

The Impact of Governmental Policies and Multinational Tobacco Company Practices on Tobacco Farming in Romania

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BACKGROUND

- Since integration with the European Union (EU) in 2007, Romania's role as an agricultural producer of tobacco has declined precipitously.
- This declining trend continues while the EU offers all Romanian farmers an annual subvention of 139 EUR/ha, and the Romania state provides subsidies of 1280 EUR/ha for growing tobacco.
- From 1990 to 2013 land area dedicated to tobacco farming dropped by 94% to 916 hectares (ha), and annual tobacco production declined by more than 90% to 1357 tons.
- Since 2007 the multinationals invested in the most up-to-date technology and began manufacturing and exporting their products from Romania.

STUDY AIM

We conducted a qualitative study of current tobacco farming and production policies and practices to evaluate the impact of these policies and practices on tobacco farming and tobacco farmers in Romania.

METHODS

We reviewed economic surveillance documents and interviewed a sample of 17 Romanian farmers, tobacco leaf buyers and national policy makers to understand the changing landscape of tobacco farming and production in the country.

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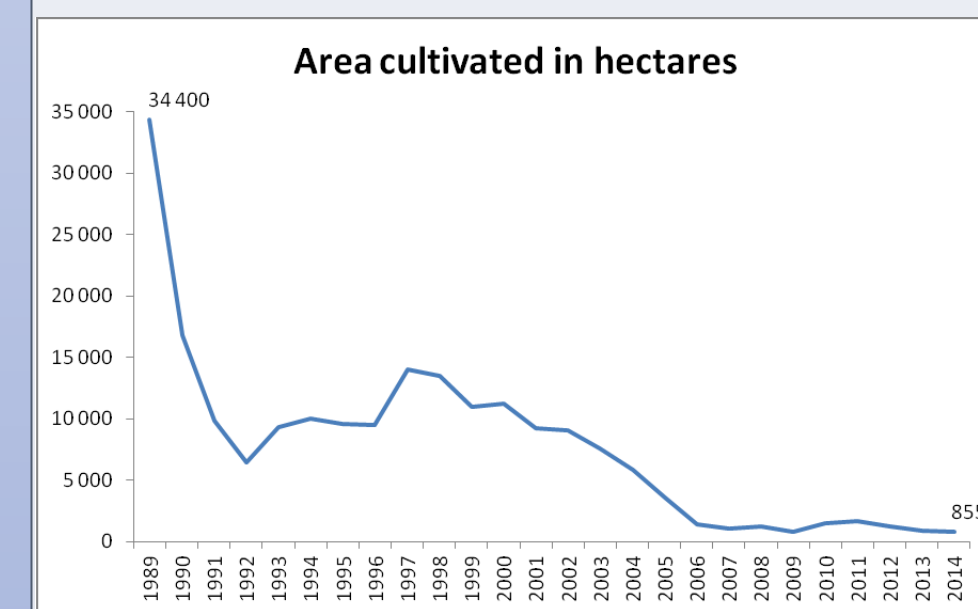
Note: The authors do not declare any conflicts of interest.

RESULTS

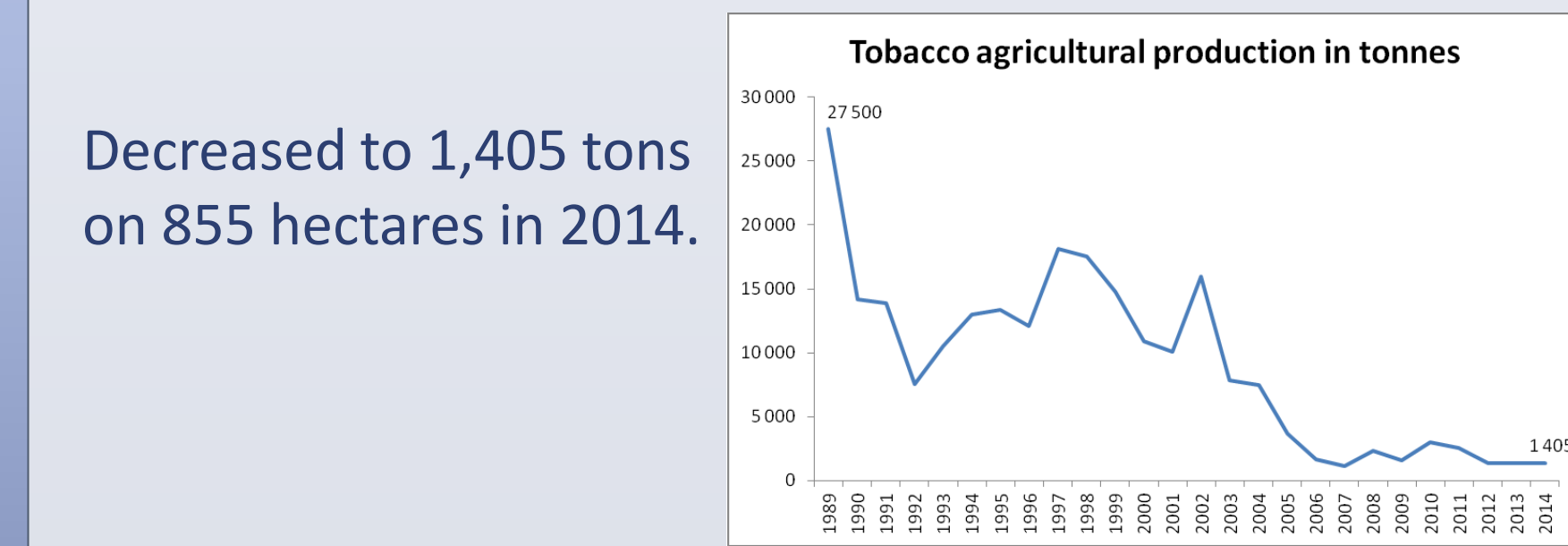
Tobacco farming is historically important to Romania

- Tobacco harvesting in Romania had traditions and was an important branch of the agriculture.
- In the pre-accession talks with the EU, Romania obtained a production quota of 12,000 tons/year.

Tobacco harvesting has continuously declined since the fall of communism (1989)



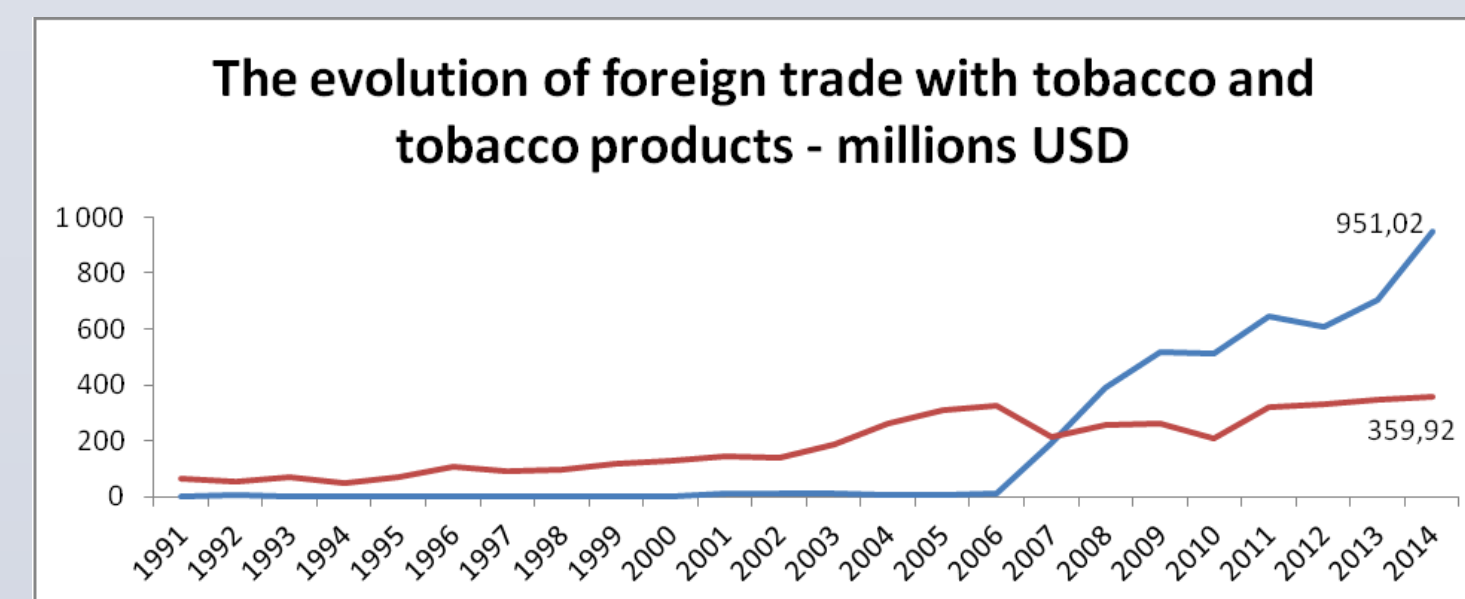
27,500 tons were harvested on 34,400 hectares in 1989, the last year of the socialist regime.



Decreased to 1,405 tons on 855 hectares in 2014.

Source: Romanian National Institute of Statistics and FAO

Romania is now a net tobacco product exporter



Source: Romanian National Institute for Statistics

With such a high volume of exports (USD 951 million in 2014), one would expect that tobacco processing industry uses locally produced raw tobacco.

Tobacco farming is labor-intensive and economically risky

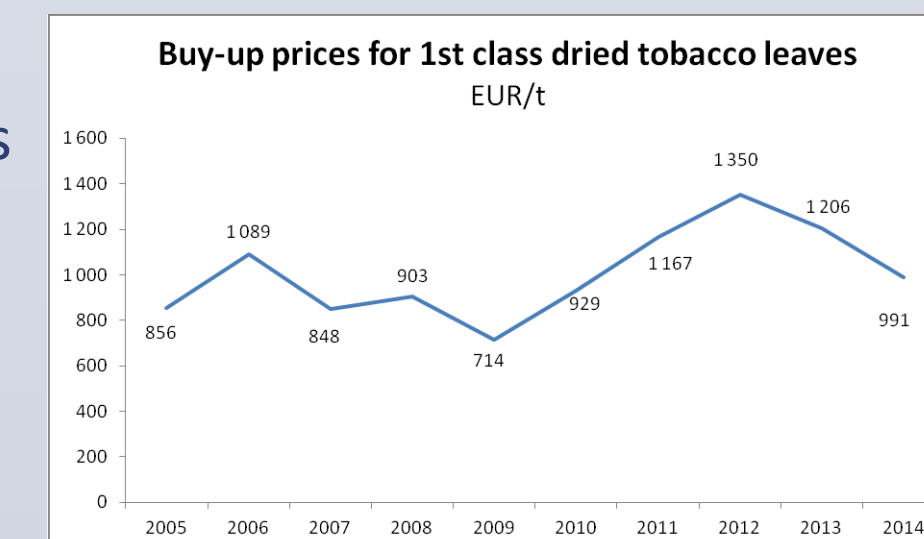
- In addition to the EU subvention for all farmers, the Romanian state offers some specific aids to stimulate farmers for harvesting some specific crops, tobacco being one of those with 1,280 EUR/ha.
- To receive the subvention from the state, farmers must harvest tobacco on >1 hectare, but the smallest parcel may not be smaller than 0,3 ha. On such small lands all work is done manually.
- This leads to high risk for the farmers.

Production and delivery costs are rising

- Before 2013 the farmers received tobacco seeds for free. The dried tobacco was bought up and taken directly from their homes or farms.
- Now, farmers must pay USD 55 in advance for the seeds necessary to plant 1 hectare of land. They have to transport the dried leaves hundreds of km to receiving centers.
- Farmers pay USD 1.50 /hour for the day-labourers. One hectare of tobacco needs the work of 8-10 persons (usually 3-5 of them are the farmer and his family, the rest are hired hands).
- All income from selling dried leaves covers labour costs.

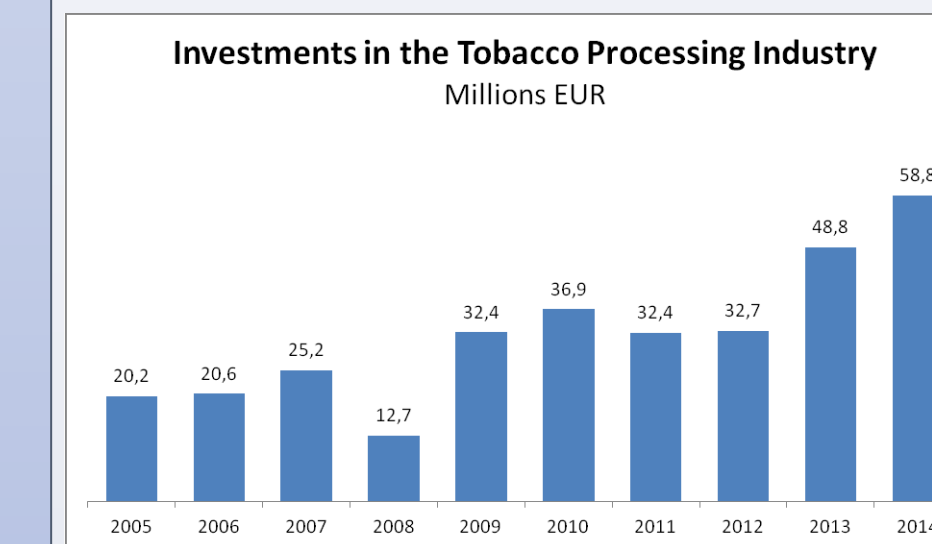
Buying up prices have stagnated

- The amount of the subventions vary from year to year, after the production is sold. This makes incomes unpredictable.
- The buying up prices have stagnated around EUR 1,10 for 1 kg of first class dry tobacco leaves.



Multinational tobacco manufacturers control the market

- Big multinationals entered the Romanian market after 1995 and local producers went bankrupt.



- After Romania's accession to the EU in 2007 the multinationals invested in the most up-to-date technology.

- Production has grown.

- Products are now exported.

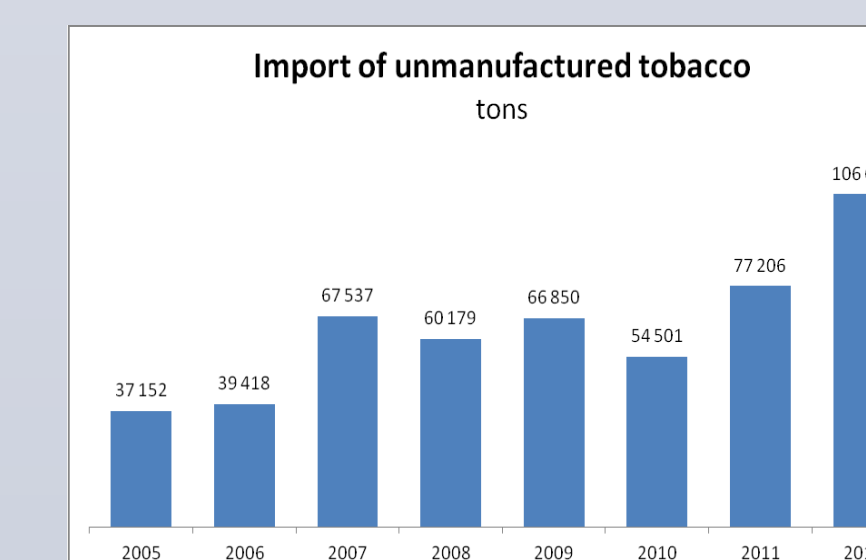
- Market is divided among: BAT, Philip Morris and JTI.
- BAT is the third biggest contributor to the Romanian budget.

Raw material for tobacco processing is controlled

- Tobacco processors in Romania can get raw material from two sources:
 - Pre-processing companies are appointed by the Romanian state and buy tobacco from local farmers.
 - Imports of 28,000 tons of tobacco from 37 countries, most from Brazil, Germany and Portugal.

Imports of unmanufactured tobacco (tons, 2012)

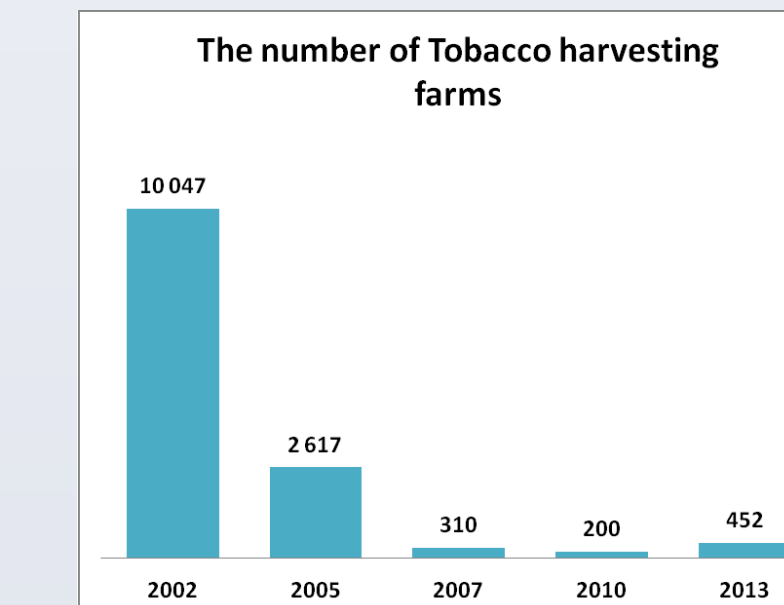
Rank	Country	Tonnes	Percent of all	Cumulated percent
1	Brazil	8 399	29,31%	29,31%
2	Germany	3 514	12,26%	41,57%
3	Portugal	3 162	11,03%	52,60%
37	TOTAL	28 660	100%	



Romanian tobacco farmers are at a disadvantage

- Must have a contract with a pre-processing company to be allowed to harvest tobacco and to get the subvention.
- Must sell all harvested tobacco to the pre-processing companies.
- The state allows only 2 pre-processing companies to operate in the country – so they have very strong bargaining power.

Tobacco farming has been devastated in Romania



- One company, SC Seeds Processing SRL, harvests tobacco on 300 hectares.
- The remaining 555 hectares are divided among 451 farms.

CONCLUSIONS

- As an EU member state, Romania has applied all general EU tobacco control policies.
- Romania has adopted stricter policies, such as banning smoking in all public areas.
- With minimal tobacco farming in the country, and most tobacco production destined for export, the argument that strong tobacco control policies will have a negative economic impact on Romanian farmers is not valid.
- Trends in tobacco farming policies and practices in LMICs can help inform the international community where they must focus their tobacco control activities, including provision of technical assistance and support for implementation of effective policies.

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