

AGRICULTURAL TRANSFORMATION INITIATIVE CONTEXT

Growing tobacco has never lifted smallholder farmers out of poverty. High-quality data and rigorous analysis can shape and inform effective, evidence-based policy creation and resource deployment to diversify economies and lessen country dependence on tobacco—better preparing farmers for the future while strengthening their countries' economies.

Launched on September 13, 2017, the Foundation for a Smoke-Free World (FSFW) is an independent, nonprofit organization dedicated to accelerating global efforts to reduce deaths and harm from smoking, with the ultimate goal of eliminating smoking worldwide.

Recognizing that the Foundation's mission entails an accelerated decline in global tobacco demand, the Foundation's Agricultural Transformation Initiative (ATI) will support efforts to develop and diversify tobacco-dominated economies, lessening their traditional reliance on the tobacco sector. This includes facilitating opportunities for farmers to diversify into alternative crops, access markets further along the agricultural value chain, and access other economic opportunities more broadly. To fulfill these ambitions, the Foundation will seek partnerships with philanthropic, nonprofit, academic, corporate, governmental, and community organizations in order to:

1. Identify alternatives. Identify innovative and profitable alternative crop and livelihood options for farmers.
2. Enhance productivity. Develop and apply new technologies to enhance agricultural productivity, build resilience, and increase income generation for farmers.
3. Facilitate commercialization. Facilitate the creation and application of new markets and sustainable business models to improve economic opportunity and generate income for rural communities, as well as to strengthen the economy more broadly.
4. Strengthen policy. Create an enabling environment for these new livelihood and business strategies through targeted policy and resilience-building action at all levels of scale.

What is required is nothing short of a New Deal for the African farmer. For far too long, incremental profit sharing and value-added livelihoods have eluded African economies. The Foundation is committed to leading the development of a New Deal for those farmers who wish to continue in agriculture, as well as to exploring and investing in the creation of alternate profitable opportunities.

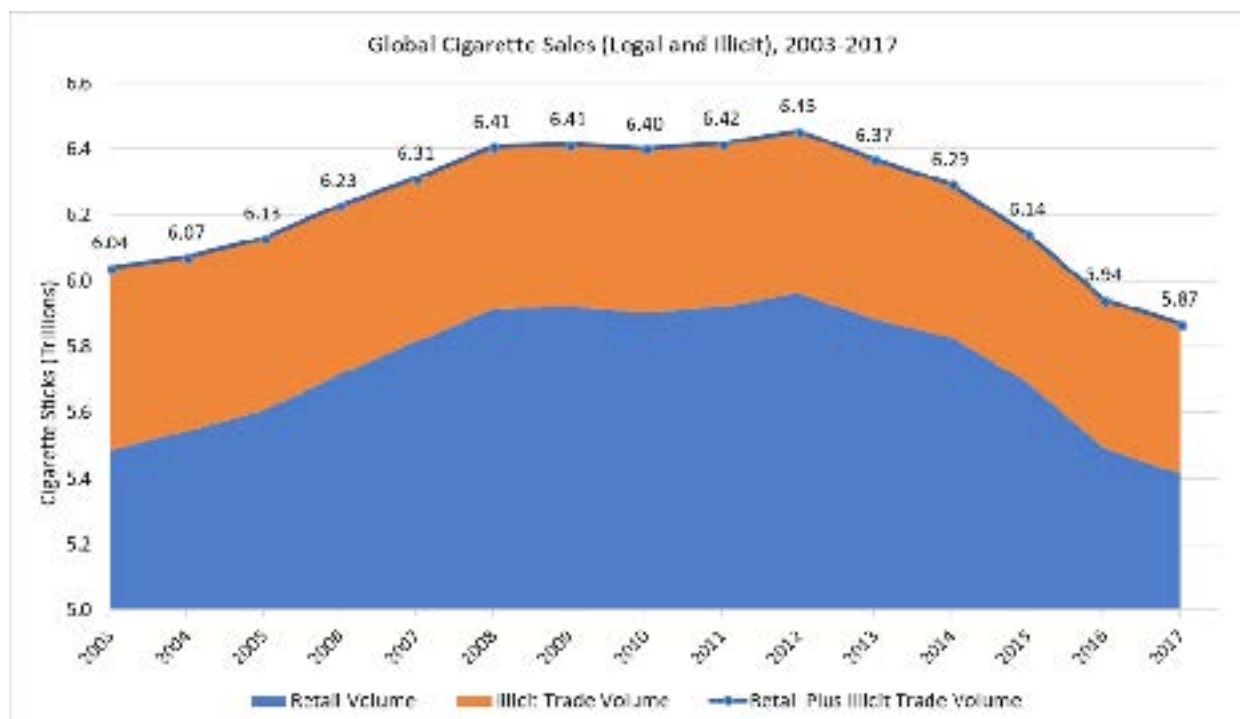
CONTEXT

I. Trends Global Trends in Tobacco Consumption

Global estimates indicate that the prevalence of smoking has been declining since 1980.¹ Due to population growth, however, the absolute number of smokers has continued to rise through at least 2012, when this figure was most recently estimated.² Consumption data from Euromonitor International indicate that, beginning in 2012, nine years after the Framework Convention on Tobacco Control (FCTC) was implemented, global legal and illicit annual tobacco sales peaked at 6.45 trillion sticks for the year, and have since declined by 9.0% in 2017 (Figure 1).³

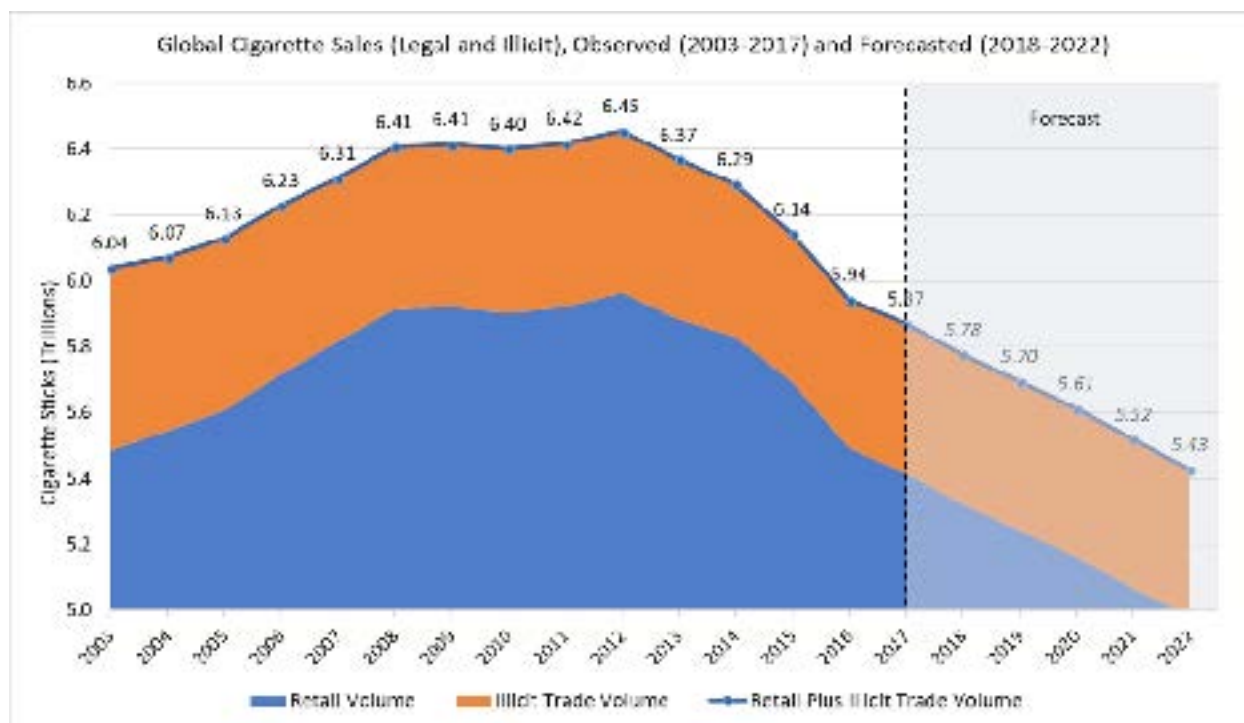
As such, one interpretation of these data sources taken together is that the prevalence of smoking has decreased steadily throughout the past few decades, while absolute levels of smoking have increased until peaking around 2012, and decreased since then.

Figure 1: Estimated global cigarette sales (legal and illicit) in sticks (trillions) between 2003 and 2017 (Euromonitor International)



Although the trend since 2012 is encouraging, absolute consumption levels in 2017 have not fallen meaningfully below the levels observed in 2003, when the FCTC was first implemented. Furthermore, absolute consumption levels are projected to drop by only 7.6% over the five years between end-2017 and end-2022 (Figure 2),³ a smaller decline than the 9.0% decline observed over the previous five years. If this forecast proves accurate, it would imply that legal and illicit cigarette consumption over the 19 years since the FCTC was introduced in 2003 will have registered an overall decline of only 10.1%, evidence that there is still work to be done in reinforcing and accelerating these reductions in cigarette consumption.

Figure 2: Estimated global cigarette sales (legal and illicit) in sticks (trillions) between 2003 and 2017 and forecasted between 2018 and 2022 (Euromonitor International)



Global Trends in Tobacco Production

Over the past 50 years, several key trends in global tobacco production have emerged (Figure 3).^{4,5} First, the bulk of the world’s tobacco production has shifted to China. Second, tobacco production has declined overall in high-income countries. Third, tobacco production levels have remained approximately constant within low, lower-middle, and upper-middle income country groups. Overall, therefore, the share of global tobacco production from low and middle-income countries has increased tremendously relative to the share from high-income countries, even when China (classified as an upper-middle income country since 2010) is excluded.

Figure 3: Tobacco production (millions of tons) by country income group, 1970-2016, China separated (FAOSTAT; World Bank WDI)

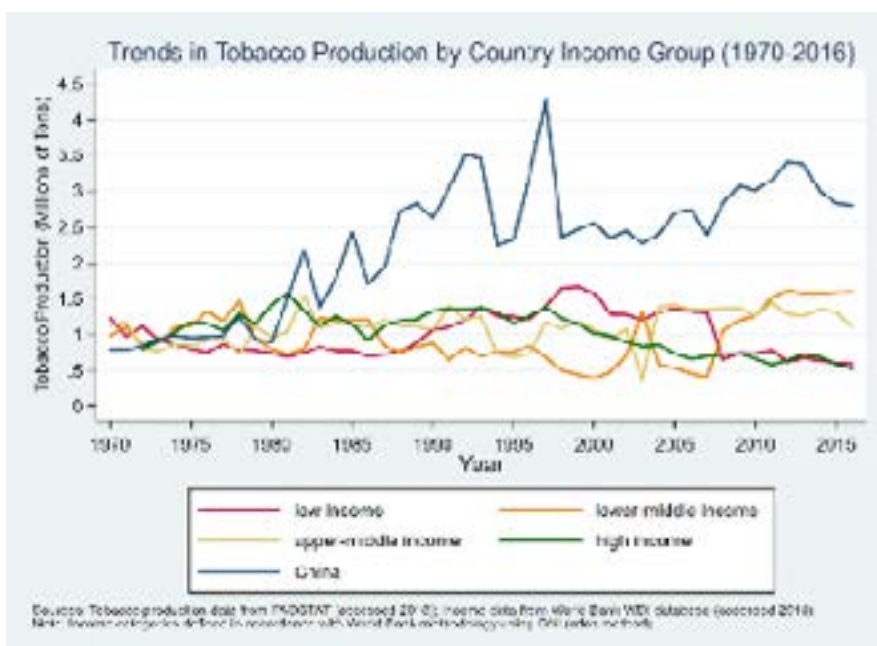
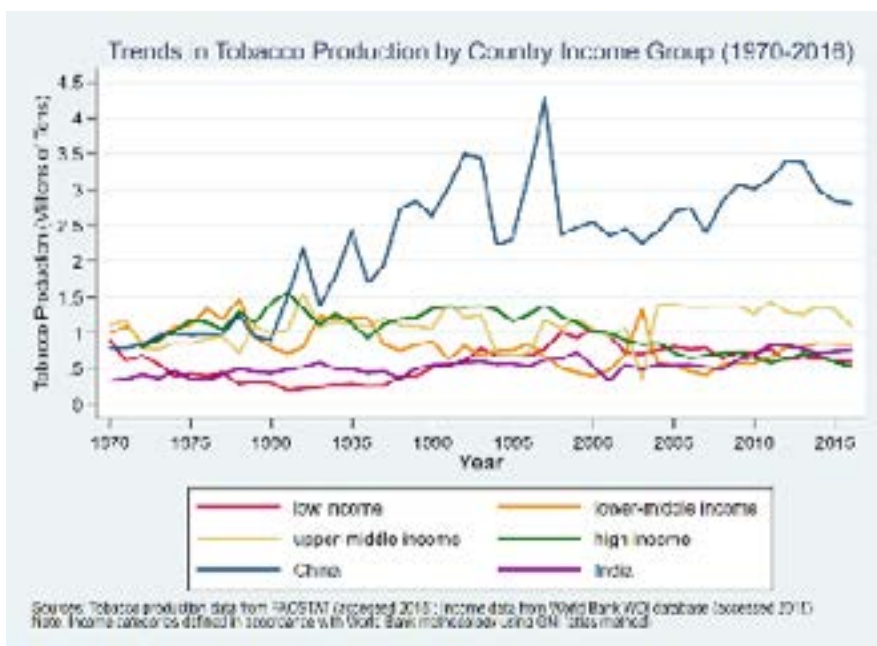


Figure 4: Tobacco production (millions of tons) by country income group, 1970-2016, China and India separated (FAOSTAT; World Bank WDI)



China

China stands out as a country with extraordinarily high rates of both tobacco production and consumption.^{3,4} Therefore, understanding Chinese trends and market dynamics is particularly important to understanding the global picture. China is the top producer of tobacco in the world, with production levels in 2016 three times greater than those of the world's second biggest producer, India (Table 1).⁴ China has dominated in global tobacco production since the 1980s (Figure 3). Production peaked in 1997 at 4,251,000 tons and remains high at 2,805,615 tons.

China also consumes vastly more cigarettes than any other country. In 2017, China consumed a full 42.2% of the world's total cigarettes (legal and illicit).³ Cigarette consumption in China has continued to rise since the early 2000s, peaking in 2014 at 2.7 trillion cigarettes (both legal and illicit), and representing 42.6% of global consumption at the time. Since then, consumption in China has fallen by 7.7% to 2.5 trillion cigarettes in 2017.³

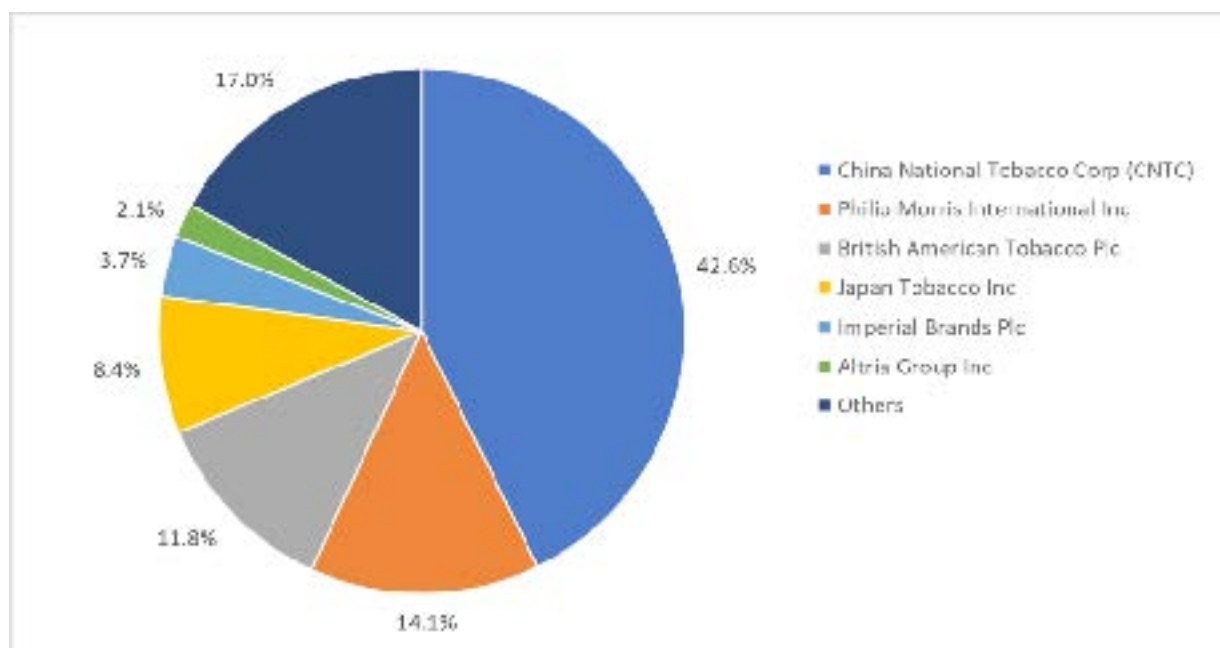
Globally, the legal cigarette market is dominated by five major tobacco companies (Figure 5),³ with China National Tobacco Corp (CNTC) accounting for 42.6% of all global market share in 2017—dwarfing the combined 34.3% global market share of the next top three producers: Philip Morris International, British American Tobacco, and Japan Tobacco. The apparent global dominance of CNTC is due, at least in part, to the fact that the greatest share of global cigarette sales occurs in China, where CNTC monopolizes the market. In 2017, CNTC supplied a full 97.3% of the country's cigarettes.³

Table 1: Top 15 producers of tobacco (tons) in 2016 (FAOSTAT; World Bank WDI)

| Rank | Country | Tobacco Production | 2016 World Bank Income Classification | Prevalence of Stunting (Year*) |
|------|---------------|--------------------|---------------------------------------|--------------------------------|
| 1 | China | 2,805,615 | Upper middle | 9.4% (2010) |
| 2 | India | 761,318 | Lower middle | 38.7% (2014) |
| 3 | Brazil | 675,545 | Upper middle | 7.1% (2007) |
| 4 | United States | 285,181 | High | 2.1% (2012) |
| 5 | Indonesia | 196,154 | Upper middle | 36.4% (2013) |
| 6 | Zimbabwe | 172,266 | Low | 27.6% (2014) |
| 7 | Zambia | 124,642 | Lower middle | 40.0% (2013) |
| 8 | Pakistan | 116,157 | Lower middle | 45% (2012) |
| 9 | Tanzania | 102,473 | Low | 34.8% (2011) |
| 10 | Argentina | 93,671 | Upper middle | 8.2% (2005) |
| 11 | Mozambique | 92,995 | Low | 43.1% (2011) |
| 12 | Bangladesh | 87,628 | Lower middle | 36.4% (2014) |
| 13 | Malawi | 84,962 | Low | 42.4% (2014) |
| 14 | North Korea | 82,727 | Low | 27.9% (2012) |
| 15 | Turkey | 70,000 | Lower middle | 9.5% (2013) |

*Year of most recent estimate.

Figure 5: Global cigarette market share (%) in 2017



Africa

In addition to China, the African continent is a particularly noteworthy context. Africa's share of global tobacco production has increased tremendously in recent decades. Between 1995 and 2012, total land area under tobacco cultivation decreased by 10.6% worldwide, but increased by 65.3% in Africa.⁶ Furthermore, tobacco production itself increased by 2.3% worldwide and increased by 35.7% in Africa.⁶ In 2016, five African nations were among the top 15 producers of tobacco leaf in the world (Table 1): Zimbabwe (6th), Zambia (7th), Tanzania (9th), Mozambique (11th), and Malawi (13th).⁴ These low-income African economies are highly dependent on the crop, making them particularly vulnerable to price shocks. In 2013, tobacco leaf was the top agricultural export (by value) for Zimbabwe, Zambia, Mozambique, and Malawi. It ranked fourth for Tanzania.⁴ As such, there is clear need to devote particular attention to African nations when considering the impact of declining global demand for tobacco.

Endnotes

- 1 GBD 2015 Tobacco Collaborators. Smoking prevalence and attributable disease burden in 195 countries and territories, 1990–2015: a systematic analysis from the Global Burden of Disease Study 2015. *Lancet*. 2017;389(10082):1885–1906. doi: 10.1016/S0140-6736(17)30819-X.
- 2 Ng M, Freeman MK, Fleming TD, et al. Smoking prevalence and cigarette consumption in 187 countries, 1980–2012. *JAMA*. 2014;311(2):183–192. doi:10.1001/jama.2013.284692
- 3 Euromonitor International. Euromonitor international passport. Updated 2018. <http://go.euromonitor.com/passport.html>. Accessed July 16, 2018.
- 4 Food and Agriculture Organization of the United Nations (FAO). Faostat. Updated 2017. <http://www.fao.org/faostat/en/>. Accessed February 27, 2018.
- 5 World Bank Databank. World Development Indicators (WDI). <http://databank.worldbank.org/data/reports.aspx?source=world-development-indicators>. Accessed March 20, 2018.
- 6 World Health Organization. Status of tobacco production and trade in Africa: Factsheets. <http://www.who.int/tobacco/publications/industry/trade/status-production-africa-factsheets/en/>. Published December 2015. Accessed July 16, 2018.