

The paradoxical impacts of anti-cigarette campaigns in Indonesia: Between production increase and the faith of small-scale tobacco farmers

Dampak paradoks kampanye anti rokok di Indonesia: Antara peningkatan produksi dan keteguhan petani tembakau skala kecil

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Abstract

This article explains the extent to which the anti-tobacco campaigns have brought about a paradoxical impact on Indonesian small-scale tobacco farmers. It draws on empirical studies undertaken in four areas of the Eastern Java Province, and involves 300 respondents. The findings of the survey indicate that while anticigarette campaigns have affected and restricted tobacco production, big distributors and multinational tobacco companies are enjoying more profits. In contrast, small-scale farmers are suffering from more losses caused by mainly three interrelated factors; the narrowing margin of profit, increasingly difficult access to sell tobacco products, and weak bargaining position in the face of the tobacco market.

Keywords: Indonesian small-scale tobacco farmers, anti-tobacco campaign, paradoxical impact, margin of profit

Abstrak

Artikel ini menjelaskan sejauh mana kampanye anti tembakau berdampak pada petani tembakau skala kecil di Indonesia. Penelitian ini berdasarkan studi empiris di empat area di Jawa Timur dengan melibatkan 300 responden. Berdasarkan hasil survey, ditemukan bahwa kampanye anti rokok berdampak dan membatasi produksi tembakau. Distributor besar dan perusahaan tembakau multinasional mendapatkan keuntungan yang besar dari kampanye anti tembakau. Sebaliknya, petani tembakau skala kecil terus mengalami kerugian yang disebabkan tiga faktor yang saling berhubungan yakni margin keuntungan yang makin sedikit, akses yang makin sulit untuk menjual produk tembakau, dan posisi tawar tembakau yang lemah di pasar tobako nasional.

Kata kunci: petani tembakau skala kecil Indonesia, kampanye anti tembakau, dampak paradoks, marjin keuntungan

Introduction

This article discusses the paradoxical situations as a result of the anti-tobacco campaigns. On one side, the anti-tobacco campaign aimed at restricting tobacco production and space for smokers has ironically prompted an increase in tobacco production especially of the middle-upper tobacco farmers, as well as the rise in the white cigarette industry which does not involve tobacco labours and the supplies of raw tobacco. Whilst on the other hand, the anti-tobacco campaign has adversely affected small-scale tobacco farmers whose businesses are at the disadvantageous conditions, and thus are collapsing.

Increasing pressure of international anti-tobacco regulations, followed by various local legal rules on the banning of cigarettes, implicate to the criminalization of smokers. Worst still, small-scale tobacco farmers feel hopeless to continue planting tobacco. This article then presents empirical evidence explaining why such a paradoxical impact of the anti-tobacco campaign can come about, and in particular causes small-scale tobacco farmers to be the most suffering from the on-going situations. Arguably, the pervasive health policy of anti-tobacco campaigns contributes to reduce smoking areas so that passive smokers are less affected. Nevertheless, the incorporation of the international anti-tobacco regulations -in which foreign interests are somewhat accommodated-has noticeably brought

serious consequences to the productivity of Indonesian small-scale tobacco industries. Despite the fact that tobacco prices continue to rise, it confines the profit margin of small-scale farmers, followed by unfair profit sharing mechanism between both the middle-up farmers and the small-scale ones.

The article explores two important phenomena. First, the problems faced by small-scale tobacco farmers on account of the pressing impact of the anti-tobacco campaign. Second, the extent to which the narrow profit margin leads to the decrease of small-scale farmers' productivity.

Methods

The main argument is developed through two stints of case studies. The first is surveys involving 300 respondents from Probolinggo, Pamekasan and Bojonegoro. They are aimed at examining factors which influence the productivity of tobacco industries in the aftermath of the enforcements of anti-tobacco regulations. Table 1 below shows the scope of the survey.

Table 1.
Survey Location and Respondent Distribution

Village	District	Regency	Total
JabungCandi	Paiton	Probolinggo	50
AsemBakor	Kraksaan		50
Angsana	Palengaan	Pamekasan	50
Pegantenan	Pegantenan		50
Glagahan	Sugihwaras	Bojonegoro	50
Jono	Temayang		50
Total Amount			300

The second is a qualitative study undertaken to small-scale tobacco farmers in Jember. It focuses on analysing the patterned interactions among small-scale farmers, distributors, and cigarette industries which result in the restricted profit margin of the small-scale tobacco farmers.

Result and Discussion

Tobacco is a strategic sector in economic development especially on planting sector. It contributes to generating income for the state through custom and taxes. Tobacco industries provide jobs for quite a large number of local peoples-of 200,000 hectares tobacco fields can provide jobs for about 1,2 million workers (Padmo & Djatmiko 1991:1), and become the source of income for local farmers. In respect to commercial aspects, tobacco commodities are the one which supports domestic industries maintained by the government.

In other countries, tobacco industries also occupy a strategic place since they have important social and economic implications. Therefore, tobacco plantations receive a high level of governmental supports, including that of protection policy. For instance, the European Union has since the 1950s expanded its common agricultural policy to protect intraregional tobacco industries and trade. Meanwhile, in the United States, tobacco industries enjoy significant support of the government, which in turn boosts its tobacco production to be the largest worldwide. The United States government protects the country's tobacco industries by applying Family Smoking Prevention and Tobacco Control Act which explicitly demonstrates tariff barriers to imported tobacco products (Kinasih et al. 2012:iv).

The tobacco industries in Indonesia, however, experience discriminatory treatments. It is made possible by the government decision to adopt the Framework Convention on Tobacco Control (FCTC) into the national law. This is even a stronger effort directed to foreign policy rather than meeting internal interests such as the demand of the domestic tobacco farmers. The adoption requires substitution of tobacco plants with others; reduction of agricultural subsidy which influences the lowering of supply for the ingredients of cigarette industries; the upsurge cigarette taxes resulting

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in the collapse of small-scale tobacco industries; as well as the prohibition of smoking in public areas implemented either on national or regional levels which affect the market of national cigarette products (Kinasih et al. 2012:3).

In fact, regulations on tobacco production have only generated two monopoly practices advantageous to the developed countries. First, they facilitate the expansion of the monopoly of foreign tobacco multinational companies over Indonesia's tobacco industries. Second, they enable the monopoly of anti-nicotine market obtained by pharmaceutical companies selling therapeutic anti-nicotine products (NRT). This is accompanied by the criminalization of smokers who are considered to be violating public rights to healthy environment (Daeng et al. 2011:190-191).

For tobacco farmers, the government's policies on the restriction of tobacco production and distribution have gradually carried serious implications. Small-scale tobacco farmers suffer from the continuing rise of production costs, while at the same time tobacco prices and markets are increasingly downsized. For this reason they suffer a loss. Recently, even though small-scale tobacco farmers still wish to sustain planting, they have to face the growing pressures derived from international regulations. The conditions are believed to be worsening unless the government intervenes to assist them.

To deal with the predicament, the government suggests that small-scale tobacco farmers should change their mode of production, or to replace tobacco plantation with other prospective goods. Yet, this is not easy to do since most farmers think that they have to maintain tobacco production. The problem is that if the difficulties are unresolved, they will force small-scale tobacco farmers to suffer from more losses.

The fate of tobacco farmers in the aftermath of anticigarette campaigns

The survey conducted in East Java Province indicates that most small-scale tobacco farmers complain about their economic conditions which are under crisis through the growing inflexibility of the tobacco market. As the consequence of anti-cigarettes, the prospect of tobacco sale is narrowing. The annual increase in cigarette taxes and the regulations limiting the space for small-tobacco industries have also indirectly made the opportunities for small-scale farmers to sell their products diminish.

The association of cigarette businesses (Gapero) notes that nearly 50 percent tobacco industries have been closed down. This is closely related to the applied regulation on the minimum size of tobacco factory, to which the Minister of Finance's Regulation (PMK) No. 200/2008 the minimum size of a tobacco industry is widened from 50 square meters to at least 2000 square meters. Hence, many existing home tobacco industries are closed for inability to adjust to the new regulation. Before 2008, there were around 3000 tobacco factories operating. However, following the implementation of the PMK, there left about 1970. In East Java, the number of tobacco factories has decreased significantly from 1100 in 2009 to 563 in 2014.

The survey conducted in East Java demonstrates that small-scale tobacco farmers, who possess less than 500 square meters of land, have lost their market since many home tobacco industries stopped producing. The study encounters even worsening condition, that is, 44 percent of respondents state that their profit has reduced annually. Of 300 interviewees in Probolinggo, Pamekasan, and Bojonegoro, 19 percent say their business is still profitable; while 37 percent experience no progress. Almost 50 percent of respondents mention that their income is decreasing. In fact, at the supply chain of tobacco, the big distributors are the ones that earn the most benefits for their large market access. Many are aware about the fact that the national tobacco industry is in a serious crisis. From the in-depth interviews, many tobacco farmers are actually in doubt to sustain planting due to complex reasons. However, they are in a dilemma because the tobacco business has been inherited from their parents so it must be preserved. The survey finds 32 percent of respondents wish to maintain their home tobacco industry for its economic value, although it is not highly lucrative. About 19,7 percent

of respondents vow that they will continue to plant tobacco because there is no other work that can be done. Meanwhile, 14,3 percent of respondents say that they keep on planting tobacco because it can be done while doing other kinds of work. However, 47 percent of respondents believe that tobacco industry will be continually stable in the future, and even 18 percent of respondents think that tobacco will become a more prospective sector. In contrast, 35 percent of respondents are sceptical about the continuity of their tobacco business since their lacking of capital and incentive. It is not surprising when the sceptics argue that the difficulties are part of the effect of tobacco tightened regulations which have brought about more advantages for white cigarette products of the multinational tobacco industries.

In sum, the enforcement of anti-cigarette regulations creates various problems for small-scale tobacco farmers. They include limited resources; inaccessible market; high production cost due to unaffordable fertilizer and seed; and the practice of monopoly by big distributors. They in turn weaken the bargaining position of small farmers to influence tobacco prices and affect their interest to continue planting.

Of 300 respondents, 30 percent of them recognize the hindrance caused by the lack of resources, and 21 percent even feel it is the major problem. About 40,3 percent of respondents say that tobacco marketing is the problem which blocks their business. In parallel, the rise of production cost, for 43 percent of respondents, is the impending factor. Of this figure 13 percent mention it as the most impending one. The expensive fertilizer and seed for most farmers are the cause of the rising production cost which in turn decreases their profit. This is exacerbated by big distributors who do not want to raise tobacco prices. About this problem, 37 percent of respondents argue that the monopoly of the big distributors is another serious impending factor, and 18,3 percent of respondents feel it very hard to continue business amidst such monopoly.

Table 2.
The problems faced by tobacco farmers

Problems Being Faced by Farmers	Highly Affecting	Affecting	Less Affecting	Not Affecting
1. The increase in production costs	34.0%	43.0%	15.0%	8.0%
2. Not productive business	24.3%	42.7%	21.7%	22.3%
3. Difficulties in fulfilling daily needs	23.3%	41.7%	19.0%	16.0%
4. Health issues	21.3%	26.0%	28.7%	24.0%
5. Increase in debt	29.0%	39.0%	19.0%	13.0%

Over the last year, the interviewees acknowledge if they are facing the difficulties in affording daily consumptions, and especially when debt is mounting. This is acknowledged by 39 percent respondents, and even 29 percent respondents feel that they are overburdened by debt since there have been no income to meet basic needs and resources to sustain business. Of the whole 300 respondents, 41,7 percent say that over the last year they have started to lose the capacity to fulfil basic needs, and 23 percent of them blame this on the negative impact of anti-tobacco regulations on their economy. Subsequently, 26 percent respondents note on the implication of economic problems for their family health. About 21,3 percent of respondents acknowledge that they are unable to deal with health problems caused.

Sustainability of tobacco plantation

In the past tobacco is a profitable business. However, recently tobacco farmers, especially those who are small-scale, feel if marketing and selling tobacco are no longer easy to do. From 300 respondents

of small-scale tobacco farmers surveyed, there are only 26,3 percent stating that selling tobacco is getting easier. Meanwhile, 36,3 percent respondents say that their tobacco products have no better prospects, and it is even concerning that 37,3 percent respondents admit that selling tobacco is getting more difficult.

According to the government statistics agency (BPS), national tobacco production doubled between 140,000 tons in 2000 and 257,000 tons in 2013. Nevertheless, such an increase was enjoyed mostly by middle-up tobacco farmers. Ironically, most small-scale tobacco farmers feel that they are suffering from an increasing loss due to structural barriers on tobacco production. They consider moving to other kinds of farming instead of tobacco which is less prospective.

Since small and middle scale cigarette companies in East Java are failing their production, the capacity of tobacco industries are also reducing, thus gradually small-scale tobacco farmers find that their market is very limited. The reduction in purchase by cigarette manufacturers makes the space for small-scale tobacco farmers to move getting restricted. Previously, large distributors who bought plentiful tobacco leaves from small-scale tobacco farmers, distributors that are sometimes unconcerned about the prices, have in fact decreased their purchases. Moreover, some farmers say that the distributors are just willing to buy half of the amount they used to purchase before.

GAPPRI releases a survey showing that from the erstwhile 5000 tobacco manufacturers producing in the country, now there exist only around 600. Importantly, it is predicted that the number can dwindle in the future (okezone.com, Monday 11 February 2013 in Radjab 2013:242). According to the majority of respondents, they sell tobacco directly to the big distributors. There are only 16 percent farmers who sell their tobacco directly to the cigarette manufacturers. Nearly 12 percent of respondents acknowledge that they sell tobacco to small cigarette manufacturers, and about 8 percent sell unripe tobacco leaves. Meanwhile, 28 percent of respondents reveal that they have no particular buyers, but just depend on who come and buy their tobacco with reasonable prices.

The study conducted in Jember indicates that the range of tobacco prices is quite unreasonable. Farmers can only sell low quality tobacco leaves about IDR 3000 to 4000 per Kg, while the higher quality ones are sold at about IDR 10,000 per Kg. This figure of prices is much less than the usual prices obtained by tobacco exporters who can sell about IDR 45,000 per Kg. For *kasturi* tobacco, small-scale farmers get prices about IDR 3,500 per Kg for the good quality products, while their lower quality ones are valued at about IDR 500 per Kg, whereas when big distributors sell *kasturi* tobacco to cigarette companies they can gain prices valued between IDR 3,800 to 4,700 per Kg. The famous cigarette company Gudang Garam normally buys *kasturi* tobacco for IDR 3,800 to 4,000 per Kg. Meanwhile, Djarum buys *kasturi* tobacco at the prices between IDR 4,500 to 4,700 per Kg.

Table 3.
Tobacco prices

Tobacco Type	Price from Farmers to Distributors	Price from Distributors to Manufacturers	Export Price
Naoogst (Nuta, Harapan)	<ul style="list-style-type: none"> - Rp. 3000-4000 /kg dry and low quality tobacco - Max Rp. 10.000 /kg <i>tembakau</i> good quality 	Not sold to manufacturers, but exported to Germany and the USA	Rp. 45.000 – Rp 70.000/kg

Kasturi (Benyak, Bakopasat and Merabot)	<ul style="list-style-type: none"> - Rp. 3.500 /kg good quality - Rp. 500/kg wet and lowest quality tobacco - Or Rp. 1.500.000/kw - 2.300.000 /kw wet tobacco, Rp. 500.000 /kw low quality wet tobacco Rp. 4.000.000 dry tobacco (prices tend to rise depending on quality) 	<ul style="list-style-type: none"> - Gudang Garam Rp. 3.800.000 /kw - Rp. 4.000.000 dry tobacco - Djarum Rp. 4.500.000 / kw – Rp. 4.700.000 / quality 	Not exported
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When asked whether it is more beneficial to sell tobacco directly to cigarette manufacturers owned by big companies or to sell tobacco to small producers, about 32 percent of respondents say that they prefer the former option, while about 24 percent say they choose the latter. However, because access to sell tobacco to cigarette companies is getting more difficult, they decide to sell tobacco through the third party, especially the big distributors. This is evident in the acknowledgement of about 25,7 percent of farmers that they have to sell tobacco to distributors. Nevertheless, most tobacco farmers say that selling tobacco through distributors is less advantageous. This is primarily because the prices are controlled by distributors. Consequently, poor tobacco farmers lose their bargaining power against distributors. In such an asymmetrical relationship, the poor will be more susceptible of marginalization (Fitzgerald, Heyer and Thorp (eds.) 2011).

In many places, distributors understand the predicament faced by tobacco farmers due to weather anomaly so that they can benefit much from the politics of price (Padmo & Djatmiko 1991:27). Poor tobacco farmers feel that they are forced to be dependent on distributors because of having little access to cigarette companies. Distributors can even buy young tobacco leaves from poor farmers. Soebagyo's study (2013) discovers three kinds of dependence of small tobacco farmers in many places of the Eastern Java Province. The first is the dependence on usurers for capital goods. The second type is the dependence on other parties in terms of basic needs fulfilment while waiting for their tobacco plant be ripe for sold. The period of this dependence can be about four to five months. Thus, the small tobacco farmers have to borrow money from usurers to buy daily needs. The last type is the dependence on how the poor farmers can access markets. This comes about as the result of their lack of capacity to obtain market independently. Since the poor farmers are bound to such a kind of dependence on distributors, they have no choice but to sell tobacco to distributors; even though the price is unreasonable.

Because of weak bargaining power and their dependence on distributors, the poor farmers cannot have any influence on tobacco market. Worse still, since they are aware of having no other alternatives for work, they maintain to plant tobacco amidst the disadvantageous conditions. This is conveyed by about 53,3 percent of respondents. Regardless of the problems they continue to face, they recognize that tobacco business should be maintained because it is inherited from their parents. Of the respondents, 34,3 percent of 300 tobacco farmers interviewed say that they will wait and see what happen in the next planting period before deciding to continue planting. Only 12,3percent of them say that they are no longer interested in planting tobacco. In terms of productivity, the study discovers that it increases about 4,8 percent annually. The big farmers can even gain an increase of 24,4 percent. In contrast, small tobacco farmers find that weather and distribution problems make their productivity decreases. They argue for safety first, meaning that averting to take something new to do if it is too risky (Salem Press 2011). The following Table 4 describes the margin of advantages of tobacco sales.

Table 4.
Determinants of advantages in tobacco sales

The Determining Factors of the Prices of the Respondents' Tobacco	Tobacco Farmers	20.0%
	Distributors	36.0%
	Agreement between parties	30.7%
	Uncertain	13.3%
Whether the prices of tobacco produced by the respondents are equal to the production costs	Quite equal	9.7%
	Equal	20.3%
	Slightly unequal	31.7%
	Unequal	25.3%
The Profits Earned by Respondents over the Last Three Years	Quite unequal	13.0%
	Tend to rise	26.0%
	Relative stable	31.3%
	Tend to decrease	42.7%
In Comparison with Other Kinds of Farming, Whether Tobacco Is Still Profitable	Tobacco farming is more profitable	56.0%
	Relatively the same	28.0%
	Other kinds of farming are more profitable	16.0%

What can be inferred from the table above is that most tobacco farmers are concerned with unreasonable prices, especially when dealt with the cost and benefit factors of production.

In fact, 56 percent of respondents acknowledge that tobacco plantation is more profitable than other kinds of product. Brata (2012:5) notices that tobacco farmers are reluctant to try to plant other products mainly because they have not enough knowledge about planting them. For example the price of coffee has never been more than IDR 30,000 per kilo gram, corn is even less than IDR 3,000 per kilo gram. While other products like vegetables are sold cheaper than corn. The prices can become worse when the weather is not conducive for planting (Brata 2012:6). Indeed, for most poor farmers tobacco is continually important commodity. They will sustain the tobacco business despite the fact of an increasingly high pressure from the economic structure which is more advantageous for big farmers. Only a minority of 12 percent respondents feel free to look for other sectors as an alternative to tobacco farming. Padmo and Djatmiko (1991:177) argued for the better prospect of tobacco in comparison to other products such as coffee and rice. Tobacco prices tend to be stable. Although it is not always profitable, the prices of tobacco can meet the minimum cost of production (Alamsyah ed., 2011:58).

If one day tobacco business is really disadvantageous, poor tobacco farmers will try to find out any alternatives. About 31 percent will continue to be farmers with other kinds of products, 28 percent of respondents will move to small home industry. About 16 percent respondents say that they will try to apply for job as factory labour, and about 7 percent of all interviewees convey to change into fishermen industry. The study finds out that, among small tobacco farmers, what is urgent to do is to minimize the disadvantages and ensure fulfilment of daily needs. About 38,8 percent respondents say that they have to sell young tobacco leaves to survive.

Conclusion

This study has proven the paradoxical impact of the anticigarette campaigns on the fate of small tobacco farmers in four areas of Eastern Java Province, Indonesia. As an empirical study, information collected indicates that the small scale farmers are suffering from formidable structural problems surrounding tobacco business in the country. The central and local governments' regulations on cigarette restriction in particular pose the first structural hindrance to the most farmers to develop their business. Tobacco is being criminalized and targeted of too much economic load. This situation

is getting worse when there is no government initiative to help stimulate poor farmers to improve their productivity.

At the same time, the mode of tobacco sale is another strong structural difficulty that does not allow small scale farmers to have more access to production system and mechanism. In fact, the restriction of tobacco circulations by the government's national wide anticigarette campaigns has given more opportunities for big distributors to play with tobacco prices amidst the continuing predicaments faced by small tobacco farmers. In this regard, the study concludes that imbalanced bargaining power between the industrialists and farmers results in more losses for poor tobacco farmers. Rather, this situation depicts the general condition of what agricultural business relationships are taking place in the country. In the case of tobacco, the effect of governmental policies is more disadvantageous to the poor.

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