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FOUNDATION FOR A SMOKE-FREE WORLD

FCTC for Farmers Too

A Scoping Study

The Policy Options and Recommendations on Economically Sustainable Alternatives to Tobacco Growing

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Preface

Crop substitution is not new to Pakistan. The end of the last century was marked by a successful substitution of poppy crop cultivation with other crops such as tobacco and other economic activities.

The Ironic fact remains that a majority of the farmers' families now cultivating tobacco were previously into opium farming. It is however unfortunate that at present there is no active discussion or effort for work on Article 17 of FCTC and if and when the Pakistan government decides to work on it, the pattern and experience of doing so is already available.

This study is first of its kind in Pakistan and unique due to the fact that globally there is 'least and lowest implementation' on Articles 17 and 18.

Officially, in Pakistan, tobacco is not considered as an agriculture commodity but a tradable product under Federal Ministry of Commerce.

Its multilayered economic activity of US$ 2.25 billion may have a relatively limited share for the farmers but has strong financial protection as their crop is sold before it is even sown. A benefit only limited to the tobacco crop.

Of the US$ 2.25 billion earnings from tobacco every year, over 40% goes to the government kitty in shape of different taxes and export earnings. In addition, tobacco generates a labor-intensive industrial activity.

Deconstructing tobacco value chain and building an alternative is wrought with many complexities and hurdles.
This research has thoroughly examined the tobacco value chain and assessed multiple aspects involved in crop substitution from providing alternative activities to farmers, the regulatory and legal frameworks, industrial potential, and different social indicators.

There are many directions this research has indicated to, which can be pursued without reinventing the wheel.

It is hoped that this research will go a long way in achieving the objectives of FCTC.

QBal Team

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Glossary of Terms

FCTC	Framework Convention on Tobacco Control
FGD	Focus Group Discussion
FED	Federal Excise Duty
FCV	Flue Cured Virginia
GLT	Green Leaf Thrasher
GoP	Government of Pakistan
IDI	In-Depth Interview
KP	Khyber Pakhtunkhwa
MIP	Minimum Indicated Price
MLO	Martial Law Ordinance
MPI	Multidimensional Poverty Index
NRV	Non-Recommended Variety
PKR	Pakistani Rupee
PTB	Pakistan Tobacco Board
PMP	Philip Morris Pakistan
PTC	Pakistan Tobacco Company
SBP	State Bank of Pakistan
SME	Small and Medium Enterprises
TI	Tobacco Industry
TGAP	Tobacco Growers Association of Pakistan
WHO	World Health Organization

Exchange Rate US Dollar to PKR: 133

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Executive Summary

Tobacco is a highly regulated crop by the federal government of Pakistan. Around PKR 10 billion (US$ 75.18 million) is paid to 23,000 contractual farmers by 21 tobacco factories every year but it generates over PKR 300 billion (US$ 2.256 Billion) economic activity. The total annual tax revenue related to tobacco, including sales tax and federal excise duty, is PKR 114 billion (US$ 857 million).

Tobacco is a source of livelihood for 1.2 million people in Pakistan and the number of total farmers in the country is over 75,000[1]. While 50,000 are employed in tobacco factories, two transnationals - Pakistan Tobacco Company (PTC), a subsidiary of British American Tobacco, and Phillip Morris International (PMI) - have over 2,000 employees. There are over 600,000 retail outlets selling cigarettes in Pakistan. These outlets are of various nature including general stores, high-end stores, paan shops, hawkers, corner stores, petrol-marts, hotels, restaurants, and cafes[2].

Only 49.67 million kilograms (kg) of the total 86.22[3] million kg tobacco produced annually is regulated by Pakistan Tobacco Board (PTB) while the remaining 36.55 million kg is unaccounted for. The transnationals claim that this tobacco is going into production of illicit cigarettes which are outside the tax net and are sold on much cheaper rates than the licit tobacco[4].

In 2017-18, the government introduced low price 3rd tier of cigarettes[5] because of the tobacco industry's claim in 2016 that the legitimate industry's volume declined by 10% as a result of 40% increase in illicit trade. Furthermore, the report "The Challenge of Illicit Trade[6] in Cigarettes: Impact and Solutions for Pakistan" revealed that in 2015-16, 23.7% of cigarettes sold in Pakistan were illicit. Tax-evaded (LTE) cigarettes account for 17.3 billion cigarettes, and only 2 billion were smuggled .

In 2018-19, the government decided to monitor Green Leaf Threshers Units[7] in order to curb tax evasion. Through this measure, the government intends to collect an additional PKR 40 billion out of which PKR 26 billion will be collected through a raise in tax rates and the remaining PKR 14 billion through effective enforcement.

In the mini-budget 2018-19, the government also enhanced Federal Excise Duty (FED) on cigarettes. The FED for 3rd tier has increased from PKR 16 to PKR 25. The prevalent FED rate on cigarettes is less than 50% of the retail price, much below than the recommended (at least 75% of the retail price) by the Framework Convention of Tobacco Control (FCTC). Besides, in June 2018, the Government of Pakistan (GOP) also accepted a protocol to eliminate illicit trade in tobacco products[8]. However, for the sales forecast for the period 2018 to 2022, there is a constant incline in the total sales of the tobacco. The figure is expected to reach over PKR 300 billion by 2022. The figure for the year 2017-18 stood at PKR 224 billion[9].

Pakistan has one of the largest smoking populations in the world. The number of adult smokers in the country increased by 2% in 2017 to reach 24.8 million, which is equivalent to 21% of the total adult population in the country. Smoking prevalence is highest among the adult male population at 35%. This percentage was down marginally in 2016, while smoking prevalence among the adult female population remains unchanged at 7%. While

[1]PTB (2017). Tobacco Statistical Bulletin Volume 40-41. M. o. Commerce. Peshawar, PTB. 40-41.
[2]Nielsen, A. C. (2015). THE CHALLENGE OF ILLICIT TRADE IN CIGARETTES; IMPACT AND SOLUTIONS FOR PAKISTAN.
[3]PTB (2018). Tobacco Requirements for the year 2018. Pakistan, Pakistan Tobacco Board, PTB. (2018). "Production of Different Types of Tobacco in Pakistan (Million KGS)." from http://www.ptb.gov.pk/?q=node/33.
[4]RecorderReport (2018). Experts identify solutions for overcoming illicit cigarette trade. Business Recorder. Islamabad,Pakistan.
[5](2017). NOTIFICATION (FEDERAL EXCISE). S.R.O. 407(I)/2017. Pakistan, Government of Pakistan (Revenue Division). http://download1.fbr.gov.pk/SROs/20175301353835442SRONo.407(I)-2017.pdf
[6]PTC (2016). An Institute of Resilience, Pakistan Tobacco Company.
[7](2018). Federal Excise Rules 2005. S.R.O. 1149(I)/2018. Pakistan.http://download1.fbr.gov.pk/SROs/2018918ibid.2093156614SRO1149OF2018.pdf ibid.
[8]UNTC (2018). NARCOTIC DRUGS AND PSYCHOTROPIC SUBSTANCES UN.
[9]EI (2018). Euromonitor International;Tobacco In Pakistan.

the number of adult smokers in Pakistan is expected to decline slightly over the forecast period, the overall rate of smoking prevalence among the adult population is projected to remain relatively stable at 21%[9].

Pakistan, which ratified FCTC in 2005, has proactively implemented its demand reduction articles. However, on the FCTC Articles 17 (Provision of support of economically viable alternative activities) and Article18[10](Protection of the environment and the health of persons), Pakistan has kept pace with the world by having limited or no progress in their implementation. Crop substitution is not new to official corridors. Already in 2000 Pakistan eradicated poppy cultivation and became poppy-free. The whole project was conceived in a USAID funded study in 1975 "Cause, Effect & Remedies of Poppy Cultivation in Swabi-Gadoon Area, Volume1 & 2".

Between 1976 and 2000, more than USD 35 million was spent in Pakistan on alternative development projects. There are leanings from that project for providing support of economically viable alternative activities to tobacco growers and workers because of the two reasons. First, poppy crop substitution was implemented in the same areas which is presently the heartland of tobacco crop, and second, the poppy growers were not only provided with alternative crops like wheat, sugar and tobacco, but also a new industrial zone at Gadoon Amazai was established to provide maximum alternate livelihood to the farmers.

Tobacco is grown all over Pakistan but six districts in Khyber Pakhtunkhwa (KP) province where this dominates include Swabi, Buner, Charsadda, Mardan, Nowshera and Mansehra. Of these, Swabi, Nowshera and Mardan are the focus of this study. The percentage of the people in poverty is the same as in other non-tobacco producing districts. In Swabi 43.8%, Mardan 33.8%, and Nowshera 37.4% population is facing multidimensional poverty[11].

Tobacco is widely believed as a cash crop. However, farmers are not the beneficiary of this benefit. The World Health Organization (WHO) says: "The farmers themselves earn very little for their crop in comparison with the final price obtained at the end of the value-added chain.[12] One tone of raw tobacco produced by a farmer and sold to the 'first processor' increases in value 47.2 times along the production chain until the point at which smokers buy cigarettes."

The Pakistan Tobacco Board (PTB), which gathers requirement of the industry and conveys it to farmers, ensures that every farmer should enter into an agreement with the industry. Each agreement has to be of a basic unit of 2,100 kg with every farmer having a barn. However, farmers complain that either the PTB fixed price is less than their cost of production or they are not paid the fixed price. In 2016, PKR 175.50 per kg was fixed as that of Flue Cured Virginia (FCV) variety. However, the Tobacco Growers Association of Pakistan (TGAP) claims that the per kg cost of production is PKR 255.62. For 2017-18, PTB fixed the Minimum Indicative Price (MIP) as PKR 176 per kg for FCV. The main reason for farmers' complaints is that MIP is in fact the weighted average per kg price. In case of FCV, it is divided into 17 grades that carry a different price. In 2016 the top-grade Bottom Ripe (BR) was secured at PKR 184.30 while lowest grade at PKR 136.50.

To understand the farmers' perceptions of the implementation of Article 17 and 18, eight focused group discussions (FGDs) were conducted in three districts during the period July-September, 2018. Of these, three were with females. The total number of male participants was 55 and females 28. This included one FGD with farmers who had left tobacco farming and resorted to growing maize. Five in-depth interviews (IDIs) were also conducted with policy makers including

[10]WHO (2018). 2018 Global Progress Report on Implementation of the WHO Framework Convention on Tobacco Control, World Health Organization.

[11]PakistanGovernment (2016). Pakistan 2025-Multidimensional Poverty in Pakistan. G. o. Pakistan, Government of Pakistan. https://www.pc.gov.pk/uploads/report/MPI_4pager.pdf

[12]FCTC (2014). Economically sustainable alternatives to tobacco growing (in relation to Articles 17 and 18 of the WHO Framework Convention on Tobacco Control). Moscow, Russia, FCTC.

an official of PTB, representative of a local and multinational company each, farmers' leader and an academician.

In the FGDs, all the male and female respondents said they grow tobacco because of two significant reasons: 1) They get an agreement for the sale of tobacco which ensures the timely sale of their crop, 2) They get the right amount in cash which helps in repaying loans and debts incurred during the year. Profitability was the single most popular factor due to which these farmers are growing tobacco. Significantly, all the male and female participants said that if this factor [profitability] is somehow removed from the tobacco crop and assured in other crops, they would stop growing tobacco and concentrate on alternative crops.

All 100% of the male and female participants agreed that there has never been any project or program implemented in their areas to support the cultivation of alternative crops. And that if the government can develop a plan through which the farmers get government assistance, they will be happy and willing to stop growing tobacco as it is a labor-intensive crop and instead start growing other crops requiring lesser efforts and lower cost of production.

Key Findings from Focused Group Discussions with Tobacco Farmers

- Most tobacco cultivation is by farmers on their own lands
- A big majority of farmers are aware of successful past poppy substitution plan
- Women and children engaged in pre-curing process
- All farmers and buyers sign prior sale agreements
- Most farmers use hybrid seeds purchased from multinationals
- Strong desire and willingness by a big majority of farmers to switch from tobacco to alternative crops if assisted by government.

Key Recommendations of this Study

1. Substitution Survey: A study on the echo system of the tobacco growing districts following the pattern of “Causes, Effects and Remedies of Poppy Cultivation in Swabi Gadoon Area” should be conducted with an action plan for the development of the area. The original study done in 1975 was successful in substituting poppy with tobacco and other crops. QBal has acquired the copy for the study from archives in USA.
2. Sharing Data, Perceptions and Lessons: This scoping study is the first ever in Pakistan regarding Articles 17 and 18 of FCTC. It has data, facts and figures which will have an impact on the prevailing policy perceptions of tobacco growing in Pakistan. This study should therefore be widely disseminated among policy makers, lawmakers, academia, research institutions, tobacco farmers, media and other influential through seminars, parliamentary debates, conventional and social media. This should be done beyond what has been done in its three-month project period.
3. Focused Advocacy: Advocacy based on this report should be aimed at Pakistan (especially Federal Ministry of Commerce as a lead) developing a multisectoral tobacco control policy as articulated in FCTC's Article 5 with the active involvement of Ministry of National Health Services and Regulation, Ministry of Commerce, Ministry of Finance, Ministry of Food Security, Ministry of Planning and Development, State Bank of Pakistan, Pakistan Tobacco Board, and the provincial agriculture departments. The tobacco industry should also be involved in the consultative process.

[13] http://www.who.int/tobacco/framework/WHO_FCTC_english.pdf

CHAPTER 1

FCTC in Implementation

Practices and Challenges

FCTC in Implementation:
Practices and Challenges

Much before acceding to the FCTC in 2004[14], Pakistan legislated four major tobacco-related laws[15]. While three specifically focused on controlling tobacco, the oldest one, the Pakistan Tobacco Board Ordinance[16], mandated to promote it. Ideally, after ratification, the GOP should have developed a comprehensive single document tobacco control policy in compliance with Article 5[17] of FCTC. Instead, it went for a few bureaucratic measures to curb the demand for tobacco in compliance with the FCTC. This act allowed tobacco's growth under the PTB law which stipulates promotion of its cultivation, manufacture and export of tobacco and tobacco products and matters ancillary to it. This is the main reason that after accession to FCTC, the GOP banned tobacco advertisement, but no other regulation could be introduced as per Articles 17 and 18.

Between the years 2009-2018, a total of six periodic reports were submitted to the FCTC Secretariat[18] on the implementation of Articles 17 and 18. The GOP only recognized the need for the implementation of the following articles with a caution that any plans for the introduction of such crops must consider the economies of the region where tobacco is grown: "Any mandated sudden change may result in law and order situation and political problems for local governments. This will require inter-ministerial work and sustained effort as livelihoods of 80,000 farmers with an annual income of PKR 7 billion is to be taken into consideration."

The 2018 report states: "Pakistan is a member of the working group formed on Articles 17 and18 of FCTC. Keeping in view the recommendations of this [WHO] working group, Pakistan is planning to take the following measures: Research on alternate crop cycles that are economically viable for farmers; Marketing mechanisms for the new crops and; Media/ info campaigns to educate farmers."

Quoting PTB, the GOP reported that around 75,000 farmers are involved in tobacco cultivation but meanwhile also put a disclaimer that these statistics might be from the tobacco industry.

The 2016 "The Global Progress Report on the implementation of the FCTC" also articulates least and lowest implementation of 40% or less on the Articles 17 and 18. The Report further says: "Of the reporting Parties, 48% (64) registered as tobacco growing parties within their jurisdiction. In this group, 84% (54) provided some information on the numbers of people working in tobacco cultivation." The document observes that while implementation of Articles 17 and 18 is reported to be a priority by a number of Parties, the average implementation rate for Article 17 was 12% in 2014 and 18% in 2016, while the average implementation rate for Article 18 was 23% in 2014 and 24% in 2016.

The 2018[19] the report is no different as it records that Article 18 (Protection of the environment and the health of persons), and

[14] WHO (2017). WHO report on the global tobacco epidemic, 2017. Country Profile, Pakistan. 1
[15] (2002). Prohibition of Smoking and Protection of Non-smokers Health Ordinance 2002. F.No.2(1)/2002-Pub.
[16] THE PAKISTAN TOBACCO BOARD ORDINANCE, 1968 (1968). The Pakistan Tobacco Board Ordinance,1968. Ordinance No I of 1968. Pakistan.
[17] WHO (2003). WHO Framework Convention on Tobacco Control, World Health Organization.http://apps.who.int/iris/bitstream/handle/10665/42811/9241591013.pdf?sequence=1
[18] FCTC (2018). FCTC Pakistan Status Reports.http://untobaccocontrol.org/impldb/pakistan/

Article 17 (Provision of support of economically viable alternative activities) seems to be least successfully implemented, with little or no progress compared to 2016.

Box 1

The Policy Options and Recommendations on Economically Sustainable Alternatives to Tobacco Growing (in relation to Articles 17 AND 18 of the WHO FCTC), recommends the following six guiding principles[20]:

Principle 1: *Livelihoods diversification should be the concept guiding implementation of economically sustainable alternatives to tobacco growing.*

Principle 2: *Tobacco growers and workers should be engaged in policy development concerning Articles 17 and18 in line with Article 5.3 of the WHO FCTC and its guidelines.*

Principle 3: *Policies and programs to promote economically sustainable alternative livelihoods should be based on best practices and linked to sustainable development programs.*

Principle 4: *The promotion of economically sustainable alternative livelihoods should be carried out within a holistic framework that encompasses all aspects of the livelihoods of tobacco growers and workers (including the health, economic, social, environmental and food security aspects)*

Principle 5: *Policies promoting economically sustainable alternative livelihoods should be protected from commercial and other vested interests of the tobacco industry, including leaf companies, in accordance with Article 5.3 of the WHO FCTC and its guidelines.*

Principle 6: *Partnership and collaboration should be pursued in the implementation of these policy options and recommendations, including in the provision of technical and financial assistance.*

Given the fact that in Pakistan after devolution of health, agriculture powers shifted from the federation to the provinces in 2010, it now remains a challenge to draw an official framework trickling down the implementation of these guiding principles for implementation.

[19] WHO (2018). 2018 Global Progress Report on Implementation of the WHO Framework Convention on Tobacco Control, World Health Organization.

[20] FCTC (2014). Economically sustainable alternatives to tobacco growing (in relation to Articles 17 and 18 of the WHO Framework Convention on Tobacco Control). Moscow, Russia, FCTC. http://apps.who.int/gb/fctc/pdf/cop6/fctc_cop6_12-en.pdf

CHAPTER 2

Pakistan Tobacco Board

Mission and Mandate

Pakistan Tobacco Board: Mission and Mandate

The federal government established PTB as "the national interest of Pakistan in relation to the economic and financial stability of Pakistan within the meaning of clause (2) of Article 131[21] of the Constitution (of 1962)." After the enactment of a new constitution in 1973 the spirit of Article 131 is reflected in Article 149 (4), which states: "The executive authority of the Federation shall also extend to the giving of directions to a Province as to the manner in which the executive authority thereof is to be exercised for preventing any grave menace to the peace or tranquility or economic life of Pakistan or any part thereof."

The PTB is a statutory semi-autonomous corporate body with its board of directors and a chairman who heads the organization. It works under the overall administrative and policy control of the Federal Government of Pakistan in the Ministry of Commerce and Trade. It was formed in 1968 through a statute known as the PTB Ordinance No. I of 1968 (which subsequently in 1973 became a part of the Constitution of Pakistan) for the promotion of the cultivation, manufacture, and export of tobacco and tobacco products and matters ancillary thereto.

The PTB's functions include Regulating, controlling, promoting export and fixing grading standards; Undertake/assist research and impart training in tobacco testing; Render assistance for the development of new tobacco growing areas and to establishes model farms and; Collect statistics on any matter relating to tobacco. It meets its running expenditure by imposing tobacco cess[22] that is between PKR 2 to PKR 4 per kg on different varieties. According to 2015-16, it collected PKR 116 million. During the last five years preceding this report, its income from this head was PKR 492 million. For 2018 the per kg cess rate for different types of tobacco is fixed in the range of PKR 2.01 to PKR 3.67.

The most crucial function of the PTB is to regulate affairs between companies and farmers. Every year at the start of sowing season in October, it announces tobacco companies' requirements[23] for the tobacco growers to enter into agreements with the companies. The PTB also fixes Minimum Indicated Prices (MIP) per kg for tobacco grades every year. According to the law, MIP should not be less than Weighted Average Prices of tobacco for the preceding year. This act does not allow retreat in tobacco grades price. In the case of surplus growth, PTB ensures that companies also purchase excessive tobacco.

For 2017-18 MIP is fixed as for Flu Cured Virginia (FCV) as PKR 176 for the plain area and PKR 202 for the sub-mountainous area. For Dark Air-Cured Tobacco (DAC) it's fixed as PKR 87.5, White Patta (WP) PKR 76.5 and for Burley PKR 139.

[21] Article 131

(1) The Central Legislature shall have exclusive power to make laws (molding laws having the extra-territorial operation) for the whole or any part of Pakistan with respect to any matter enumerated in the Third Schedule.

(2) Where the national interest of Pakistan in relation to-

(a) the security of Pakistan, including the economic and financial stability of Pakistan;

(b) planning or coordination; or

(c) the achievement of uniformity in respect of any matter in different parts of Pakistan;

so, requires, the Central Legislature shall have the power to make laws (including laws having the extra-territorial operation) for the whole or any part of Pakistan)

[22] (2018). Minimum Indicative Price. S.R.O. 699(I)/2018. Pakistan.http://www.ptb.gov.pk/sites/default/files/Revised%20MIP%20and%20Cess%20rates%20for%20tobacco.pdf

[23] PTB (2018). Tobacco Requirements for the year 2018. Pakistan, Pakistan Tobacco Board. http://www.ptb.gov.pk/?q=node/275

The total annual requirements of the 53 companies including manufacturers and wholesale dealers are 49.675 million kg. Of this FCV tops the list with 47.890 million kg, DAC 0.815 million kg, WP 0.500 million kg and Burley 0.060 million kg.

Out of 53 companies operational in Pakistan, two are multinationals while remaining are national companies. Of the total around 74%, i.e., 36.37 million kg of tobacco crop is the requirement of the multinationals.

Tobacco is of great economic value as a source of revenue, employment, and foreign exchange earnings to Pakistan. The total amount paid to the farmers in 2016 for growing 49.45 million kg was only PKR 184.46 million. However, the government's earning is much more significant. In 2015-16, the federal government realized a total amount of PKR 114.2 billion. Of this PKR 90.4 billion was in the head of federal excise duty and PKR 23.7 billion sales tax while an additional PKR 1.23 billion was earned through tobacco export.

Box 2

Types and quanta of tobacco produced in Pakistan

There are two types of tobacco grown in Pakistan – Virginia (Nicotiana Tabacum) and indigenous variety (Nicotiana Rustica). While the indigenous variety dates back to the 17th century, Nicotiana Tabacum was first cultivated in 1948.

Flue-Cured Nicotiana Tabacum *is known as Virginia (FCV) and grown in the provinces of KP and Punjab and used for cigarette production.*

Burley *variety is also used for cigarettes is Light Air Cured and grown in KP's Swat valley while Light Sun Cured is grown in Punjab and Sindh provinces and used for traditional Hookah (pipe).*

Dark Air-Cured Nicotiana Tabacum *(DAC) is also sued for smoking and is grown in Punjab.*
Nicotiana Rustica in Semi Oriental is called White Patta (WP) and is used for Naswar (smokeless) and pipe and is primarily grown in KP which along with Balochistan and Punjab is also home to Dark Sun Cured Naswar.

Production: *In 2015-16, of the total 35,251 hectares of area under tobacco crop in Pakistan, 29,061 was under FVC producing 72.29 million kg with per hectare yield as 2,490. DAC was cultivated on 872 hectares producing 2.14 million kg with an average 2,450 kg per hectare yield. WP cultivated over 5,278 acres and produced 11.71 million kg with an average of 2,220 per kg hectare yield. Burley's per hectare average yield of 2,000 kg was secured from 40 hectares producing 0.08 million kg.*

Typology: *Each type of tobacco is scientifically classified into grades with defined physical and chemical characteristics. The main criteria of classification are plant position, color, elasticity, texture and cleanliness of tobacco leaf, etc. There are 17 grades of FCV, 14 for Burley, 5 for WP and seven for DAC.*

Sale and purchase: *Every year in October, PTB ascertains the requirements of various tobacco companies and publicizes it among growers when nurseries are being laid out. The aim is to ensure that there is no gap between demand and supply. Each tobacco company is bound to sign an agreement with farmers and submit details to PTB. The basic unit of each agreement is of 2,100 kg against one barn. This unit and the number of barns is further multiplied.*

[24] PTB (2017). Tobacco Statistical Bulletin Volume 40-41. M. o. Commerce. Peshawar, PTB. 40-41.

CHAPTER 3

Tobacco Value Chain

Players, Capacities, Markets and Possibilities

Tobacco Value Chain: Players, Capacities, Markets & Possibilities

The State Bank of Pakistan[25] in its 2014 report states: "Tobacco value chain is the most enterprising [small and medium enterprises] SME sector and has been developing since the inception of Pakistan. The value chain presents an enormous opportunity in its growth and development as it is driven by the SME sector and from its outset being an excellent example for contract growing in the country."

This report states that the tobacco value chain is highly regulated regarding its production, prices, and marketing under various regulatory laws and rules. A separate autonomous body, the PTB, implements such regulations. The value chain is heavily taxed and is the only value chain in agriculture in Pakistan where the raw material is also being imposed in the form of Tobacco Cess. This additional tax is being collected by the government besides Federal Excise Duty (FED) and General Sales Tax (GST) collected on the finished goods.

Tobacco Value Chain Map

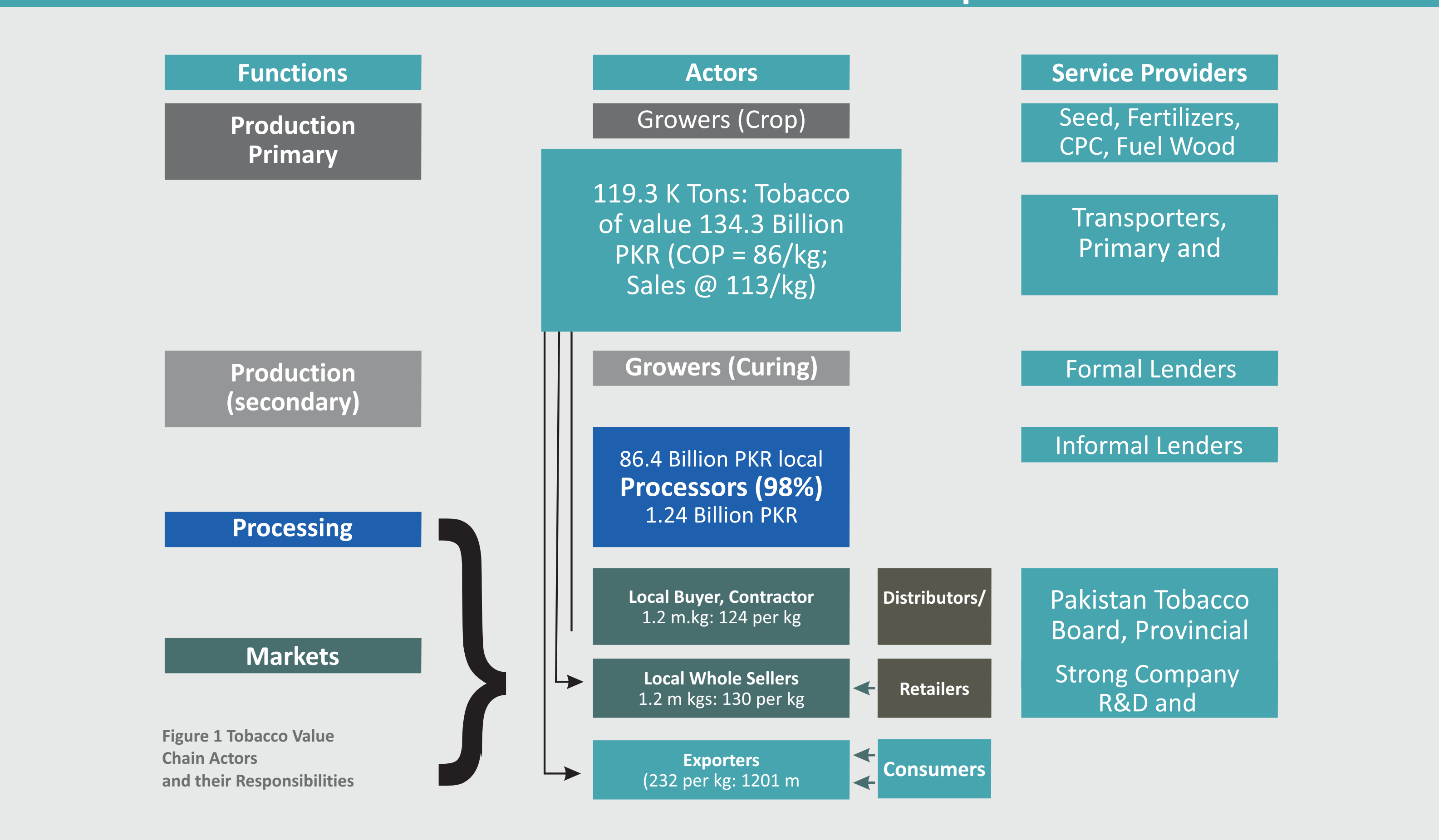


Figure 1 Tobacco Value Chain Actors and their Responsibilities

[25]SBP (2014). Tobacco Value Chain in Pakistan. A. C. M. Department. Pakistan. http://www.sbp.org.pk/publications/ChainReport/2015/Report%20on%20Tobacco%20Value%20Chain%20in%20Pakistan.pdf

The following are the main tobacco value chain actors in Pakistan and their key functions:

Input Suppliers

Other than seeds being supplied by the

tobacco companies on loan which is adjusted in procurement, fertilizers, plant protection chemicals (PPCs), farm machinery, irrigation systems, and fuelwood are other crucial elements supplied by various vendors at their sale/distribution points.

Producers

The primary and secondary producers genuinely represent the SME sector in the tobacco value chain, and each SME

represents a family business which involves both crop production and curing of the produce in kilns. Each kiln cures produce from one hectare of land to dry tobacco before its procurement by strategically located procurement points set up by various companies. The majority of growers are smallholders and have or to two kilns translating into five acres of tobacco growing land.

Aggregators

Big volume buyers like PTC and PMI [Philip Morris International) have contractual arrangements with the growers on a price fixed by PTB. Small processors do not have any such provisions. However, local buyers collect the produce from group growers and these local buyers either are connected to small processors directly or sell their collection to volume buyers who sell it to small processors. The small network of buyers also collects the produce for exporters at the same time, whereas exporters also directly purchase from their group of growers but under no contractual arrangements. Although PTB fixes the pricing of various grades of produce, there is much variation in cash versus credit buying by multiple players in the market.

Processors

These fall in three broad categories: Larger, Medium and Small, based on their processing capacity. Like growing, processing units are also located close to the principal producing areas, mostly populating region in the KP. Processor purchases the cured and graded tobacco at their collection centers (depots) in the growing and curing areas as per defined quality standards and regulated by PTB.

End Market Buyers

These are categorized as cured lead buyers (local small volume buyers), large volume buyers for small to medium companies and large processors having their well-entrenched buying teams and collection depots.

Supporting Institutions

There are national and provincial support institutions conducting research and linking extension services to primary growers besides a well-established R&D [research and development] setup and support system through field support personnel by large processors such as PTC and PMI.

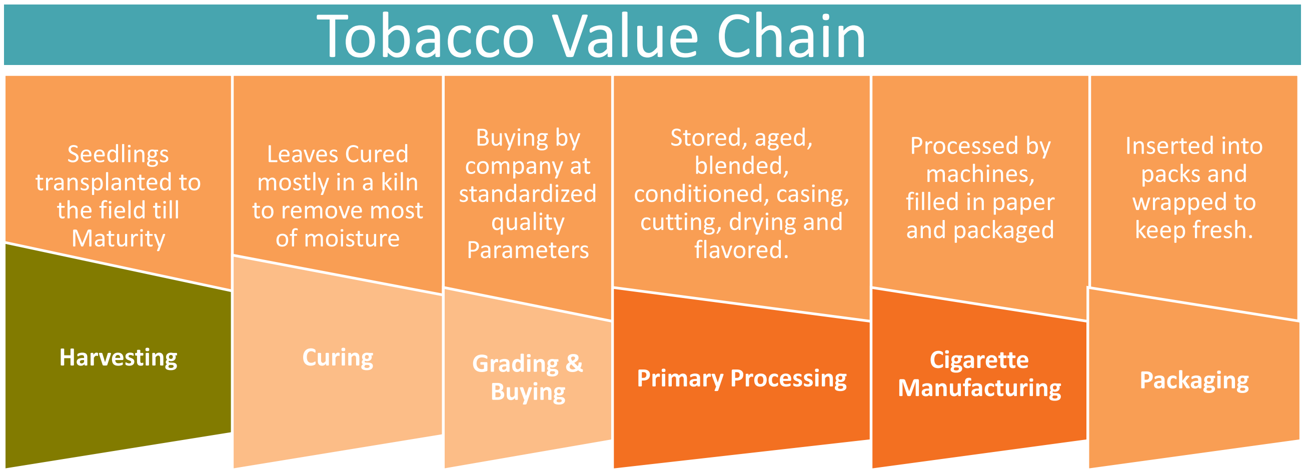


Figure 2 Tobacco Value Chain Process

Key Input Providers and Their Organization

In the farming area, there is a dealer network of the entire critical input supplies provider close to farms besides companies' warehouses and their stocks which the dealer could quickly divert to growers – their customers. Some fertilizers and CPC suppliers place their products in the processors' warehouses which is advanced by processors to growers and adjusted at source (bank) and payment routed to suppliers. These input suppliers have technical field personnel, and in collaboration with processors' field staff, they provide technical services to growers in meeting their crop production and technical needs. The dealer provides fuelwood, and there are different price ranges for purchases on cash versus credit. The fuelwood is used in kilns, for curing and drying of tobacco leaves before their procurement by the companies. Mostly, growers acquire fuelwood on loan, and the advanced payments are adjusted once the produce is sold to the buyer.

Contractual Arrangements

Fertilizers and CPC dealers purchase their supplies on cash from input supply companies under a dealership agreement. They extend advance payments to their circle of customers at a higher rate and get payment after the sale of the produce. These dealers have limited capacity to advance inputs to growers which force growers to borrow from informal lenders at very high rates.

Quality Control Measures

The tobacco value chain has well-established quality control standards and control measures through the intervention of processors and PTB. These standards are set for each type of tobacco used in the blend for making cigarettes. Input manufacturers, fertilizers, CPC (Crop Protection Chemicals), maintain GMPs (good manufacturing practices) and their products on the market are checked with samples provided to the Provincial Agricultural Department.

Input Supply Contracts

As per tobacco marketing control rules, 1993, every tobacco company intending to purchase during a crop year shall indicate to the board its total requirements of tobacco by 21st day of October and they are also bound to undertake contractual agreements furnishing a list of such agreements to the PTB as soon as possible after the execution of such agreements. The PTB constitutes committees of growers for scrutiny of agreements executed by each tobacco company to verify its genuineness. Exporters and other informal buyers undertake no formal contract with the growers, and there is only spot buying. Similarly, for finished goods (cigarettes), the distributors, dealers, and retailers have a formal agreement of purchases and sales and a volume business commitment. Input supply companies pay close attention while appointing a dealer and enforce their formal contract through their well-developed processes and policies through a field officer assigned for that area. In case of any serious breach of contract, the dealership is cancelled, and a new dealer for that area is searched and appointed. Some companies also designate significant volume buying growers as their dealer in the area. Such a grower mostly represents a group of growers in that area. Processing companies undertake contracts with growers as per law under the price fixed by PTB. This contract is binding upon all the parties to comply for the sale and purchase of the produce.

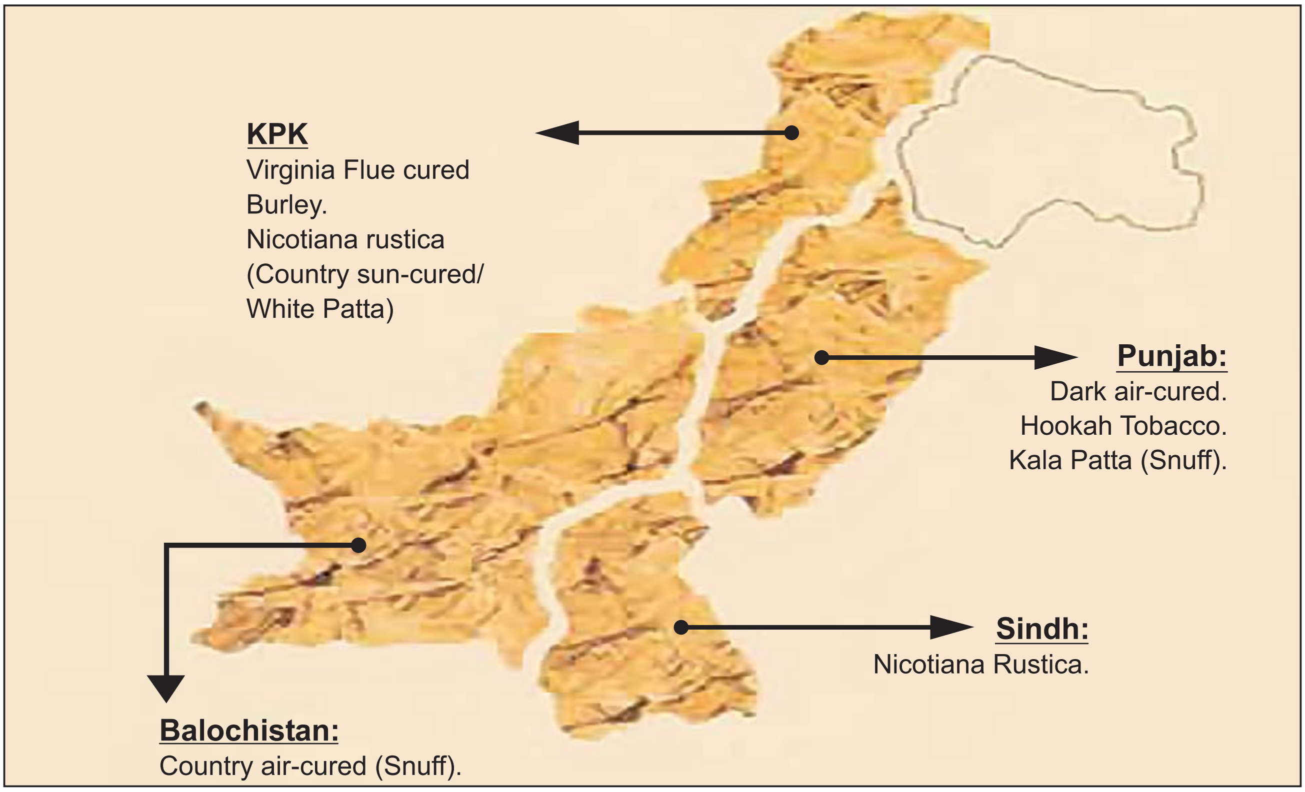


Figure 3 Tobacco Geography

Table 1: Operating Installed Capacity Versus Actual Production

Operating Installed Capacity versus Actual Utilization of Processors				
S. No.	Companies	Operating installed capacity on 3 shifts basis per annum (in millions)	Average Utilization of Production Capacity (in millions)	% of Utilization of production Capacity
1	Pakistan Tobacco Co.	44,986	25,220	56.06%
2	Philip Morris	37,060	20,093	54.22%
3	Other Companies	13,601	418	0.03%
	Total	95,647	45,731	47.81%

Available and Utilization of Processing Capacity in the Chain for Different Products

The total available capacity of the processing industry in Pakistan is around PKR 123 billion pieces per annum versus average utilization during the last five years preceding this report has been around 65 billion pieces per annum. The underutilization indicates an incoherence in demand/ supply, but it also indicates improvements in the export part of the value chain which clearly shows underutilization of 47% of the total capacity. The reported utilization of less than 1% of the installed capacity indicates some sort of under-invoicing by the small manufacturers

Table 2 : SWOT Analysis of Value Chain

Attributes	Strength	Weakness	Opportunity	Threat
Profitability	Contractual growing, strong technical outreach through companies, rising local and export demand.	Credit availability to SME sector reducing profitability. Produce to pay PKR 200 KG more on credit for fuel wood for a merely 2-month credit.	Best practices and lower cost of production through credit availability on comparative advantage.	Climatic: Hailstorm reducing quality and quantity.
Stability	Sustainable contractual model due to increasing demands from processors.	Lack of revolving crop-based credit avails from banks to SME producers.	Novel financial products to support value chain growth.	Higher lending rates by non-institutional lenders
Growth	Good quality land, ambient water supply and growing conditions. Sustained volumes and margins of processors and contract growers.	Inadequate policy framework for institutional credit and reliance on informal lenders at a very high markup.	Institutionalize credit for all players of the value chain, including contractor, input suppliers.	Lack of appropriate securities of various players for institutional credit.
Regulatory Environment	PTB, provincial government, agriculture departments, processors quality assurance teams.	Heavy taxation and cess collection with no apparent application of such venues for improvement of value chain.	Rational taxation regime, regularization of informal lenders.	Lack of will on the part of state to reform the sector with equitable distribution of taxation on various crops.
Job Generation	Value Chain has a great potential of growth –more job creation both skilled and non-skilled in area expansion, yield enhancement, technology interventions and credit extension on easy terms, processing and exports holds promise.	Lack of ingenuous financial products for such a robust industry where domestic as well as exports are thriving sustainably.	Financing of rented agriculture and curing, introducing new but sustainable financial products.	Lack of appropriate credit may lead primary producers to adopt alternative crops as tobacco is extremely input intensive.
Geographic Focus	Development in Sindh and Balochistan has great potential for processors in Sindh.	Primary producers lack technical and financial capacity. No credit for SME on easy terms.	Credit at easy terms at all the nodes of VC. Regularization of informal lenders, input suppliers, investors, cold store operators.	Bring margins down for the core areas

to evade heavy taxation of the tobacco industry. Similarly, underutilization of large companies to an average 45% is also inexplicable. Illegal tobacco trade and undocumented manufacturing may account for only half of the production capacity however the remaining half may provide an opportunity in the expansion of exports of the processed goods versus raw material.

Flow of Products

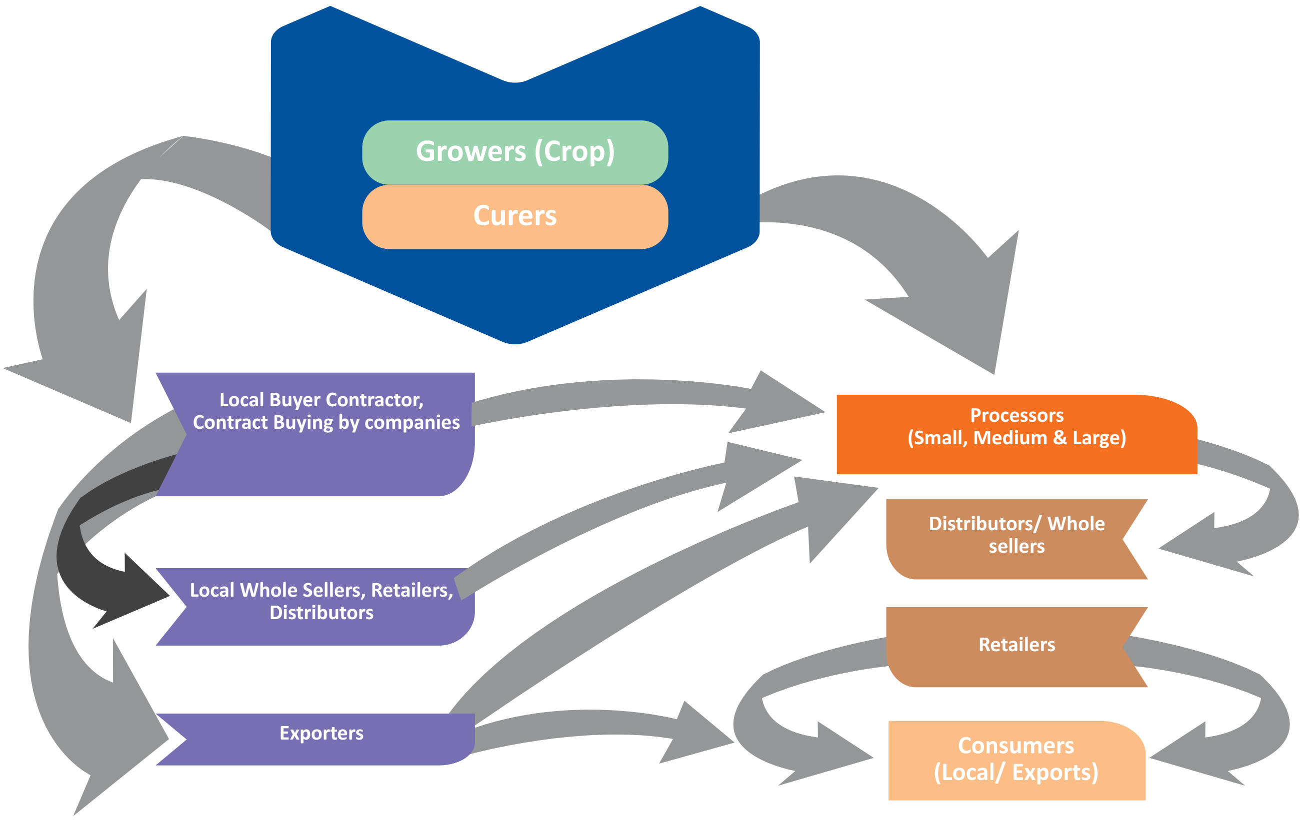


Figure 4 Market Channels

Key Stakeholders Determining Market Structure

The tobacco marketing in Pakistan is executed in a direct purchase system. The production and marketing of tobacco are kept up under the Martial Law Order-487. After promulgation in 1985, many amendments have also been introduced. MLO-487 empower that the weighted average price for the tobacco crop shall not be lowered than the previous year price. MLO-487 has played a significant role in safeguarding the interests of the growers. This law obligates manufacturers to stick to their convoyed targets and purchase their indicated quantity irrespective of changed circumstances, if any, at the time of tobacco purchase. Pricing, timing, quality and terms are collaboratively executed under the regulatory authority of the PTB which has established committees comprised of all the critical actors in the value chain to decide on the cost of production, purchase price, grades and quality standards besides volumes to be contracted and purchased.

Table 3 : SWOT Analysis of Value Chain

Functions	Organization
Crop Inputs (seed, fertilizers, crop protection chemicals)	• Seeds are provided for nursery raising in December and the cost is recovered by the company during procurement. • Only 20% of the growers on contract use NPK (nitrogen, phosphorus, and potassium) kept by input supplier in the store of processors, the credit is adjusted while grower cashes the purchase voucher after sale of the produce at processors' depot. • Suckericide is available with the processors as well as with the input supplying dealer, here cash and credit have different terms. Payoff on service is towards the mid of the buying season.
Primary Production (Small, Medium and Large Growers)	• Small and medium growers sell most of their loads in the market at lesser margins, in order to payback credits on inputs to non-institutional creditors (NICs) whereas, the contractual growers get their payments as per agreed schedule set by the stakeholders monitored by PTB. • Growers under contract with processors are in a better position and have better cash flows as their payback from processors are based on weekly payments.
Transportation	• Transporters under contract work on weekly payments whereas without contract on delivery of goods for processors only, others use either their own hauling or hired vehicle on cash mostly.
Processing	• Processors in procurement run a 4-6-month cycle with producers whereas; the buyers have an arrangement on invoice to invoice basis.
Markets	• Grower-agent and grower-contract cash cycle on borrowed inputs continue for 4-6 months. Agents mostly keep large portion of cash in this cycle from growers and extend cash to grower on need basis. • Exports and finished goods sales purchase are on cash basis and there is little, or no credit involved.

CHAPTER 4

Cigarette Industry in Pakistan

Cigarette Industry in Pakistan

According to PTB[26], the total annual income generated by the tobacco industry in Pakistan is approximately PKR 300 billion, with the industry supporting the livelihood of around 1.2 million people. The labor force employed across 21 factories is around 50,000. During the fiscal year 2016-17, PKR 114 billion was collected in FED and GST from the tobacco

industry. Between 70,000 and 80,000 people are estimated to be employed in the tobacco growing sector. Given that over one-third of the 43 million labor force in Pakistan work in the agricultural and fishery sector, tobacco growing accounts for about 0.4% to 0.5% of the total agricultural labor force.

Tobacco is of great economic value as a source of revenue, employment and foreign exchange earnings for Pakistan. The total amount paid to the farmers in 2016 for growing 49.45 million kg tobacco was only PKR 184.46 million. However, the government's earning is much more significant. In 2015-16, the federal government realized a total amount of PKR 114.2 billion in taxes and duties. Of this, PKR 90.4 billion was in the head of federal excise duty and PKR 23.7 billion in general sales tax while an additional PKR 1.23 billion was earned through tobacco export.

While announcing the tobacco requirements for the country in 2018, PTB published needs of 53 companies that included traders and manufacturers. There are two multinationals in Pakistan in the tobacco sector while the

remaining are national companies. Of the total tobacco produced in Pakistan per year around 74%, i.e., 36.37 million kg, is the requirement of the multinationals.

The 17 tobacco companies in Pakistan have 20 cigarette manufacturing factories with an installed capacity of 134,284 million sticks per annum in three shifts. Of these 10 factories are based in KP with an installed capacity of 42,670 million sticks per annum. One factory with an annual installed capacity of 24,700 million sticks is located in Sindh, five factories in Punjab with an installed capacity of 60,198 million sticks per annum and four factories are located in Azad Jammu and Kashmir (AJK) with an installed capacity of 6,716 million sticks per annum. Detailed statistics are given below.

[26] PTB (2017). Tobacco Statistical Bulletin Volume 40-41. M. o. Commerce. Peshawar, PTB. 40-41.

Table 4 Installed capacities of the cigarette manufacturing factories				
S. No.	**Particulars**	**Year of establishment**	**Operating/ installed capacity of 3 shifts basis per annum (in millions)**	**Location**
A. Khyber Pakhtunkhwa				
1	Pakistan Tobacco Company	1976	24,232	Akora Khattak Nowshera
2	Khyber Pakhtunkhwa Company	1954	2,566	Mardan
3	Sarhad Cigarette Industries	1975	1,150	Nawankili (Swabi)
4	Saleem Cigarette Industries	1979	1,663	Mardan
5	Bara Cigarette Industries	1992	800	Bara(Peshawar)
6	International Cigarette Industries	1991	157	Shewa (Swabi)
7	Souvenir Tobacco Company	1986	1,650	Mariam Garhi Mardan)
8	Universal Tobacco Company	1989	7,000	Mardan
9	Imperial Cigarette Industries	1989	2,300	Dagai Road, Tara Kahi Swabi
10	Falcon Cigarette Industries	2010	1,152	Mansabdar (Swabi)
		Total	42,670	
B. Sindh				
1	Philip Morris Pakistan Ltd.	1971	24,700	Kotri (Sindh)
		Total	24,700	
C. Punjab				
1	Philip Morris Pakistan Ltd.	1972	8,500	Mandra, (Rawalpindi)
2	Philip Morris Pakistan Ltd.	1981	24,400	Qadar Abad (Sahiwal)
3	Pakistan Tobacco Company	1956	26,482	Jhelum
4	Burley Tobacco Company	1995	600	Fateh Jang
5	Shaheen Tobacco Company	1997	216	Julian (Taxila)
		Total	60,198	
D. Azad Jammu & Kashmir				
1	New Kashmir Tobacco Ind.	1972	1,716	Bhimber
2	Walton Tobacco Company	1981	1,980	Chatter Pari, (Mirpur)
3	Walton Tobacco Company	1956	302	Bhimber
4	National Tobacco Company	1995	2,718	Bhimber
		Total	67,16	
Grand Total			134,284	

CHAPTER 5

Stakeholder Perspectives

Expert Views from the Trenches

STAKEHOLDER PERSPECTIVES
Expert Views from the Trenches
Interview with **Mr. Atta Ullah,** Secretary Pakistan Tobacco Board (PTB)

The PTB was established in 1968 with a role in tobacco cultivation and promotional activities, regulating tobacco standards, undertaking tobacco-related research, and regulating tobacco exports. As a part of its ongoing policy, PTB has helped farmers in overcoming various challenges such as crop storage issues, ward off crop diseases, introduce tobacco varieties to increase tobacco production and introduce systems to inform tobacco growers before the sowing season, how much they should be producing.

PTB is cognizant of the fact that sophisticated technology and research is required to produce local varieties for which PTB does not currently have sufficient resources, but it is applying scientific methods to local crops and is at the final stages of generating drought-resistant tobacco varieties particularly crucial to drought-impacted tobacco growing region.

As a regulator, PTB also redresses complains. The frequent complaints of tobacco growers pertain to lower prices for their produce and rejection of their produce by companies without any justification. While companies complain of growers not following PTB standards by not producing recommended varieties of tobacco or do not grade it according to the grading system.

Contractual agreement and the payment procedures were developed according to the 2016 rules approved by the federal government, which states that farmers will receive first payment for their crops within a week, next payment within a fortnight and the rest of the transactions will be processed in a month's time. Multinational companies acquire 60-65% of the tobacco produced multinational companies with well-established brands, and smaller companies are having lower quality products buy the rest. According to Federal Bureau of Statistics, there are 26 tax paying registered cigarette producing units, 16 of which are in Pakistan, 10 in AJK and a few in the [erstwhile] federally administered tribal areas (FATA).

PTB does not have the mandate to promote or regulate local tobacco companies. Also, we do not have any plans to work on an alternative crop policy as per Article 17 of FCTC because there is no existing law or any instructions from the federal government under which the PTB works. The implementation of FCTC is with the Ministry of Commerce and Ministry of Food.

The general perception about PTB of being less vibrant and only interested in cess collection is being addressed. Meetings with growers are organized at regular intervals. Moreover, from 2018 onwards a voluntary tobacco crop insurance scheme is also being promoted.

PTB is aware of the dire consequences of deforestation and is already educating the farmers on not using timber trees as firewood for the barns. The non-compliant farmers are either not given the agreements or are canceled. PMI has also planted an artificial forest providing wood on subsidized rates to the tobacco farmers. Also, PKR 22.45 million have been spent on increasing the efficiency of 500 selected barns by introducing new

[26] PTB (2017). Tobacco Statistical Bulletin Volume 40-41. M. o. Commerce. Peshawar, PTB. 40-41.

exhausting techniques which save firewood during the curing process. Making barns more efficient has helped reduce wood usage by 15-20%.

Tobacco's future is bleak due to its established harms on health but according to research by the Asia journal Tobacco Asia, currently there are 600 million smokers globally which are forecast to increase to one billion by 2025. Of these, around 60% are expected to be from Asia. This show that tobacco production has a good future despite strict health-related regulations on its consumption.

Interview with **Liaqat Yousafzai,** Chairman Tobacco Growers Association of Pakistan (TGAP)

Tobacco is a labor-intensive crop requiring 10 to15 farmers for a single hectare of land compared to wheat which only needs one farmer for the same amount of land. Recovering the cost of production each year is becoming difficult for the farmers, and earning profits is next to impossible. Being a farmers' association, we think that the cost of production in 2018 is around PKR 250 per kg but the rate fixed by PTB is much lower at PKR 176 per kg. Though every year in October PTB starts the consultative process to set the MIP, the multinationals highjack this process.

The livelihood of around 1.2 million people is dependent on the tobacco crop even though they also cultivating other rotational crops. However, ironically while wheat, maize, and sugarcane are under the domain of the agriculture departments in the provinces that extend certain official incentives but in case of tobacco, this is the sole domain of federal commerce ministry.

We suggest that tobacco should also be given the status of an agricultural crop at par with other crops and the authority should be given to the province. Whether this demand is reasonable or not, we can debate on that as well.

The government is profiting billions of rupees from tobacco, but nothing is being allocated for the welfare of farmers. We suggest that a minimum percentage of the total revenue generated by the government from the tobacco crop be earmarked for the welfare of farmers. The health of the farmers is also of the utmost concern as the whole tobacco growing and curing process can cause cancer. Tobacco causes double jeopardy to the farmer. On the one hand, the federal government is minting money without giving anything to farmers and on the other hand posing a threat to farmers' livelihood by taking tobacco control measures such as raising the size of pictorial health warning on a cigarette pack.

It should be clear to everyone that the cereal crops cannot be an alternative to tobacco. Tobacco crop alternatives should be explored around off-season vegetables and adoption of new agricultural technologies. However, this is not being done. If one farmer shifts from tobacco to wheat or any other crop by his own will, we cannot call it substitution. Crop substitution can only be brought in by the government by bringing forward a policy safeguarding interests of all stakeholders. With many sugar mills in KP already closed and a corn plant shut down since long, the picture of crop processing units in KP is already bleak and grim.

Interview with Multinational Tobacco Company Official [name withheld on request]

Tobacco is the only crop in history which guarantees an income before it is sowed. While growing tobacco, there is an added benefit of growing maize soon after harvesting tobacco. Therefore, most of maize is grown on tobacco fields. If a comparison is drawn between the tobacco farmers and other farmers, the former would be better off, being equipped with tractors and utilizing other facilities.

According to Pakistani law, every year in October a tobacco company declares the volume in kilograms of tobacco that they will require to purchase the following year. For every kilo, a tobacco development cess is levied and paid by the company at the time of procuring tobacco. The PTB issues a strict schedule from tobacco requirement, agreement to procuring tobacco that is to be followed by a company. Even in case of access tobacco, a company is bound to buy it under PTB regulation. Then a tobacco company needs to provide a complete report with agreements details that it has made with farmers to PTB. The details include the total hectares cultivated, and the variety of tobacco to be grown to PTB. After this the farmer receives a contract for the following year, containing all clauses stated by the tobacco board which is then signed by him.

Many taxes are being paid by the tobacco industry, for instance, a development cess tax is paid at the provincial level and a federal cess tax. A 5% advance tax is also settled on the total quantity of tobacco which was introduced for the grey markets. This tax was added for the welfare of the farmer's, but its disbursement remains questionable. That is the reason that tobacco farmers lives have not improved. The tobacco growers' interest is protected under the PTB framework. But growers can terminate the agreement any time while a company cannot do it. Though as there is no crop insurance therefore in case of crop failure because of natural calamity, the loss is that of the farmers.

Pakistan is the only country in the world which guarantees that the average weight price of tobacco should be higher than the last year. Hence with a pricing structure related to quality can help create competition between the farmers to work for producing a high-quality crop. This system does not help in the competitiveness of the international market. Seeds available in Pakistan are not of pure breed and cannot be traced back to their origin. This is the reason imported hybrid seeds from Brazil, with a known origin, giving a high-quality product.

A persisting challenge for the company is how to ensure that farmers use same seed, pesticide and fertilizer that is recommended by PTB. And then there is a huge counterfeit cigarette market a multinational has to compete with. But despite all these challenges, multinationals have done huge investments and bringing in more innovations and technology to improve the quality and adhere to international environmental standards. The production of a quality crop is ensured by a company through consistent monitoring of the whole growing process. The government is also helped not only in generating billions of taxes but in securing huge export revenue.

The growers are not only helped by companies' agronomists to produce quality tobacco crop but also how to employ better agriculture techniques in cultivating other crops. Many modifications have been made in the barn/kilns to make them more wood efficient. Similarly, special tree plantation projects are initiated by the company to offset any impact on the forests of Pakistan.

Interview with Local Industry Representative [name withheld on request]

The multinational tobacco companies dominate the tobacco market because it is very resourceful having highly qualified works force. Local companies do not have any competition with transnationals as they are holding majority market share of cigarette production and business. We have no competition with multinational companies because they have more resources and workforce rather than small industry. So we cannot compete with them. The major differences is that of taxes. The tax incidence is so high that if we charge it then no one will buy a local company cigarette. Now the government has introduced more taxes on Green Leaf Thrasher (GLT) besides introducing third tax tier. The government should go to the previous system by abolishing this third tier on cigarettes.

There is no support from the government to promote local industry. PTB has been quite active in resolving issues between growers and companies. It not only tries to keep the price of the crop to farmers competitive but also ensures that only recommended imported seeds are sown, and approved techniques are used. A company's representative's role in ensuring crop quality is very critical as after entering in a contract with a farmer the company's representative has to monitor and establish a good relationship with growers and influential of the area.

Pakistan produces one of the best tobacco varieties in the world. However, after paying to farmers, cess, and tax on GLT, the Pakistani tobacco lose its competitiveness in the international market because of higher cost. That's the reason that exports are dwindling.

In certain areas, tobacco growing is going down like in Mardan and Nowshera, but its cultivation is improving in size in quality in Buner and Mansehra districts.

Interview with **Prof Dr. Fida Mohammad** Chairman Plant Breeding and Genetics Department, Agriculture University of Peshawar

Tobacco crop is not grown under the provincial agricultural department, but it is the domain of the Federal Ministry of Commerce. Tobacco is the fastest growing cash crop that yields higher profits in a short span of three to four months. The government also generates a substantial around PKR 9 per kg revenue on tobacco that it may not generate from any other crop.

The technology used in tobacco value chain is more or less the same as used in other crops, but tobacco is superior because unlike other crops it can be stored for years without any tribulations. There is higher use of pesticides on tobacco crop for ensuring higher and quality yield. However, if the government shows a political will then alternative crop can be introduced in here. But it may be mentioned that poppy was banned under religious injunctions, and unlike poppy, tobacco is profitable both for growers and the government.

At present, there is no research being conducted at this agricultural university on tobacco as tobacco research is exclusive to PTB. However, it is crucial that the government should take an interest to promote research to produce local varieties of tobacco seeds and reduce costs that are incurred on importing hybrid seeds from Brazil and other countries.

CHAPTER 6

Success Story

Success Story

Poppy Crop Substitution

Pakistan was declared poppy-free at the start of this century with a massive reduction in its cultivation from 9,400 hectares in 1992 to some 243 hectares in 2000-01. This success story was achieved by implementing a crop substitution programme with the support of the international community, mainly the US government. This area that now is dominated by tobacco crop. The Dir district of KP has been poppy-free since 1999 with full enforcement of ban on poppy cultivation - the drug control objective of the USD 38 million Dir District Development Project, implemented in two phases over a 16-year period beginning in 1985. The idea of this project was extracted from a USAID study "Cause, Effect & Remedies of Poppy Cultivation in Swabi-Gadoon Area, Volume1 & 2".

As part of the plan the most significant Gadoon Amazai industrial estate[27] was established in Swabi in 1988. The government extended incentives such as tax exemption, low-interest rates, and exemption of duties on imported machinery and raw material. As a result, 325 industrial units were established in the area with the investment of PKR 53.836 billion providing job opportunities to over 14,843 people. Additionally, the illicit opium growing areas received assistance in constructing transport and social welfare infrastructures, irrigation and land levelling to increase crop productivity. Agricultural extension workers introduced high-yield varieties of existing crops or entered new crops such as tobacco or fruit trees while equipping farmers with the latest agricultural techniques.

After the successful implementation of such development projects, the state started to implement phased eradication programs. Each September, the Government of Pakistan highlighted areas where cultivation of opium poppy would be curbed. The state representatives would hold meetings with tribal leaders and opium farmers in the targeted areas and inform them of the updated enforcement schedules. Farmers were advised that crops would be eradicated, and non-compliance could lead to their prosecution. The risks of illicit opium cultivation and production were also highlighted to the opium poppy farming communities. Two more meetings were held before the sowing of poppy seeds to give second and third chances to accept alternative crops and support.

If any opium poppy crops were discovered following the initial warnings[28], they were eradicated. Eradication campaigns often consisted of ploughing of farmers' fields by state employees under armed guards. However, the military 'bombardment' of resistant villages with heavy artillery was practiced, as was the aerial spraying of hard to reach crops with herbicides. If farmers re-cultivated opium after the initial eradication, they were prosecuted.

However, a fall out in the shape of a densely drug-addicted population has been witnessed. According to an estimate by the United Nations Office of Drug Control (UNODC), 6.4 million adults are drug users in Pakistan[29]. The legal and legislative processes initiated to regulate and then eradicate poppy cultivation date back to the Opium Act of 1857 that was introduced to regulate the cultivation of the poppy and the manufacturing of opium followed by Opium Act, 1878.

The Dangerous Drugs Act, 1930 was also introduced to take further measures to suppress the contraband traffic in and abuse of dangerous drugs. These legislations were adopted by Pakistan in 1947 at the time of its independence.

The Control of Narcotic Substances Act, 1997 imposed a ban on the cultivation of narcotic

[27]Nawaz, F., F. Azam and N. Noor (2015). "The Dilemma of Gadoon Amazai Industrial Estate, Khyber Pakhtunkhwa " Journal of Economics and Sustainable Development.

[28]Windle, J. (2009). "PAKISTAN: FAR-RIGHT ISLAMIST MILITANTS AND A RESURGENCE IN THE ILLICIT OPIATES TRADE " Internet Journal of Criminology.

[29]UNODC (2013). Drug Use in Pakistan 2013 Summary Report, UNODC.

plants and possession of narcotic drugs as well as import and export of narcotic drugs. This act also imposed a ban on trafficking or financing the trafficking of narcotic drugs. Moreover, a ban on owning, operating premises or machinery for the manufacture of narcotic drugs as well as the acquisition and possession of assets derived from narcotic offences. Prohibition on aiding, abetment or association in narcotic offences. The critical role was played by army manned Anti Narcotic Force in the enforcement measures under the Anti-Narcotic Force Act, 1997.

As regard to punitive measures, the Opium Act of 1857 imposed penalties in terms of money, i.e., PKR 500 or three times the amount of advance credit received for the land which he had failed to cultivate whereas the Opium Act, 1878 and Dangerous Drugs Act, 1930 imposed penalties in term of imprisonment for two years or with fine or both.

While the Control of Narcotic Substances Act, 1997, imposed more strict penalties like imprisonment which may extend to seven years, fines or both with death penalty or imprisonment for life, or imprisonment for a term which may extend to fourteen years and shall also be liable to fine which may be up to PKR 1 million. Imprisonment which may extend to 25 years but shall not be less than 10 years and shall also be liable to fine which shall not be less than PKR 1 million[30].

Box 3

Pakistan's international commitments

Pakistan is a signatory of various international treaties related to drugs and psychotropic substances. These include the following:

UN Conventions Narcotic Drugs and Psychotropic Substances and Single Convention on Narcotic Drugs, 1961.

This Convention suggested a prohibition of poppy cultivation as a most suitable measure for protecting the public health and welfare and preventing the diversion of drugs into the illicit traffic[31]. Pakistan signed and ratified it on 2 July 1999.

Convention on Psychotropic Substances, 1971

The Convention establishes an international control system for psychotropic substances. It responded to the diversification and expansion of the spectrum of drugs of abuse and introduced controls over a number of synthetic drugs according to their abuse potential on the one hand and their therapeutic value on the other[32]. Pakistan ratified it on 9 June 1977.

UN Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances, 1988

This Convention provides comprehensive measures against drug trafficking, including provisions against money laundering and the diversion of precursor chemicals. It provides for international cooperation through, for example, extradition of drug traffickers-controlled deliveries and transfer of proceedings[33]. Pakistan ratified it on 25 October 1991

[30](1997). Control of Narcotic Substances Act 1997. XXV. https://www.unodc.org/res/cld/document/pak/control-of-narcotic-substances-act xxv_html/CONTROL_OF_NARCOTIC_SUBSTANCES_ACT_pakistan.pdf

[31]UNODC (2013). Drug Use in Pakistan 2013 Summary Report, UNODC.
https://www.unodc.org/unodc/en/treaties/single-convention.html

[32]UNODC (2018). Convention on Psychotropic Substances, 1971, UN.https://www.unodc.org/unodc/en/treaties/psychotropics.html

[33]UNODC (2018). "United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances, 1988." https://www.unodc.org/unodc/en/treaties/illicit-trafficking.html

CHAPTER 7

Tobacco Control Regulatory Framework

Tobacco Control: Regulatory Framework

From a constitutional and legal perspective, tobacco control is a multi-sector issue with multiple dimensions such as merchandise, public health, international commitment, regulation, communication (advertisement), industrial and trading activity, intellectual property rights and inter-provincial coordination. Different articles and provisions of the Constitution govern this subject. The foremost is Article 9 of the Constitution under the Fundamental Rights, which states that: “No person shall be deprived of life or liberty save in accordance with law.” Since the use of tobacco and its smoking is globally proven to be a cause of death and disease, it is a fundamental right of every Pakistani that the state protects its life from the use of tobacco.

Article 18[34] of the Constitution grants freedom of trade, business or profession to the citizens, but this Article restricts their activities by saying: "provided that nothing in this Article shall prevent the regulation of any trade or profession by a licensing system." Thus, under this article, while tobacco companies are allowed to conduct their business, their activities can be regulated by the state. Under Article 70 (6), Entry 6 of Federal Legislative List, Fourth Schedule Part-II, 'all regulatory authorities established under federal law' fall in the jurisdiction of the federal government .

The state of Pakistan has signed and ratified international treaties, FCTC and Sustainable Development Goals (SDGs), to bring in tobacco control measures making it obligatory for the state to fulfil these commitments. Under the Constitution of Pakistan, Article 70(6), Fourth Schedule, Entry-3 and Entry-32 of the Federal Legislative List, Part-1 , it is the responsibility of the federation to meet these commitments. Implementation and enforcement of tobacco control is a matter of public health falls under the jurisdiction of the four provinces and thus is an inter-provincial issue as tobacco is grown in specific areas and traded in all the four provinces; Entry 13 of the Federal Legislative List, Part-II, dealing with inter-provincial coordination, covers this subject .

Existing Federal and Provincial Laws and Regulations

Alongside the international commitment, there are many national laws and executive orders in the form of SROs for enforcing tobacco control in the country[35].

The Prohibition of Smoking and Protection of Non-smokers Health Ordinance, 2002 (Ordinance No. LXXIV of 2002)[36] promulgated by the federal government is the comprehensive supreme law governing tobacco control in Pakistan. It administers multiple areas of tobacco control, including restrictions on public smoking, sale to minors, and tobacco advertising, promotion, and sponsorship. Several other pieces of legislation augment the terms of this primary ordinance.

This law gives priority to the protection of public health and requires active steps for its implementation to meet its objectives

[34](1973). The Constitution of the Islamic Republic of Pakistan.
Article 18 – Subject to such qualifications, if any, as may be prescribed by law, every citizen shall have the right to enter upon any lawful profession or occupation, and to conduct any legitimate trade or business.

[35]CTFK. (2018). "http://www.tobaccocontrollaws.org/legislation/country/pakistan." from https://www.tobaccocontrollaws.org/legislation/country/pakistan/summary.

[36](2002). Prohibition of Smoking and Protection of Non-smokers Health Ordinance 2002. F.No.2(1)/2002-Pub.

besides clearly giving a signal that tobacco control is a public health priority. Its subordinate notifications take a host of tobacco control measures to protect the health of citizens and to reduce tobacco use including smoking in public places and vehicles, underage sale, prevention of smoking in educational institutions besides a partial ban on tobacco advertising, promotion, and sponsorship.

Another principal law governing tobacco control is **The Cigarettes (Printing of Warning) Ordinance, 1979 (Ordinance No. LXXIII of 1979).** It effectively requires that health warning labels be printed on tobacco product packaging in pictorial and text. There are several executive notifications (SROs) to complement the implementation of the law.

The West Pakistan Tobacco Vend Ordinance 1958 provides the law relating to the regulation of retail; sale of manufactured tobacco in urban areas in the interest of public health on a consistent basis in the province of Punjab. The law has been repealed by **The West Pakistan Repealing Ordinance, 1970** and since then has been a provincial law in each province.

Existing implementation mechanism

The Tobacco Control Cell was created in Ministry of Health (Defunct) on 1st July 2007 under the Joint Secretary level Director General (Implementation), as a part of the non-development budget, to fulfil the obligation under above-said Article 5.2 of FCTC. The Cell was established with the aim to enhance tobacco control efforts in Pakistan, coordinate with provinces and to meet the international obligations under FCTC. Currently, it has been placed with Ministry of National Health Services, Regulations, and Coordination that was set up at the federal level in May 2012.[37]

Status of the Existing Tobacco Control laws

In 2010, the Eighteenth Constitutional Amendment abolished the Concurrent List and thus established an exclusive domain of the provinces over a large number of subjects which are not part of the Federal Legislative List including health. However, the Amendment has not changed the status of the laws that were made under the previous constitutional arrangement. All the existing laws were de lege lata applicable in the provinces.

Under the “Declaration and continuance of laws etc.” Articles 270AA (2)[38] and 270AA (6)[39] of the Constitution of Pakistan refer specifically that all the laws and subordinate legislation shall continue to remain in force until altered, repealed or amended by the competent authorities.

On tobacco control, the federal government is carrying out its business as it was before the Eighteenth Amendment and no province has so far objected over the federal government's role, which implies their tacit consent to the federal law and regulations on this subject. Thus, both main tobacco-related laws, i.e., Prohibition of Smoking and Protection of Non-Smokers Health Ordinance 2002 and the Cigarettes (Printing of Warning) Ordinance, 1979 are fully operational and will remain functional unless the federal or any provincial legislature repeals it.

[37] TCC. (2018). "Tobacco Control Cell, Ministry of National Health Services, Regulations and Coordination.", from http://www.tcc.gov.pk/downloads.php, ibid.

[38] Article 270AA(2) states: “Except as provided in clause (1) and subject to the provisions of the Constitution (Eighteenth Amendment) Act, 2010 all laws including President’s Orders, Acts, Ordinances, Chief Executive’s Orders, regulations, enactments, notifications, rules, orders or by-laws made between the twelfth day of October, one thousand nine hundred and ninety-nine and thirty-first day of October , two thousand and three (both days inclusive) and still in force shall, continue to be in force until altered, repealed or amended by the competent authority.”

[39] Article 270AA(6) states: Notwithstanding omission of the Concurrent Legislative List by the Constitution (Eighteenth Amendment) Act, 2010, all laws with respect to any of the matters enumerated in the said List (including Ordinances, Orders, rules, bye-laws, regulations and notifications and other legal instruments having the force of law) in force in Pakistan or any part thereof, or having extra-territorial operation, immediately before the commencement of the Constitution (Eighteenth Amendment) Act, 2010, shall continue to remain in force until altered, repealed or amended by the competent authority.

CHAPTER 8

Tobacco Territories

Profiles of Top Growing Districts

Tobacco Territories: Profiles of Top Growing Districts

Swabi District

Swabi is the top tobacco producing district in Pakistan with production of 40 million kg, but the produce of other crops is more than tobacco. The weight of the sugarcane produced here is 78.7 million kg, wheat 62 million kg and maize 58 million kg. There are 89,425 farms here with 73,088 (82%) owners and remaining under tenancy. A total of 28,531 farms are on 1 to less than 2.5 acre of land followed by 27,804 farms on less than 1 acre. There are 24,814 government owned canals which are the main source of irrigation. Land use intensity was 76.6% and cropping intensity was 102.7%. The majority of 1,928 tractors are privately owned. Total livestock population including buffaloes, goats and poultry is 1.67 million.

Swabi is home to the prestigious institution in engineering, the Ghulam Ishaq Khan Institute of Engineering Sciences and Technology[40] and University of Swabi[41]. It is well connected with the rest of the country through Motorway[42] and Grand Trunk Road. Its 1.6 million population does not have good rating on Multi-dimensional Poverty Index (MPI) MPI[43] as 43.8% are facing MP[44]. Literacy rate among age 10 and above is 49%. There are six hospitals with 530 bed, six rural health centers along with 90 beds, 10 dispensaries, two TB clinics, three Mother & Child Health centers and 38 Basic Health Units.

The yearly consumption of fertilizer is 6, 567 tons - 6,029 nitrogen and 538 tons potassium. On an average 68 kg fertilizer per hectare is utilized. The overall forest area is on 110, 371 acres and there is no significant change from 2013 till 2016[45].

Industrial Landscape

Swabi also has one of the big industrial estate of the province at Gadoon Amazai that was established as part of extending maximum livelihood to erstwhile poppy cultivators. Many incentives on inputs and tax were provided by the government. As a result, 325[46] industrial units were established in the area with the investment of PKR 53.836 billion which provide job opportunity to 14,843 people. In 1992 however, these incentives were withdrawn which led to the closing of 133 units.

Swabi is also rich in construction material in marble, sandstone, and gravel which is extracted from there. While evaluating future potential of the district SMEDA (Small and Medium Enterprises Development Authority) highlights poultry farming in which a small size project worth PKR 541,875 can have 19% rate of return. Honey bee keeping with PKR 605,300 investment has annual 23% rate of return.

Alternative potentials

As regard to model vegetable farms, SMEDA recommends that the artificial method of plastic tunnels, specifically walk-in tunnel farming, are lower than the high tunnels are gaining popularity as they provide high yield compared to low tunnels. The tunnel is suitable for growing tomatoes, cucumbers, sweet pepper and hot pepper. Total cost per project is estimated to be PKR 200,000 for

[40] https://www.giki.edu.pk/
[41] http://www.uoswabi.edu.pk/
[42] http://nha.gov.pk/en/
[43] Multidimensional Poverty Index (MPI) is the measure that captures severe deprivation that each person experience in term of education, health and living standard. It is based on two components, first is incidence of poverty; which means the percentage of the people identified as multidimensional poor or poverty headcount. And second is intensity of poverty; which means average percentage of dimensions in which people are deprived. The MPI provides disaggregated statistics on the main contributors to poverty in all its dimensions; education, health and standard of living. MPI is segregated into total 15 indicators. Multidimensional Poverty index was calculated using Pakistan Social and Living Standard Measurements (PSLM).
[44] UNDP (2015). Multidimensional Poverty in Pakistan, UNDP Pakistan. https://www.ophi.org.uk/wp-content/uploads/Multidimensional-Poverty-in-Pakistan.pdf
[45] KPBOS (2017). Development Statistics of Khyber Pakhtunkhwa 2017. P. a. D. Department, Bureau of Statistics.
[46] Nawaz, F., F. Azam and N. Noor (2015). "The Dilemma of Gadoon Amazai Industrial Estate, Khyber Pakhtunkhwa " Journal of Economics and Sustainable Development.

one model farm and the total cost for five farms would be around PKR 1 million excluding the cost of land/rentals, expenses of land preparation, hybrid seeds and insecticides.

Fish farming business model of small-scale poly culture of carp fishes, which are herbivorous fish species for household and local sale for consumption. Farming of aquatic species is inherently more efficient than livestock and has a smaller environmental footprint Integrated livestock-fish farming; integrated aquaculture with agricultural vegetable gardens can become an economic engine on the farm generating three times the annual net income from the integration of activities on the farm. At current market prices, aquaculture provides a more lucrative use of land than alternative activities. For example, a hectare of land devoted to aquaculture (carp) would generate at least 43 percent higher income for all factors engaged directly or indirectly in fish production than a hectare of land under crop cultivation. The cost of the project will be around PKR 250,000 with a profit of PKR 140,000.

KP has more than 100 colors of marble and granite and this makes it unique in the country and other parts of the world. The proposed project envisaged the manufacturing of marble mosaic in various sizes and their sales in the local and export market. More than 90% of the marble tiles manufactured locally are exported. Total PKR. 6.4 million is estimated to be the cost of the project. The working capital requirement is estimated around PKR 3.2 million, while PKR 3 million worth of machinery furniture and other tools are required to make the unit operational. Keeping the high variation in land cost and building construction in consideration, the premises is assumed to be hired on rental basis[47].

Nowshera District

Nowshera is producing 3.8 million kg tobacco per annum. Other key crops produced here include sugarcane 244 million kg, wheat 62 million kg and maize 29 million kg. There are 60,251 farms with 56,820 (94%) owners and remaining under tenancy. A total of 23,283 farms are on 1 to less than 2.5 acre of land followed by 22,561 farms on less than 1 acre.

There are 20,564 government owned canals and 62 private canals which are the main source of irrigation. Land use intensity was 51% and cropping intensity was 102.4%. Almost all of 610 tractors are privately owned except eight owned by the government. Total livestock population including buffaloes, goats and poultry is 1.4 million.

Nowshera's 1.5 million population does not have good rating on MPI as 37.4% are facing MP. Literacy rate among age 10 and above is 56%. There are seven hospitals with 474 bed, seven rural health centers along with 90 beds, 16 dispensaries, one TB clinics, two Mother & Child Health centers and 28 Basic Health Units.

The yearly consumption of fertilizer is 4,683 tons - 4,408 tons nitrogen, 269 tons potassium and six tons phosphorus. On an average 95 kg fertilizer per hectare is utilized. The overall forest area is on 178,142 acres. An increase was observed in forest area as it was 72,088 acres in 2013-14.[48]

Industrial landscape: There are 190 industrial units in Nowshera with PKR 19,183 million investment and providing employment to 5,567 people. A Special Industrial Zone also exists here with 44 industrial units with an accumulative investment of PKR 52,956 million and employment of 713 people.

Alternative Potentials

SMEDA foresees good potential of investment in marble industry including setting up of marble processing industries, allied engineering services and ball mills. Another potential sector is agriculture and horticulture because of its production in huge quantity as well as easily accessible to roads and markets. Products can supply into

[47]Pakistan, G. o. (2018). Swabi District Profile. Pakistan. smeda.org
[48]Pakistan, B. o. S. (2017). Development Statistics of Khyber Pakhtunkhwa, PLANNING AND DEVELOPMENT DEPARTMENT, GOVERNMENT OF KP. 8

local markets and export to international markets. Nowshera with 20 big cloth/fabric centers is considered as one of the biggest points of the country. An investment opportunity includes huge potential for investors to invest in cloth/fabric trade as whole sellers as well as retail shops.[49]

Mardan District

Mardan district is producing 8.3 million kg tobacco annually. Other key crops include sugarcane 1.3 million kg, wheat 87 million kg and maize 81 million kg. There are 69,854 farms with 53,944 (77%) owners and remaining under tenancy. A total of 27,253 farms are on 1 to less than 2.5 acre of land followed by 13,185 farms on 2.5 to less than 5 acres. There are 66,266 government owned canals which are the main source of irrigation. Land use intensity is 95% and cropping intensity 118.5%. All of 1,646 tractors are privately owned except nine owned by the government. The total livestock population including buffaloes, goats and poultry is 2.2 million.

Mardan's 2.3 million population does not have good rating on MPI as 33.8% are facing MP. Literacy rate among age 10 and above is 52%. There are eight hospitals with 752 beds, four rural health centers, 18 dispensaries, one TB clinic, two Mother & Child Health centers and 49 Basic Health Units.

The yearly consumption of fertilizer is 54,793 tons of which 48,854 tons is nitrogen, 5,711 tons potassium and 228 tons phosphorus. On an average 450 kg fertilizer per hectare is utilized. The overall forest area is on 91, 729 acres. Reduction in forest area was observed as it was 162,432 acres in 2013-14[50].

Industrial Landscape

In Mardan, industrial activities revolve mainly around production of sugar and manufacturing of cigarettes. Industrial units

[49]Pakistan, G. o. (2018). Pakistan District Profiles.smega.org
[50]Pakistan, B. o. S. (2017). Development Statistics of Khyber Pakhtunkhwa, PLANNING AND DEVELOPMENT DEPARTMENT, GOVERNMENT OF KP.
[51]Mardan profile available at https://smeda.org

of sugar, tobacco, match, furniture, marble, flour mills, steel industries, aluminum goods and handicrafts have been established. A small industrial estate on 60 acres has been set up in Mardan. Agriculture Light Engineering Cluster and Furniture Cluster are also located in Mardan. There are more than 200 SMEs involved in making of agricultural tools. In Furniture Cluster, good quality furniture is being manufactured. The Handicrafts Cluster producing mazari products, wooden décor and embroideries. It is one the famous clusters in the province and is well-known for its export quality hand work.

Alternative Potentials

As regards future potential in Mardan, marble industry poultry farming, honey industry and fish farming are part of the government expansion plan. Pakistani strawberries have huge demand in the international market due to its rich flavor, aroma, and health value, i.e., nutrients and minerals contents. A plot of around 200 square meters with built-up area of 100 square meters, would be sufficient per farmer. Land may cost PKR 75,000 whereas cost of construction could be PKR 250,000. Annual cost of the project could be PKR 1,815,000.

Marble manufacturing business has potential of investment. KP is blessed with more than 100 colors of marble and granite and this probably make it unique in the country and other parts of the world. It is notable that 90% of the marble tiles manufactured locally are exported. A total of PKR 6.4 million (approximately) is estimated to be the cost of the project. The working capital requirement is estimated around PKR 3.2 million, while PKR 3 million worth of machinery furniture and other tools are required to make the unit operational[51].

CHAPTER 9

Ground Realities & Key Findings

Ground Realities & Key Findings

Focused Group Discussions (FGDs) – the Participants

To get an understanding and to also assess the on-ground situation, eight FGDs were conducted in three major tobacco growing areas with 83 farmers. Three FGDs were conducted with 28 females-only participants. One FGD comprised of farmers from the KP district of Mardan who were no longer farming tobacco. Distribution of male and female FDG participants by the district is shown in the tables below.

Table 5 District breakdown of male participants:

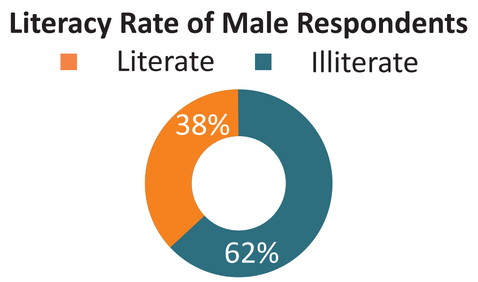
District	Number of Group	Total no of Participants
Swabi	02	20
Mardan	01	26
Nowshera	01	09
Total	**05**	**55**

Table 6 District breakdown of male participants:

District	Number of Group	Total no of Participants
Swabi	01	08
Mardan	01	11
Nowshera	01	09
Total	**03**	**28**

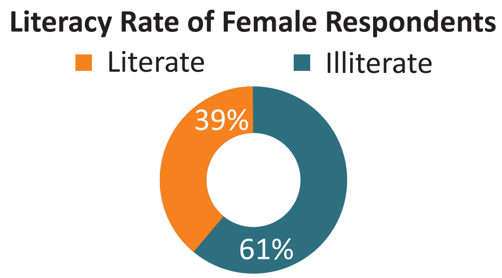
It was seen that farmers from the Swabi district were mostly working on a contract basis (Ijara in local terms) and were not landowners whereas Mardan and Nowshera farmers were mostly landowners. The contracts negotiated stated that PKR 35,000 per four kanals, or 1/3 of the crop, or an equivalent amount of profit.

Figure 5 Literacy Rate of Male Respondents



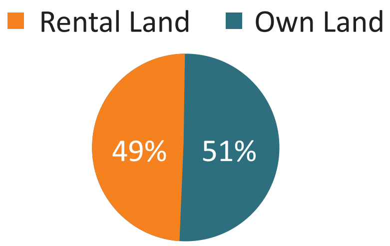
Majority of male farmers were aged between 20-80 years with an average age of 44.2 years. About 40% of the farmers were between 20-35 years of age, 38% between 36-55 years, and12% were above 56 years. Of the total farmers, 62% were literate and 38% illiterate.

Figure 6 Literacy Rate of Female Respondents



Female FGD groups consisted of 28 participants including eight from Swabi, 11 from Mardan and nine from Nowshera. Of these, 21.4% were aged between 15 to 25 years, 46.4% between 26 to 40 years and 32.1%aged above 41 years. The literacy rate among the female participants was 39.28% compared to a 60.71% who were illiterate.

Figure 7 Percentage Land Holding of Male Respondents



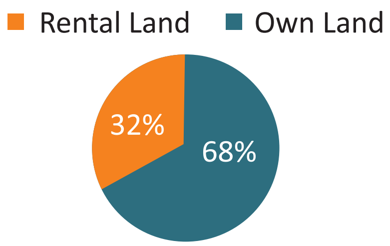
Results and Key Findings

1. Land ownership profile of the participating farmers

Key Finding: Most tobacco cultivation is by farmers on their own lands

In the districts of Swabi, Mardan and Nowshera where this study was conducted, it was seen that 51% of the male farmers were landowners whereas 49% were using rented land for farming purposes using the Ijara system. In this system, farmers are either paid a fixed pre-negotiated amount per four kanals of land area on an annual basis or paid by being given a portion of the crop grown or part of the money obtained by selling the crop.

Figure 8 Percentage Land Holding of Female Respondents



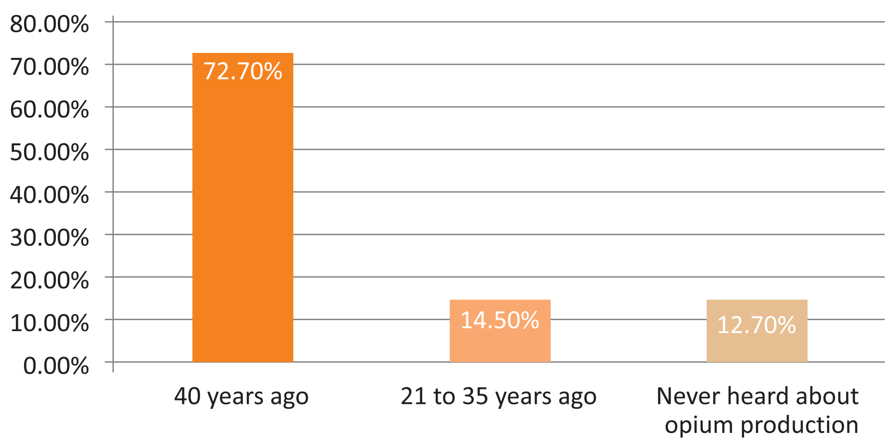
2. Tobacco was Part of Poppy Crop Substitution Plan

An analysis of the female participants showed that 67.8% were landowners whereas 32.1% were using rented land for farming purposes using the Ijara system.

Key Finding: A big majority of farmers are aware of successful poppy substitution plan

A look into the poppy cultivation showed that a majority (72.7%) of the male farmers said that poppy was being cultivated in their areas 40 years ago whereas some (14.5%) said it existed 21-35 years ago. Out of the total respondents, 12.7% were unaware if poppy had ever been cultivated in their region. Whereas 85.7% of the female farmers said that opium was grown in their areas 50 years ago while 14.2% of them believed poppy existed some 26 to 40 years ago in their regions.

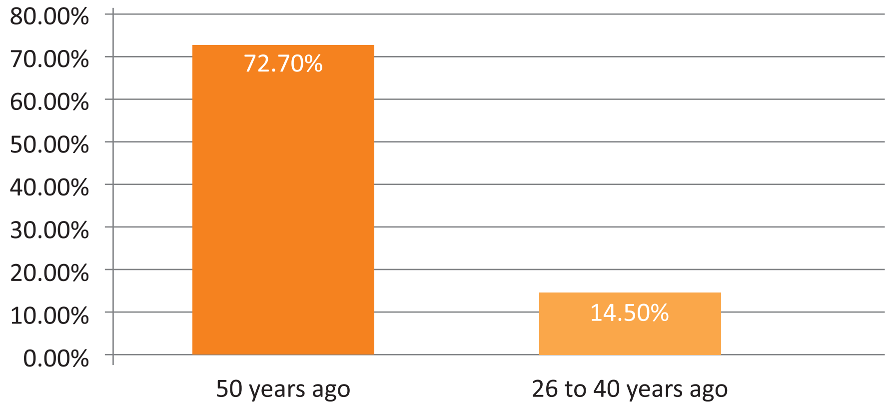
Figure 9 Percentage of Male Respondents on Opium Production in Target Districts



All the farmers were aware of the fact that opium farming was officially banned under the military dictatorship rule of general Ziaul Haq in the 1980s. They also stated that even though GOP had banned it due to its use for producing narcotics, it had been a highly profitable crop.

Tobacco crop was then introduced as an alternative to opium. The farmers stated that tobacco's addition as an alternative crop to opium was due to its increased profitability which even though was much less when compared with tobacco but was higher than other crops.

Figure 10 Percentage of Female Respondents on Opium Production in Target Districts



Describing the tobacco farming process, the farmers said it lasts nine months from seed to the final curing stage. Seeds are sown in December with the saplings transferred to the fields in March. The crop starts ripening in May which leads to the start of the curing process ending early to mid-September. The farmers said that the 15th of September is the last day the companies purchase tobacco from them.

Discussing the labor requirements for tobacco farming both male and female farmers said that five to seven people are required for the whole farming process on one acre of land area. The labor charges per day are PKR 600 for an eight-hour work day.

Representative Quotes from Farmers Regarding Tobacco Crop

"The money we get from growing tobacco is usually used for paying all the loans that we have taken throughout the year."
-A farmer from Yar Hussian, Swabi district

"There is less expenditure on wheat as compared to tobacco, but with tobacco, people get cash instantly which makes them feel as if it is a huge amount and therefore they think tobacco is more profitable."
-Farmer of Maneri village of
Nowshera district

3. Labor Conditions for Women and Children on Yobacco Farms

Key Finding: Women and children engaged in pre-curing process

Discussing the critical role of women and children in the tobacco growing process, the discussions indicated that they were mostly engaged in tobacco barns to tie tobacco leaves on wooden sticks and earned PKR 2 per stick or even as low as PKR 1 for 10 sticks in some areas. These sticks were then placed in barns to commence the curing process. The female participants said that they worked at home and helped tie the tobacco leaves on sticks for the curing process.

On being questioned about using child labor, the respondents said that there was a restriction on the use of child labor in tobacco farming due to the hazardous nature of the crop. They said that it was also mentioned in their agreements and if the farmer was caught using child labor for the curing process, it could lead to the termination of the contract.

4. Mandatory Agreements Under PTB Regulations

Key Finding: All farmers and buyers sign prior sale agreements

The male farmers mentioned that signing contracts for tobacco sale were mandatory for them to able to sell their produce. There was no license required for growing tobacco, necessary for the sale of tobacco. Private tobacco companies like Pakistan Tobacco Company, Philip Morris International, Khyber Tobacco, Sonia Tobacco, Souvenir Tobacco and Imperial Tobacco, etc., sign an agreement with them to purchase their tobacco crop. Even though the female participants were aware of the agreements but not a single female participant knew the signing process. They said that as the process involved going out of the home, therefore, it was only taken care of by the male family members.

The male farmers stated that the requirements for the agreement were the name of the landlord, possession of a barn (for curing tobacco) and national identity card. According to the agreement the tobacco company was responsible for buying 2,100 kg of tobacco per agreement. The amount of tobacco to be sold was related to the landholding. If the farmer-owned five hectares of land, s/he was able to fulfil the requirements, and it was possible to increase the tobacco produce by two or even three times. This agreement is based on a single season purchase only. New contracts are signed yearly. Each farmer is allocated a specific day of the week to transport their crop to the depot for selling. The PTB regulates tobacco rates.

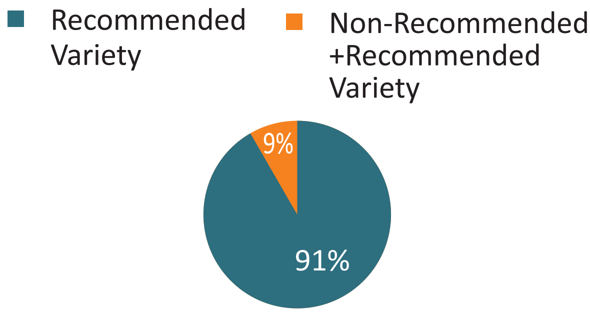
5. Tobacco Seeds, Fertilizers and Pesticides

Key Finding: Most farmers use hybrid seeds purchased from multinationals

According to the farmers they obtained their seeds from the major tobacco companies, i.e., PMI and PTC. The companies import hybrid seeds from Brazil, test them and sell them to their contracted farmers. The farmers are charged PKR 1,600 to PKR 1,800 for five grams of tobacco seeds which can be used for a land area of four kanals. These hybrid seeds are not capable of reproducing more seeds, therefore are acquired for every season. Hybrid seeds are famously known as 2310. Besides the hybrid variety, tobacco companies are also producing local varieties of FCV tobacco. These include K-39, 54, and Spade 28.

At least 65% of the male farmers who were currently growing tobacco said that they used hybrid variety 2310 along with other local varieties such as 54, K-39 and Spade 28. Only 16% of the tobacco farmers used the Non-Recommended Variety (NRV) Swati, which they obtained from their own crop. The tobacco companies do not purchase Swati seed-grown crop and it is being sold in the (mandi) open market or to private buyers.

Figure 11 Percentage of Male Respondents on Tobacco Varieties Being Cultivated



The tobacco companies also distribute fertilizers and pesticides on a credit basis. The cost of fertilizer and pesticides gets deducted from the first lot of the tobacco crop sold to the tobacco companies. These were also available in private shops having different rates, but farmers preferred to get it from tobacco companies.

At least 64.2pc of the females said that farmers currently growing tobacco use different varieties that included Farmi / Milki and FCV, while 25% were using 54, K-39 and Spade 28 while 10.7% were not aware of the seeds being used. On fertilizers and pesticides, they were aware that they were bought from dealers and private shops.

6. Tobacco and Other Alternative Crops

Key Finding: Strong desire and willingness by a big majority of farmers to switch from tobacco to alternative crops if assisted by government

Tobacco is the major cash crop being cultivated by the participants of the series of FGDs. For crop rotation purposes wheat, maize, sugarcane, melon, watermelon and vegetables (peas, beetroot, turnip, spinach) were cultivated. The male and female respondents said that they were growing tobacco due to two reasons; 1) They get an agreement for the sale of tobacco which ensures the timely sale of their crop, and 2) They get the right amount in cash which helps in repaying loans and debts which have incurred during the year. Profitability was the single most prevalent factor identified which made tobacco their choice of crop. The participants also voiced that if similar benefits were extended to other crops, or were removed from the tobacco crop, they would shift to other alternate crops options.

"Growing tobacco is inevitable for us because it is a good source of income. We make enough money from this crop that we can run our homes for the whole year. If this factor can be removed [and attached to other crops], then we can divert to wheat, maize and vegetables." -Nabila, a farmer of from Swabi district

All or 100% of the male and female participants agreed that there never had been any project or program implemented in their areas to support the cultivation of crops other than tobacco. They said if the government undertook initiatives or devised plans to provide farmers with assistance, they would be happy to switch from farming the laborious tobacco crop and move to other crop options with a reduced cost of production.

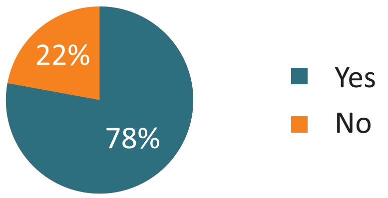
“I am growing tobacco in this area because it is a good source of income. I will stop growing it if I can find something more profitable to replace tobacco, as the tobacco crop requires more hard work." – A farmer of Sadri village of Swabi district

From the five FGDs male-only groups, one group (Qasim village of Mardan district) comprised of farmers who had stopped growing tobacco. The single most common reason amongst them was reduced profitability of the crop and increased cost of production. The male group in Mardan (Qasim village) also mentioned that since tobacco was labor intensive, and they were unable to find enough people to work for them, they had shifted to farming other crops.

Respondents from the other three groups (Swabi Yaar Hussain, Nowshera and Mardan – Khan Garhi) also said that they were aware of farmers from their respective areas who had switched from tobacco growing to other diversified crops such as wheat, maize and fruits (melon and watermelon). The group from Swabi district's Sadri village said that they would neither stop growing tobacco nor had they seen any farmer shift from cultivating tobacco to other crops.

“I will stop growing tobacco soon. One of my tobacco curing kilns is already shut. The reason is that there was not much tobacco grown in this season. I am growing maize along with tobacco and will stop growing tobacco very soon”. A farmer from Maneri village of Nowshera district

Figure 12 Male Respondents Cultivating Tobacco



At least 78% of the farmers were using crop rotation methods in their fields, whereas the remaining 22% had already stopped growing tobacco in Qasim village of Mardan district. They were now growing wheat, maize, sugarcane and various vegetables. All the respondents said that they grow wheat for their domestic use and not for profit making. Maize was also being cultivated along with sugarcane and vegetables.

"Canola Sunflower company once sold us seeds and fertilizers to grow canola. They later came to buy it on good rates like tobacco. It was 2001. It is also a cash crop.” A farmer of Maneri village of Nowshera district

Appendices

Appendix 1

THE PAKISTAN TOBACCO BOARD ORDINANCE, 1968 WITH UPTODATE AMENDMENTS

GOVERNMENT OF PAKISTAN

Ministry of Law and Parliamentary Affairs

(Law Division)

Rawalpindi, the 8th February 1968

No. F. 24(1) | 68 - Pub- . The following Ordinance made by the President on the 24th January, 1968 is hereby published for general information: -

ORDINANCENO.I OF 1968

AN

ORDINANCE

to providefor the establishment of a Tobacco Board for the promotion of the cultivation, manufacture and export of tobacco and tobacco products.

WHEREAS it is expedient to provide for the establishment of a Tobacco Board for the promotion of the cultivation, manufacture and export of tobacco and tobacco products and for matters ancillary thereto;

AND WHEREAS the national interest of Pakistan in relation to economic and financial stability of Pakistan within the meaning of clause (2) of Article 131 of the Constitution requires Federal legislation in the matter;

AND WHEREAS the National Assembly is not in session and the President is satisfied that circumstances exist which render immediate legislation necessary;

NOW, THEREFORE, in exercise of the powers conferred by clause (1) of Article 29 of the Constitution and of all other powers enabling him in that behalf, the President is pleased to make and promulgate the following Ordinance :-

1- **Short title, extent and commencement**— (1) This Ordinance may be called the Pakistan Tobacco Board Ordinance, 1968.

(2) It extends to the whole of Pakistan.

(3) It shall come into force at once.

2- **Definitions** — In this Ordinance, unless there is anything repugnant in the subject or context. --

(a) "Board" means the Pakistan Tobacco Board constituted under section 3;

(b) "Committee" means the Tobacco Development Committee constituted under section 12;

(c) "Export" means to take out of Pakistan by any means to any place outside Pakistan;

(d) "Owner" includes any agent of an owner;

(e) "prescribed" means prescribed by rules made under this Ordinance;

*Amended vide Ordinance No.LV of 1972 dated 4 12-1972

(f) * "tobacco" means the commodity which is made from the leaves of the plant "nicotiana tobaccum" or "nicotiana rustica" and is commonly known as tobacco and includes adjacent tender stalks or green tobacco but does not include tobacco waste;

(g) "tobacco seed" includes seeds,roots,stumps,cuttings,buds and any living portion of the plant nicotiana tabaccum which

may be used to propagate that plant or to manufacture cigarettes, cigars, cheroots, pipe tobacco, or chewing tobacco.

Clauses (a),(b),(c) & (d) amended vide Ord No.V of 1971 dated 23-2-1971, Act No.XIX of 1975 dated 1-2-2-1975 & Ord No.XI of 1979 dated 11-2-1979

3- **Constitution of the Pakistan Tobacco Board.**—(1) As soon as may be after the commencement of this Ordinance, the Federal Government shall constitute a Board to be called the Pakistan Tobacco Board consisting of the following members, namely :

*(a) one member from North West Frontier Province or the Punjab to be elected by the Cigarette Manufacturers Association of Pakistan;

*(b) six members, three each from the North West Frontier Province and the Punjab, to be nominated by the Provincial Government concerned from amongst the tobacco growers;

*(c) one member to be nominated by the Federal Government on the recommendation of the Federation of Pakistan Chambers of Commerce and Industry;

*(d) four members, one to be nominated by each Provincial Government;

(e) one member, being an officer serving under the Federal Government in the Ministry of Industries, to be nominated by the Federal Government;

(f) two members, being officers serving under the Federal Government in the Ministry of Commerce, to be nominated by the Federal Government.

*Added vide Ordinance No.V of 1971 dated 23-2-1971

* (g) one member, being an officer serving under the Federal Government in the Ministry of Agriculture and Works (Food & Agriculture Division), to be nominated by the Federal Government; and

*(h) such other members as the Federal Government may nominate.

*Added vide Ordinance No.XXI of 1982 dated 7-9-1982

*(2) The Federal Government shall publish in the official Gazette the designations of the officers of the Federal Government or a Provincial Government nominated to be members of the Board and the names of

*Added vide Act No.XIX of 1975 dated 12-2-1975

the other persons elected or nominated to be such members and the Board shall be deemed to be constituted upon such publication.

(3) The Federal Government shall appoint one of the members nominated by it under clause (f) of sub - section(1) to be the Chairman of the Board.

(4) The Board constituted under sub - section (1) shall be a body corporate by the name of the Pakistan Tobacco Board, having perpetual succession and a common seal, with power to acquire, own and dispose of any property and shall, by the said name, sue and be sued.

4- Terms of members, etc.—(1) A member of the Board shall, subject to the provisions of this section, hold office for two years and shall be eligible for re-election or re-nomination.

(2) When a member ceases to reside in Pakistan or becomes otherwise incapable of acting as such, the Federal Government shall declare the seat of the member to be vacant.

*Added vide Act No.XIX of 1975 dated 12-2-75

*(2A) If a member elected or nominated under clause (a) clause (b) or clause (c) of sub-section (1) of section 3 absents himself from three consecutive meetings of the Board without leave of the Chairman thereof, his seat shall become vacant;" and

*Amended vide Act No.XIX of 1975 dated 12-2-1975

(3) When the seat of a member becomes vacant under sub-section(2) or sub-section (2A) orby reason of resignation or death, the vacancy shall be filled for the remainder of the term of such member by election or nomination of another person in his place in the same manner as such member was elected or nominated.

(4) Where any authority or body entitled to do so fails to elect or nominate a member within the prescribed time, the Federal Government may nominate a person to fill the seat of such member, and the person so nominated shall be deemed to have been elected or nominated by such authority or body.

5- **Vacancy, etc, not to invalidate the proceedings of the Board.**—No act or proceedings of the Board shall be invalid merely on the ground of the existence of any vacancy in, or any defect in the constitution of the Board.

6- **Functions of the Board.** —The functions of the Board shall be --

(a) to regulate, control and promote the export of tobacco and tobacco products and to fix grading standards;

(b) to undertake and assist research connected with tobacco industry, impart training in tobacco testing and generally to take measures in the interest of the tobacco industry;

(c) to render assistance for the development of the new tobacco growing areas and establishment of model farms, to organize and assist special research connected with tobacco cultivation and generally to render assistance for improving tobacco production;

(d) to collect statistics on any matter relating to tobacco and tobacco industry; and

(e) to perform such other function as the Federal Government may, from time to time, direct.

7- **Control of the Board.**—(1) The Board shall be subject to the superintendence and control of the Federal Government and shall be guided, in the discharge of its functions, by such general or special instructions as may, from time to time, be given to it by the Federal Government.

(2) The records of the Board shall be open to inspection by any officer authorized in this behalf by the Federal Government.

(3) The Federal Government may cancel, suspend or modify, as it thinks fit, any act of the Board.

8- **Fixation of prices.**—(1) The Federal Government may, by notification in the official Gazette, fix the minimum prices below which, and the maximum prices above which, tobacco of various grades shall not be bought or sold for consumption within Pakistan or for export; and different prices may be fixed in respect of different areas.

(2) No person shall buy or offer to buy or offer to sell tobacco at any price below the minimum or above the maximum fixed under sub-section(1).

9 - **Levy of cess.**—(1) For the purpose of this Ordinance, there shall be levied and collected in such manner as may be prescribed a cess on tobacco produced in Pakistan at such rate or rates, not exceeding three per cent ad valorem, as the Federal Government may, by notification in the official Gazette, specify in this behalf; and the proceeds of the cess, after deducting the cost of collection, if any, shall be paid to the Board.

Addedvide Ordinance No.V of 1971 dated 23-2-1971

*(1A) The Federal Government may, from time to time by notification in the official Gazette, fix, for the purpose of levying a cess under sub-section (1), tariff values of tobacco produced in Pakistan and may alter tariff values for the time being in force.

*(1B) Different tariff values may be fixed for different classes for descriptions of tobacco.

(2) The Board shall apply the proceeds of the cess paid to it under sub-section(1) for meeting the expenses which may be necessary for the performance of its functions under this Ordinance including expenses for contributing towards a contributory provident fund constituted and maintained in such manner as may be prescribed for the benefit of the employees of the Board.

10- **Power to borrow.**—The Board may, subject to any rules made in this behalf, borrow money for any purpose for which it is authorized under section 9 to expend the proceeds of the cess.

11- **Keeping of accounts and audit and annual reports.**—(1) The Board shall keep regular accounts of all moneys received, borrowed and expended by it.

(2) The accounts of the Board shall be audited every year by auditors approved in this behalf by the Controller and Auditor General of Pakistan.

(3) The auditors shall submit to the Board and to the Federal Government a statement of the accounts audited by them together with a report stating therein any irregularity noticed in the accounts or objection to any expenditure.

(4) The Board shall, as soon as may be after the close of a financial year, publish an annual report of its activities during that year together with a statement of its accounts.

12- **Constitution of the Tobacco Development Committee.**—(1) The Federal Government may set up a Committee of the Board, to be called the Tobacco Development Committee, consisting of:--

*Clauses "c & d" amended vide Act No.XIX of 1975 dated 12-2-1975.

(a) the Chairman of the Board;
(b) one member to be appointed by the Federal Government from amongst the members elected to the Board under clause(a) of sub-section (1) of section 3;
(c) one member to be appointed by the Federal Government from amongst the persons nominated to the Board under clause (b) of sub-section (1) of section 3;
(d) one member to be appointed by the Federal Government from amongst the persons nominated to the Board under clause (d) of sub-section (1) of section 3;

(2) A member of the Committee shall cease to be so when he ceases to be a member of the Board.
(3) The Board may, with the previous approval of the Federal Government, grant such allowances to a member of the Committee, not being a Government Servant, as it may think fit.

13- **Functions of the Committee.**—The Committee shall execute the policies of the Board in the matter of rendering assistance in the development of the existing and new tobacco growing areas and establishment of model tobacco farms in accordance with such schemes as may be approved by the Federal Government, render assistance to cultivators to improve their production, and perform such other functions as the Board may, with approval of the Federal Government, direct.

14- **Grants and loans by Government to the Board.**—(1) The Federal Government may make grants or give loans to the Board to be placed at the disposal of the Committee for carrying out the functions of the Committee.

(2) The Federal Government may, subject to such conditions as it may impose, authorize the Committee to give, out of the funds placed at its disposal, loans to any person for the improvement and expansion of tobacco farms.

15- **Keeping of accounts.**—(1) The Committee shall keep accounts of all moneys received and expended by it.

(2) The accounts maintained by the Committee shall be audited by the auditors appointed for the purpose by the Board with the previous approval of the Federal Government.

(3) A statement of the accounts audited shall be furnished by the Committee to the Board to the Federal Government as soon as may be after the end of each financial year.

16- **Appointment of officers, etc.**—The Board may, subject to the approval of the Federal Government, appoint such officers, advisers and other employees as may be necessary for the efficient performance of the functions of the Board and of the Committee.

17- **Export allotment and its distribution.**—(1) The Federal Government may, after consultation with the Board, by notification in the official Gazette, fix for each year the export allotment of tobacco and tobacco products and shall distribute the export allotment so fixed in such manner as it may deem fit.

(2) Every person shall export the full amount of his share of the export allotment during the year to which the allotment relates.

18- **Control of export of tobacco and tobacco seeds.**—(1) No tobacco or tobacco product shall be exported except under a license issued by or on behalf of the Board in such manner and subject to such conditions as may be prescribed.

(2) No tobacco seed shall be exported except under a permit issued by or on behalf of the Federal Government.

19- **Registration of contracts.**—The Federal Government may, by general or special order, require any contract or class of contracts for sale of tobacco for export to be registered with such organization and in such manner as may be specified in the order.

20- Power to prohibit transportation, storage or sale—The Federal Government may, by general or special order, prohibit any exporter or class of exporters from transporting, storing, buying, selling or otherwise disposing of any tobacco except in such manner and under such conditions as may be specified in the order.

*Added vide Ordinance No.VIII of 1972 dated 11-3-1972.

* 20.A Power to direct purchases.**-** In such circumstances, and subject to such conditions, as may be prescribed, and with a view to relieving distress amongst growers of tobacco or saving the market of a vital agricultural commodity from violent fluctuations, the Federal Government, may, by general or special order in writing, direct any manufacturer of, or dealer in, tobacco or any class of such manufacturers or dealers, to purchase, during such period or periods, and from such area or areas, such quantity of tobacco, and to hold such minimum stock, as may be specified in the order.

21- Power to call for information, etc.—(1) The Federal Government may, at any time, by order, direct any person or class of persons to mainta in such accounts and to furnish to the Board and to any officer or authority subordinate to the Federal Government such returns or other information relating to the cultivation, production, manufacture, sale or purchase of tobacco by such person or class within such time and giving such particulars as may be specified in the order; and every such order shall be published in the official Gazette.

(2) Any person authorized in this behalf by the Federal Government, or by the Board or any member of the Board authorized by the Chairman of the Board may, at all reasonable times, enter any tobacco curing yard or any place or premises where tobacco or tobacco waste is manufactured, stored, kept or exposed for sale and may require the production for his inspection of any book, register, record or other paper kept therein and ask for any information relating to the cultivation, production, manufacture, storage or keeping for sale of tobacco or tobacco waste.

22- **Delegation of powers.**—The Federal Government may, by notification in the official Gazette, direct that any power conferred upon it by or under this Ordinance shall, in relation to such matters and subject to such conditions, if any, as may be specified therein, be exercisable also by the Board or by any Officers or Authority subordinate to the Federal Government.

23- **Power to exempt.**—The Federal Government may, by notification in the official Gazette, exempt any tobacco or tobacco products or any class thereof from the operation of all or any of the provisions of this Ordinance.

24- **Penalties.**—(1)Any contravention of the provisions of section 18 shall be punishable as if it were an offence under item No.8 of section 167 of the Sea Customs Act,1878(VIII of 1878), and the provisions of section 168 and Chapter XVII of that Act shall apply accordingly.

(2) Save as provided in sub-section(1), any person who contravenes or fails to comply with any provision of this Ordinance or any order or direction issued thereunder shall be punishable with imprisonmentfor a term which may extend to three years, or with fine, or with both.

(3) Where any person contravening the provisions of this Ordinance is a company or a body corporate, every director, manager, secretary or other officer, and every agent and servant thereof and, in the case of an unlimited company or a company limited by guarantee, also every member thereof shall be punishable as if he had contravened the provisions of this Ordinance:

Provided that no such director, manager, secretary or other officer and no such agent, servant, or member shall be prosecuted under this Ordinance except with the previous approval of the Federal Government; and theFederal Government shall not given such approval if it is satisfied after giving such director, manager, secretary, officer, agent, servant or member an opportunity of showing cause against prosecution that the offence was committed without his knowledge or that he used due diligence to prevent its commission.

25- **False Statement.** —A person shall be punishable with imprisonment for a term which may extend to three years, or with fine, or with both,-if he.

(a) when required by any order made under this Ordinance to make any statement or furnish any information makes a statement or furnishes information which he knows or has reasonable cause to believe to be false or does not believe to be true, or

(b) makes any such statement as aforesaid in any book, account, record, declaration, return or other document which he is required by any such order to maintain or furnish, or

(c) maintains double sets of books, accounts or any other records, in which the entries are not identical.

26- **Protection of action taken in good faith.**—No suit, prosecution or other legal proceedings shall lie against the Board or any member thereof or any other person for anything which is in good faith done or intended to be done under this Ordinance or any rules or orders made thereunder.

27- **Cognizance of offences.**—No court shall take cognizance of an offence punishable under this Ordinance except on a report in writing of the facts constituting such offence made by the Board or a person authorized by it in this behalf.

28- **Special provision regarding fines.**—Notwithstanding anything contained in section 32 of the Code of Criminal Procedure, 1898(Act V of1898), any Magistrate of the first class specially empowered by the Provincial Government in this behalf may pass a sentence of fine exceeding one thousand rupees on any person convicted under this Ordinance.

29- **Presumption as to orders.**—Where an order purports to have been made and signed by any authority in exercise of any power conferred by or under this Ordinance, a court shall presume that such order was so made by that authority.

30- **Power to make rules.**—The Federal Government may, by notification in the official Gazette, make rules for carrying out the purposes of this Ordinance.

31- **Power to make bye-laws.**—The Board may, with the previous approval of the Federal Government, make bye-laws, not inconsistent with this Ordinance and the rules made thereunder, for the efficient performance of its functions under this Ordinance.

Appendix 2

Grades of Flue-Cured Virginia Tobacco

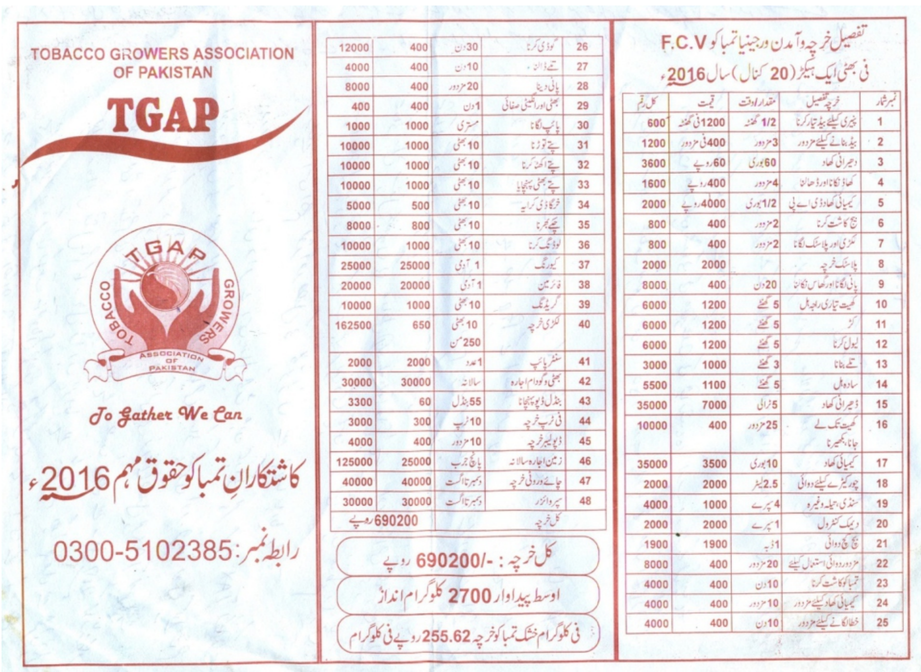
Grade	Description
BR (Bottom Ripe)	Primings and lugs of thin body with open leaf structure and moderate orange colour. Medium to heavy blemishes/spots up to 40%, length not less than 35cm
BM (Bottom Mature)	Good-bodied mature lugs with good grain, firm leaf stature and medium orange/Lemon colour. Blemishes/spots up to 40%, length not less than 35cm
BL (Bottom Light)	Lugs with pale yellow to week lemon colour with tendency towards immaturity. Spotting and blemishes up to 15%. No injury, length not less than 30cm.
BD (Bottom Damaged)	Leaf from bottom plant position, mature, week to moderate colour intensity, thin to medium bodied with firm leaf structure, dry to lean in oil with moderate sponging and curing faults, poor to medium cutting quality.
MR (Middle Ripe)	Medium to fleshy bodied cutters and leaf: mature moderate orange colour. Open leaf structure and good grains. Oily in nature, blemishes/spot up to 30%, length not less than 40cm.
MM (Middle Mature)	Medium to fleshy bodied cutters and leaf: mature moderate orange colour, with firm leaf structure and grains. Oily nature, blemishes/spot up to 20%, no injury, length not less than 40cm
ML (Middle Light)	Cutter and leaf with pale yellow to week lemon colour, with tendency towards immaturity. Spotting and blemishes up to 15%. No injury, length not less than 40cm.
MD (Middle Damaged)	Leaf from middle plant position, mature, weak to moderate colour intensity, thin to medium bodied with firm leaf structure. Lean to medium in oil with moderate sponging and curing faults, poor to medium cutting quality.
TR (Top Ripe)	Fleshy to heavy bodied tips, ripe to over ripe, deep orange colour. Open leaf structure with good grain and rich in oil. Medium to heavy blemishes/spot up to 20%, length not less than 30cm.
TM (Top Mature)	Fleshy to heavy bodied tips. Moderate orange/lemon colour, firm to open leaf structure and oily. Spotting, blemishes not more than 15%. No injury.
TL (Top Light)	Tips with pale yellow to weak lemon colour, with tendency towards immaturity. Spotting and blemishes not up to 10%. No injury, length not less than 30cm.
TD (Top Damaged)	Leaf from all plant positions, mature, weak to moderate colour intensity, moderate to fleshy bodied with firm leaf structure. Lean to medium in oil with moderate sponging and curing faults, poor to medium cutting quality.
IL (Immature Light)	Leaf from all plant positions, lemon to yellow in colour with improving green in veins, midrib and adjacent lamina. No injury, length not less than 30cm
NDM (Non-Descript Middle)	Ripe and over ripe leaf from middle and top plant positions, which do not meet the minimum specifications of other grade, heavy spotting and sponging, perished leaf is excluded, injury level up to 10%, length not less than 22.5 cm
NDB (Non-Descript Bottom)	Leaf from all plant positions, which do not meet the minimum specifications of other grade, heavy spotting and sponging, perished leaf is excluded, injury level up to 20%, length not less than 22.5 cm
K (Variegated)	Leaf from all plant positions, of which 50% or more of its surface is greyish, mottled, bleached, caramelized scalded or sun baked. Injury level up to 2%, length not less than 30 cm
G (Green)	Leaf from all plant positions, with improving green tinge, heavy spotting and sponging, heavy in structure. No injury, length not less than 30 cm

Appendix 3

Cost of Production Estimates by Tobacco Grower Association of Pakistan

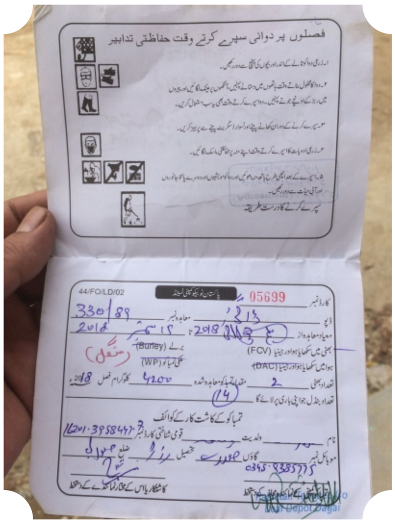
No. S	Expenses	Time/ quantity	Rate	Total amount (PKR)
1.	Tobacco seeds are sown in specially-constructed seedbeds	½ hours	1200 per hours	600
2.	Labors/workers for seedbeds	3 labors	400 per labor	1,200
3.	Dherani Fertilizer (local fertilizer made from dung of cows and buffalos)	60 bags	60 rupees	3,600
4.	Preparation and spreading of Dherani Fertilizer	4 labors	400 rupees	1,600
5.	Chemical fertilizer DAP	½ bag	4000 rupees	2,000
6.	Sowing the seeds	2 labors	400	800
7.	Covering the seeds with plastic and wood	2 labors	400	800
8.	Expense of plastic	-	2000	2,000
9.	Watering the tobacco so the soil is wet and plucking out grass	20days	400	8,000
10.	Preparing the field and Raja plough (deep)	5 hours	1200	6,000
11.	Cutter	5 hours	1200	6,000
12.	Leveling the field	5 hours	1000	6,000
13.	Preparing Ridges	3 hours	1000	3,000
14.	Simple plough	5 hours	1100	5,500
15.	Dherani Fertilizer	5 trolleys	7000	35,000
16.	Transporting to the fields and spreading	25 labors	400	10,000
17.	Chemical fertilizer	10bags	3500	35,000
18.	Pesticide	2.5 liters	2000	2,000
19.	Pesticide for insects (Sundi & Tela) etc	4 spray	1000	4,000
20.	White ants control	1 spray	2000	2,000
21.	Bach Kuch (extra growing around the tobacco plant) medicine	1 box	1900	1,900
22.	Labor for spraying of pesticide	20 labors	400	8,000
23.	Tobacco Cultivation	10days	400	4,000
24.	Labor for chemical fertilizer	10 labors	400	4,000
25.	Labor for spreading such saplings which have been missed out or have been wasted/destroyed	10 days	400	4,000
26.	Hoeing	30 days	400	12,000
27.	Making Ridges	10 days	400	4,000

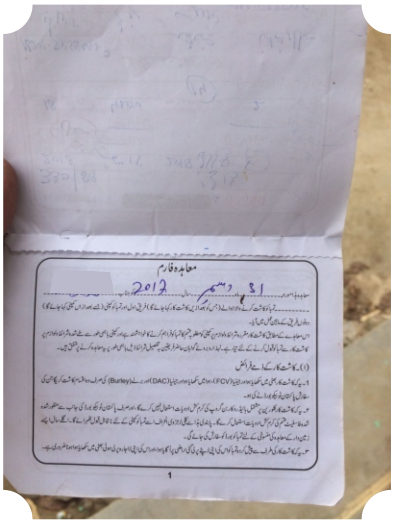
28.	Watering	20 labors	400	8,000
29.	Cleaning of barns & kilns	1 day	400	400
30.	Pipe Fitting	Worker/ labour	1000	1,000
31.	Picking the leaves from the plant	10 barns	1000	10,000
32.	Collecting tobacco leaves from the field	10 barns	1000	10,000
33.	Transporting the leaves to the barn	10 barns	1000	10,000
34.	Transport charges	10 barns	500	5,000
35.	Tying leaves on sticks for curing process	10 barns	800	8,000
36.	Loading	10 barns	1000	10,000
37.	Curing	1 man	25000	25,000
38.	Fireman	1 man	20000	20,000
39.	Grading	10 barns	1000	10,000
40.	Expense of fire wood	10 barns 250 maund	650	162,500
41.	Centre pipe	1	2000	2,000
42.	Rent for Barn and storage space	Annual	30000	30,000
43.	Transporting bundle to the depots	55 Bundle	60	3,300
44.	Per trip expense	10 trips	300	3,000
45.	Depots labor charges	10 labors	400	4,000
46.	Annual Contract system (Ijara)	1 hectare (5Jarb)	25000	125,000
47.	Food expense	Dec to Aug	40000	40,000
48.	Supervisor	Dec to Aug	30000	30,000
	Total expenses PKR			**690,200**
	Estimated production PKR			**PKR 2700 Kgs**
	Per kg dry tobacco expense			**PKR 255.62**

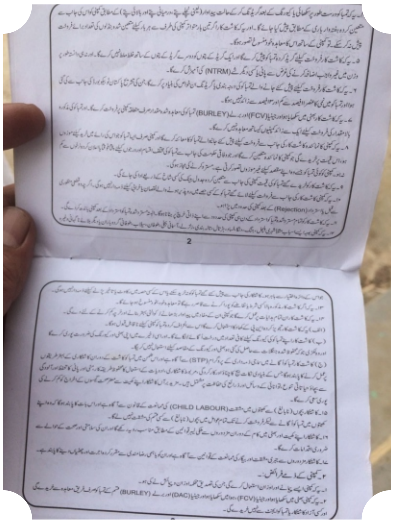


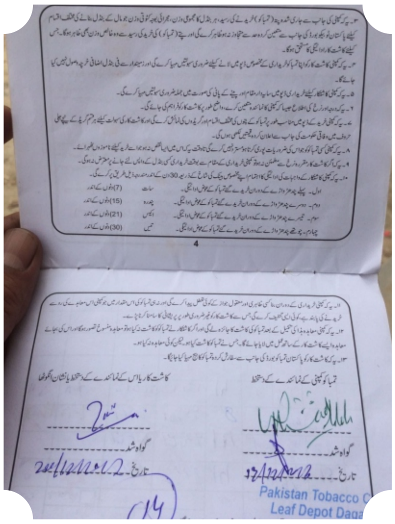
Appendix 4

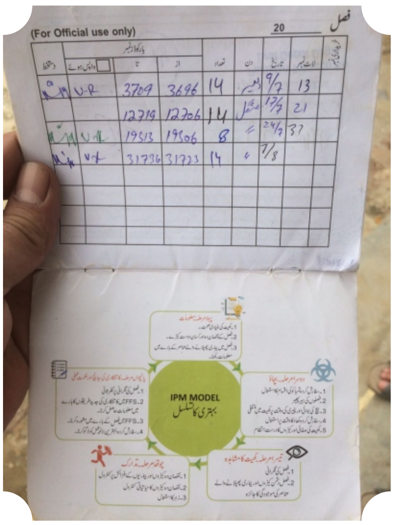
Images of Farmers Agreement with Multinational Tobacco Company









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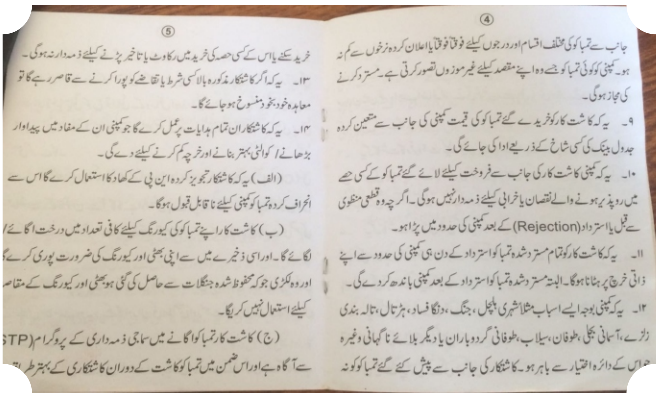

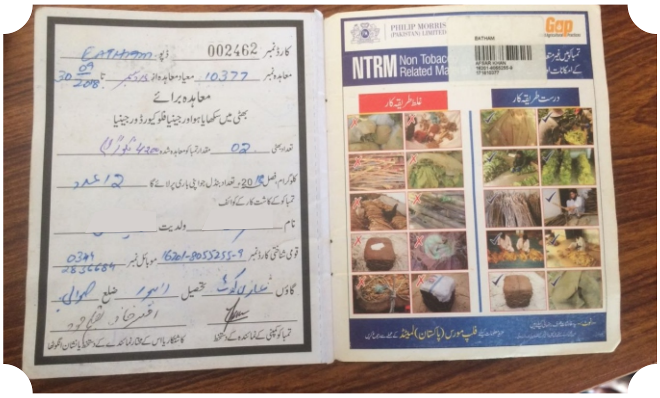
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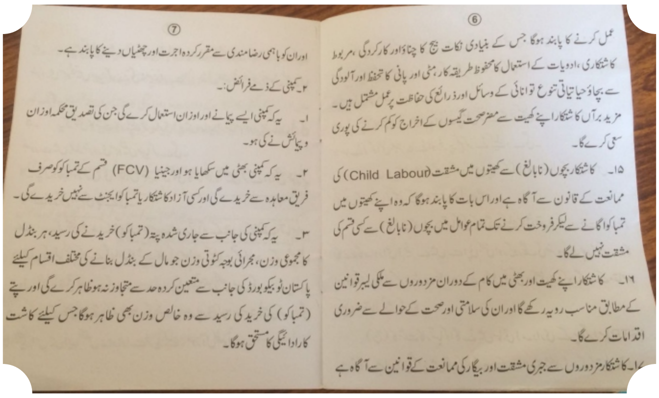
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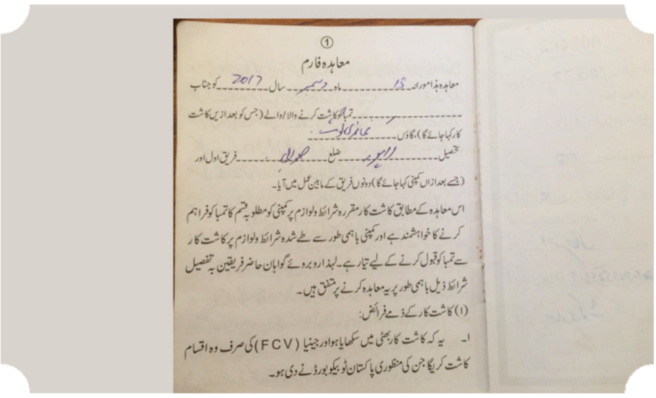
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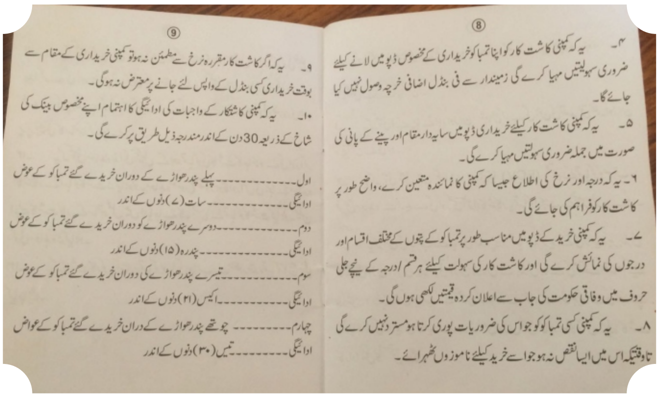

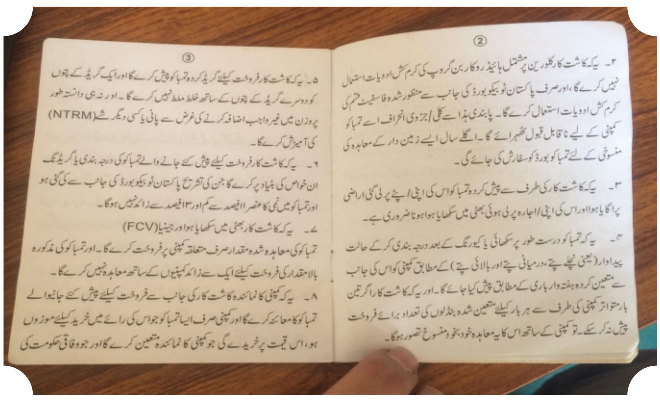
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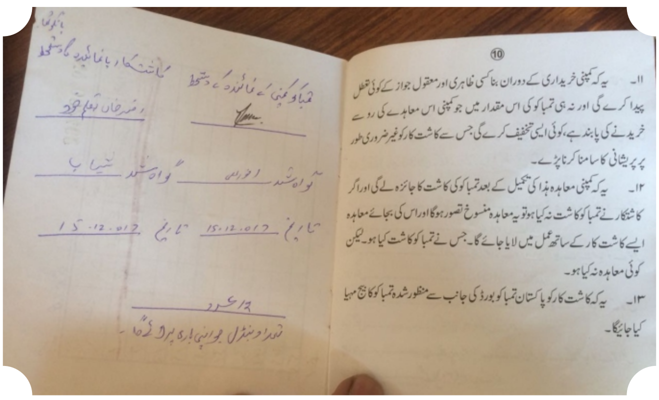
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