.

A low-income provider for the small tobacco farmer
The European tobacco farmer is not rich. For 1993 we estimated that a tobacco farmer’s average annual income from tobacco in the EU is only $4600 (purchase price plus subsidies minus expenses). In the US, there are both very small farmers and very large growers. Obviously the needs of these growers are different. According to Altman et al., diversification is ultimately the only strategy that will result in sustainable economic development for small-farmers. It is not the tobacco farmers but the tobacco manufacturers who make a good living from tobacco. As Kentucky State Representative Anne Northup has said: “It’s worth noting that while Kentucky’s burley tobacco farmers are struggling to survive, the retiring Chairmen of the Board of Philip Morris took home a whopping $25 million bonus.” Many farmers are growing tobacco, not to become rich, but only because they don’t know what else to grow.

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The classic argument of farmers is that there is no alternative to tobacco growing. The truth is that no funds have been used to examine the possibilities for alternative crops. The research by Altman and colleagues should be welcomed from this perspective. Their study is the first to address what a representative sample of southeastern American tobacco farmers have done about diversification. Respondents indicated that they tried to supplement their tobacco income in various ways. In the previous five years, 40% had attempted at least one supplementary enterprise, 30% had attempted more than one activity, and only 30% had not tried anything. Half the respondents had
done something to learn about on-farm alternatives to tobacco, had an interest in trying other on-farm ventures to supplement tobacco income, and had found alternatives that were profitable. On the other hand, a number of structural and economic impediments to diversification were noted by respondents—for example, nothing as profitable as tobacco, and few processing plants connecting farmers to consumers. Overcoming barriers of this kind requires substantial resources. Along these lines, Altman and colleagues found that 73% of respondents supported an increase in federal taxes on tobacco if the money was used to help farmers.

Both the United States government and the European Union have financed projects to develop less harmful tobacco varieties. Following the Surgeon General’s 1964 report on smoking and health, the Agricultural Research Service of the US Department of Agriculture initiated efforts to develop a tobacco that would be “safer” for smokers. Funding for this research amounted to about $5.4 million in 1993. In 1993 the EU created a similar fund called the Community Fund for Tobacco Research and Information, also with a budget of about $5 million, for research on less harmful varieties of tobacco. The European and the American funds have not been made available to investigate ways in which tobacco growers can convert to the production of other crops. What is needed is to give small farmers a realistic outlook for the future, and to overcome the problems linked with conversion from tobacco growing to other crops—lower returns, lack of capital investment, irrigation problems, lack of training, lack of agricultural research, and the impossibility of replacing tobacco by just one other commodity. Diversification is not an easy process, but if we don’t invest in research, a practical alternative to tobacco growing will never be found.

Despite preconceptions to the contrary, small tobacco farmers and the health sector are not necessarily on opposing sides. Generally speaking, tobacco farmers are mistaken in relying on tobacco companies to defend their interests. Apart from exploiting farmers financially, manufacturers encourage them to remain trapped in a situation in which they have much more to lose than the companies, which are themselves diversifying into other areas. Tobacco companies will survive, even without selling tobacco, because they have diversified their interests. Tobacco farmers, however, have not diversified, and they need the income of the tobacco crop to make a living.

In January 1993 America’s health community recommended that assistance should be provided to tobacco farmers who elect to stop growing tobacco and who begin to grow other crops. The suggestion was made to earmark funds from cigarette excise tax increases towards this end. The data of Altman and colleagues have shown that farmers favour an excise tax increase that would benefit them. Health professionals must learn to work more closely with tobacco farmers, emphasising their joint interest in promoting tax increases and the allocation of tax revenues to support diversification. The dialogue will not be easy, as some farmers distrust those who dwell on the health hazards of the only crop they grow. Nevertheless, it is in the interest of tobacco farmers to investigate ways in which they can become less dependent on the income from only one commodity, and it is in the interest of the health lobby to support them in the pursuit of this goal. At the present time there is still a long way to go: only 1% of the respondents believed that public health groups care about tobacco farmers.

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