Black tobacco farmers unite to save 10,000 jobs from illegal cigarettes

Black tobacco farmers today warned that 10,000 livelihoods in rural South Africa are on the brink of being wiped out by illegal cigarettes.

The newly formed Black Tobacco Farmers Association (BFTA) gathered in Pretoria to demand immediate government action against the brazen illegal industry which now controls almost HALF of all tobacco sales in the country.

Formal studies by IPSOS have shown that the illegal market has exploded in recent years since disgraced SARS Commissioner Tom Moyane ordered that illegal factories stop being inspected. This allowed cheap cigarettes costing just R10 (three times cheaper than legal cigarettes) to flood the market, enriching illegal operators and robbing South African taxpayers of R25m in lost taxes every single day. A single illegal brand, known as RG, is now the biggest seller in the entire country. All the illegal operators blatantly ignore hardworking South African tobacco growers and source their tobacco leaf abroad. Robbing the country not once, but twice.

South Africa’s largest legal and tax compliant manufacturer, British American Tobacco, is the only one to support the proudly South African farmers who sustain communities and families across Limpopo, North West, Eastern Cape and Mpumalanga. But now the explosion in illegal cigarette sales has put these farms and thousands of thousands of jobs on the brink of collapse.

“Illegal cigarettes do not only cost the people of South Africa billions of rands in tax, they also jeopardise the existence of tobacco farming in South Africa because not one of them uses South African leaf,” said BFTA Chairman Shadrack Sibisi.

“Government is not only failing taxpayers by not enforcing its laws, it is failing farmers too. Our only buyer, is warning that legal cigarette sales are plummeting which will have an instant and devastating effect on farming.”

Earlier this week, Limpopo Tobacco Processors (LTP) which purchases and processes almost all of the tobacco leaf grown in South Africa warned that it is facing closure due to illegal cigarettes. Its main buyer, British American Tobacco, warned that if the current trends continue this year could bring a tipping point affecting the entire value chain” according to Sibisi.

According to LTP CEO, Christo Van Staden, “the demand for South African tobacco leaf is plummeting even as people are smoking more cigarettes, all because of illegal cigarettes according to a new report from Econometrix. Even at current levels of demand, the loss of economies of scale make it difficult for us to remain viable. This directly threatens all tobacco farmers, including black emerging farmers at precisely the time that they are trying to grow, diversify and secure their future”

The BTFA says that it heard a lot of promises from government last year but its patience has run out.
“We can’t wait any longer for action. If the Ministers in this government are not going to stop this daily robbery out of the pockets of South Africans then they must come up to Limpopo and other provinces and explain to ten thousand people why they’re willing to wipe out their families and communities,” said Shadrack.

The BTFA has also insisted that government must not increase the prices of legal cigarettes in this year’s budget until it has shown that it is able to collect the taxes not being paid. According to Shadrack, “government caused this problem, so government must fix it and not make it any worse by increasing legal cigarette prices”.

The BTFA also called for support from government and industry to help their farms to grow and diversify into other crops. Tobacco is an excellent entry crop for new farms because it is relatively easy to farm and under normal conditions provides a reliable income stream and safety net. So far, they are supported only by British American Tobacco South Africa, who procures over 90% of the leaf grown in South Africa.

But the BTFA is inviting other companies to also support their farmers and government to create an enabling environment for them to grow and create more jobs. It highlighted that regulatory constraints are another barrier to growth. As farms and farm production grow, they are required to comply with burdensome administrative requirements in tax and labour laws for example that are forcing some farmers to remain below a certain size.

According to Shadrack, “BTFA members don’t want to be small farmers forever but we need support from government to allow us to take our efforts to the next level and create more jobs and develop our communities”.

END

Notes to Editors

1. The BTFA has 155 members, all small holder tobacco farms, also growing vegetable crops with ambitions to develop into large commercial operations. Their emergence and growth has been supported by British American Tobacco, in co-operation with British American Tobacco and Mobile Agricultural Skills and Training Non Profit Corporation

2. Overall, there are 10,000 jobs in tobacco farming in South Africa, including commercial farms in LTP’s supply chain, all at risk from illegal cigarettes.