



**KAMARAJ IAS ACADEMY**  
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# Tobacco

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**Why is in news?** Government allows sale of excess tobacco produced by registered growers

The Union Minister of Commerce and Industry has considered to allow the sale of the excess **flue cured Virginia tobacco** produced by registered growers and unauthorized flue cured Virginia tobacco produced by unregistered growers without any penalty considering the low production during the 2022-2023 Karnataka Crop season.

The **decision of imposing no penalty on the sale of excess FCV tobacco** will greatly benefit the farmers of Karnataka to recover the loss due to less production during this crop season.

This consideration will hand hold the FCV tobacco farmers to overcome their financial plight inflicted due to low production and low earning and would greatly help the growers to continue their livelihood.

Tobacco is an important commercial crop grown in India.

India is the **2nd largest producer and exporter after China and Brazil** respectively.

Of the different types grown, FCV tobacco (Flue-Cured Tobacco), Country Tobacco, Burley Tobacco, Bidi Tobacco, Rustica Tobacco and Chewing Tobacco are considered important.

The tobacco industry of India employs about 36 million people in farming, labour activities, manufacturing, processing and export activities.

The distinctive and positive features of Indian tobacco include the **lower levels of heavy metals, very low levels of Tobacco Specific Nitrosamines (TSNAs) and pesticide residues** compared to the other tobacco producing countries in the world.

Further, endowed with varied agro-climatic conditions, India has the **capacity to produce different styles of tobacco** ranging from coloury neutral filler to flavourful leaf catering to the needs of a wide variety of customers globally.

In addition, production and processing costs of tobacco are also quite low in India, thus making the Indian tobacco price-competitive and value for money.

Compared with other tobacco manufacturing countries, India has **low production, farming and export cost**, making it a popular industry.

India's major tobacco manufacturing states are **Gujarat, Andhra Pradesh, Uttar Pradesh, Karnataka, West Bengal, Telangana and Bihar**. Out of these Gujarat, Andhra Pradesh and Uttar Pradesh account for around 45%, 20% and 15% of the country's total production respectively.

India is the **only country which produces tobacco in two seasons**. It exports to more than 115 countries throughout the world. The country exports tobacco mainly to Belgium, the Philippines, Egypt, Arab Rep., Germany, Nepal, USA, Turkey, Nepal and many more countries worldwide.

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The country also exports to Indonesia, France, UAE, Russia, Korea, Sri Lanka, Malaysia, Venezuela, Ethiopia and Nigeria.

## **GOVERNMENT INITIATIVES**

In 2022, the government of India approved the extension of **Interest Equalization Scheme (IES)** till 2024. The rates for IES have been revised as 3% for MSMEs (tobacco products have MSME registration) and 2% for manufacturers and merchant exporters.

### **Duty Draw Back Scheme:**

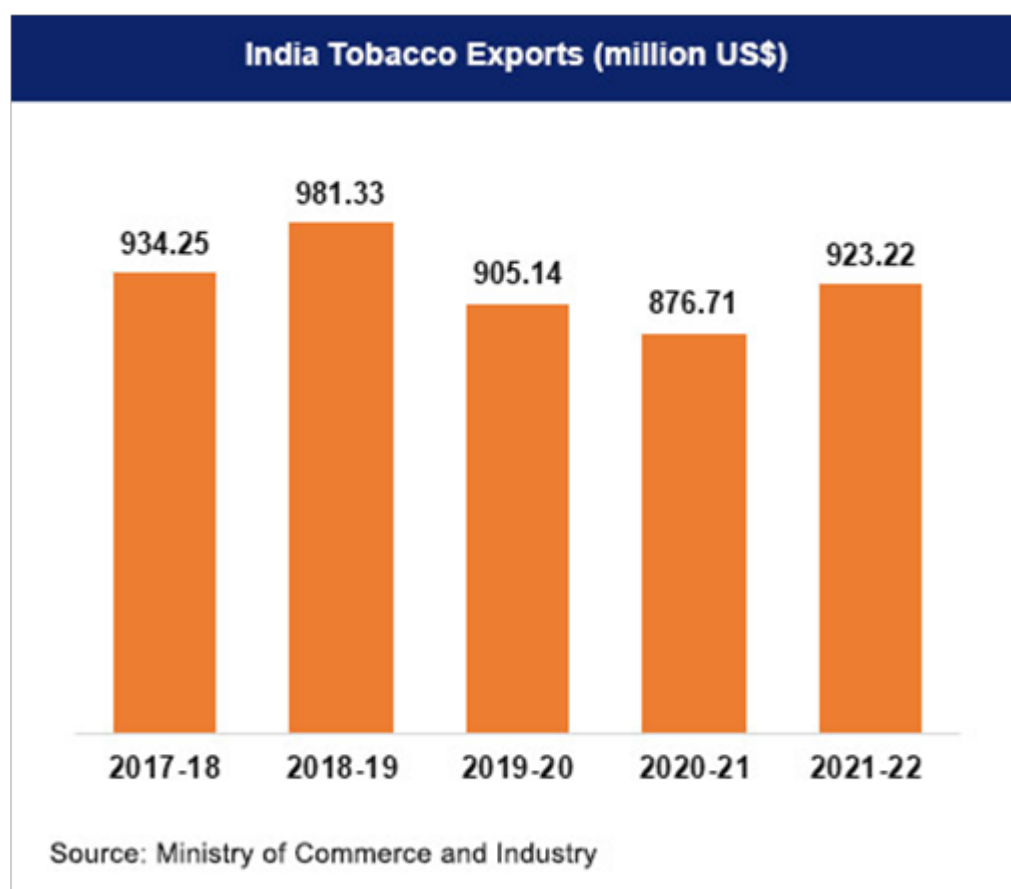
The goal of the scheme is to **cut the duty and tax chargeable on imported products** that will be **used to manufacture exported goods from India**. Under this scheme, the unmanufactured tobacco, cigars, cheroots, cigarettes, manufactured tobacco, products containing tobacco, reconstituted tobacco, nicotine, tobacco substitutes, etc. will receive a 0.15% drawback rate.

### **Interest Equalization Scheme (IES):**

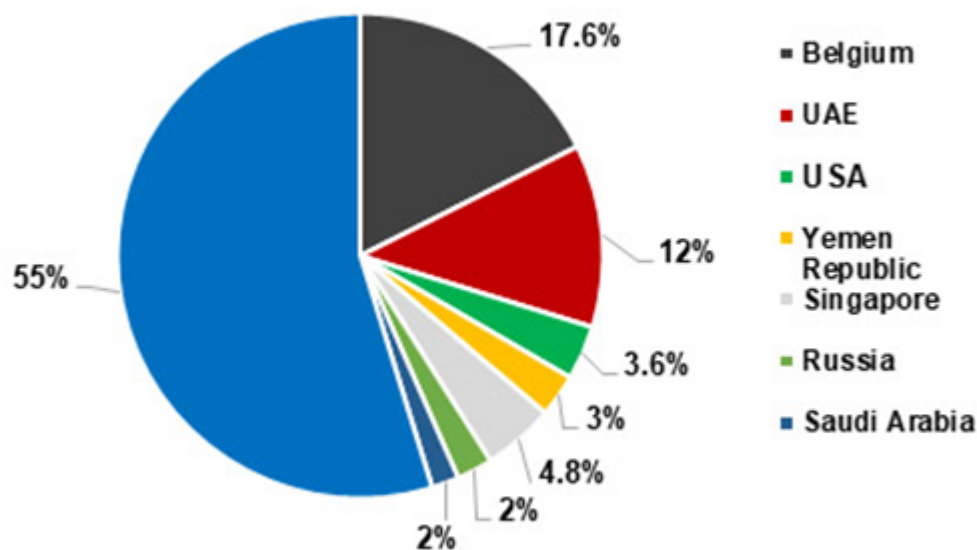
The scheme originally came into effect in 2015 and has received an extension till 2024. The **interest equalization will be provided pre and post shipment Rupee export credit**. As per the extension, the rates for IES will be 3% for MSMEs, 2% for manufacturers and merchant exporters of 410 tariff specified lines.

### **Tobacco Growers Welfare Scheme:**

The scheme is aimed at **welfare of the FCV tobacco growers and their dependent families**. A Tobacco Board's Growers' Welfare Fund has been approved by the Ministry of Commerce and Industry of India under this scheme. The total corpus approved is Rs. 25 crore (US\$ 3.14 million).



### Country-wise share of tobacco exports from India (2020-21)



Source: RBI Handbook of Statistics

### Tobacco Board:

Recognizing the need to **regulate production, promote overseas marketing and control recurring instances of imbalances in supply and demand**, which lead to market problems, the Government of India under the **Tobacco Board Act of 1975**, established the Tobacco Board, in place of the Tobacco Export Promotion Council.

The Board came into existence from **1-1-1976** and opened its **headquarters at Guntur in Andhra Pradesh**.

The Tobacco Board Act, 1975 aims at planned development of Tobacco Industry in the country.

The functions of the board are the promotion of all categories of tobacco and allied products, overseeing the production and distribution of the products for domestic as well as exports and regulating the Flue-cured Virginia (FCV) tobacco.

Some of the other roles of the Tobacco board are advising the central government, propagating information, sponsoring and encouraging scientific and technological research related to tobacco promotion.