



**BLACK TOBACCO FARMERS
ASSOCIATION**

Stand Number 396 | Buffelspruit | Mpumalanga

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5 October 2020

Honourable J. Mswanganyi, MP
Chairperson: Standing Committee on Finance
Parliament of South Africa

Dear Honourable Mswanganyi,

SUBMISSION BY THE BLACK TOBACCO FARMERS ASSOCIATION IN RESPONSE TO THE TAX BILLS

The Black Tobacco Farmers Association (BTFA) represents black emerging tobacco farmers from different parts of the country.

We organized ourselves formally to protect and advance our interests – from job losses in the sector to the ongoing fight against the prevalence of illicit trade, and have been consistently arguing for a tax regime that protects the sector, ensures adequate excise returns for the state, and facilitates the war against illicit tobacco – an issue which is even more pressing given our experience during the COVID-19 national lockdown, which hurt legal players while promoting those selling contraband cigarettes.

Our association is made up of 150 emerging black tobacco farmers, based in the Eastern Cape, Mpumalanga, North West, Kwa-Zulu Natal and Limpopo. Within this value chain, there are more than 8,000 tobacco farm workers, with 30,000 dependents, and 150 smallholder (black) farmers who produce Sun-Cured Virginia (SCV) tobacco and food crops (vegetable, maize and bean production) on a rotational farming basis to ensure that our crop mix provides a sustainable source of financial and food security and has a positive impact on the communities in which we live and work.

We are aware that smoking causes health risks and we support government's efforts to reduce tobacco use, especially among the youth. Unfortunately, government policy is not working today due to a combination of high taxes and little enforcement against illicit trade which has grown to alarming proportions over the last 5 years.

We would like to encourage government to also consider that tobacco growing is a sustainable farming enterprise for our members. We urge government to consider the transformative impact tobacco growing has had on our members and the potential role it could play towards supporting food security, income generation and the emergence of a competitive tobacco sector in South Africa. Tobacco is an excellent entry crop for new farmers as it is easy to produce and provides a steady profit. All of our members are now branching out into new more complex crops as well.

At this point, tobacco farming in South Africa is on the verge of total annihilation due to the growing sales of illicit tobacco, and the harsh prohibition on the sales of tobacco products. It is worth noting that none of the tobacco leaf used in illicit tobacco is grown in South Africa. It is imported from low cost producers such as Zimbabwe, Malawi and Zambia, whose governments are fully behind the cultivation of the tobacco crop and providing support to their tobacco farming sector, helping them to keep leaf prices lower than they are in South Africa.

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Therefore, the prohibition of tobacco products almost 5 months has had a significant negative impact on our members as we have not been able to sell our leaf to generate income.

Our members sell their entire produce to Limpopo Tobacco Processors (LTP) for processing, who then onward sell to British American Tobacco South Africa (BATSA). LTP has warned that the continued reduction in demand levels because of existing illicit trade as well as the inability to secure orders from BATSA, has left their enterprise barely profitable and its future is in doubt.

At the same time BATSA has warned that it cannot guarantee local leaf orders if the current decline in local cigarette sales continues because of COVID-19 restrictions. It has even said that it may be forced to pull out of buying South African leaf altogether – which would mean the death of black tobacco farmers and no future for the thousands of people who draw their livelihood from the sector.

We therefore ask that government, particularly National Treasury, act in the interests of maintaining jobs in legitimate sectors of the economy.

As National Treasury and the South African Revenue Service (SARS) prepare the Tax Administration Bills, which will lead to the mid-term budget and ultimately the 2020 budget, we plead that you do so with full knowledge of the massively detrimental impact that an increase in the excise duty will have on our members.

We ask that you to stand up for black farm owners and their families, and not be swayed by ideological viewpoints on smoking.

Our request is that you do not increase in excise because the fact of the matter is that this has failed overtime to decrease smoking in the country. It is not successful as an anti-smoking strategy, as all it does is fuel illicit trade.

It is our submission that an excise increase will in fact only reduce the duty paid over to the state in excise taxes, as has been the case with the last three excise increases. Most alarmingly for our members, it takes away the opportunity to grow our enterprises to a commercial level which can support increased employment and provide food security for the farmers respective communities.

We urge you: be pragmatic in your Tax Administration Bills and budget considerations. Take the right decision: tobacco is a perfectly legal and legitimate business endeavor, and it – as well as the fiscus – require a tax regime that will get rid of predatory tax-avoiding competition by illicit players.

We thank you for your consideration.

Your Sincerely,

Jabulani Tembe
Secretary General