





PHOTOS: **S DILIP ROY, SHAIFUDDIN KHALED**

ECONOMICS OF TOBACCO

Quick profits and unseen costs

A crop that pays farmers, sellers, and the treasury. What it costs the country is much more, but the damage takes time to see

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From farmers who grow it to consumers who use it, tobacco's harm is widely acknowledged. It damages nearly every organ, causing cancer, heart disease, stroke, lung disease, reduced fertility, weakened immunity and premature death.

According to the World Health Organization (WHO), tobacco kills around 8 million people worldwide every year, including about 200,000 in Bangladesh. The Campaign for Tobacco-Free Kids estimates it will claim 1 billion lives this century, making it one of the world's biggest public health threats.

Its cultivation also damages land, water and air. Yet farming and consumption continue, largely because stakeholders across the supply chain see tobacco as a moneymaker.

"We understand that there is harm," one farmer in northern Bangladesh, a major tobacco-growing region, said. "But compared with our other crops, the profit is much higher."

Manufacturers also admit the harm but argue that tobacco taxes provide predictable government revenue because demand is highly inelastic.

The government earns more than Tk 40,000 crore a year from tobacco taxes, even as it raises them to discourage consumption. State institutions also hold partial stakes in the country's largest tobacco company, British American Tobacco Bangladesh (BAT).

What often goes unheard is the long-term economic damage borne by the state and people. Healthcare spending and environmental damage cost over Tk 87,500 crore in 2024, according to the Institute of Health Economics at Dhaka University and the Economics for Health programme at the Johns Hopkins Bloomberg School of Public Health.

MONEYMAKER: 'NEVER A LOSS'

Drive through northern Bangladesh and patches of tobacco seedbeds are already visible ahead of the next growing season. Farmers will begin harvesting leaves in February.

In Kholeya union of Rangpur Sadar, Nikhil Chandra Sarkar farms about six bighas, growing potatoes, rice and tobacco. He received a tobacco card from BAT in 2024.

"The company gives seeds, loans and fertiliser. They give everything needed for cultivation," he said. The support covers roughly half his costs. "The benefit of the card is that they will take the tobacco. They are obliged to take it."

Last year, he spent around Tk 20,000 cultivating potatoes on one bigha and Tk 15,000 to Tk 16,000 on tobacco on another. He earned about Tk 16,000 from potatoes and Tk 60,000 from tobacco.

His family does most of the farm work, keeping costs down. Those hiring labour can spend Tk 30,000 to Tk 35,000 per bigha, he said.

"If we don't grow tobacco, we have to grow potatoes or wheat. But we cannot do everything ourselves with those crops. Hiring labourers cuts into the profit."

A Policy Research Institute of Bangladesh (PRI) study of five major crops found tobacco offered the highest return per decimal, 18.6 percent above rice and 33 percent above jute. Half the surveyed farmers grew it because their neighbours did, while around 43 percent cited the assurance of a buyer.

Saiful Islam, a farmer in Lalmonirhat, said tobacco prices fell from around Tk 7,000 a maund last year to Tk 4,000 this year. He continues growing it because nearly every part of the plant can be sold, including leaves rejected for better-quality tobacco. "There has never been a loss in this cultivation."

Leaves are harvested in stages, with buyers often paying for each batch. "Suppose you get money in three stages. Leaf by leaf," said Nur Mohammad of Lalmonirhat.

THE 'TRAP' THAT KEEPS FARMERS COMING BACK

The assurance of a buyer is central to tobacco's appeal, according to Md Saiful Alam, deputy director of the Department of Agricultural Extension (DAE) in Rangpur.

"Paddy or mustard prices fluctuate. Sometimes field-level prices are low, sometimes high. But tobacco companies have a system of buying the crop and paying farmers in full. That certainty makes farmers inclined to grow it, even if the profit is lower," he said.

Rumana Huque, an economics professor at Dhaka University, said farmers' financial constraints pushed them to prioritise short-term gains.

"Farmers do not really have the opportunity to think about the long term because their main priority is to consolidate their present situation," she said.

Company advances can deepen that dependence. "If they take an advance, they fall into a cycle. To get out, they have to repay the tobacco company. Under the contract, they become bound by an obligation," she added.

Speaking ahead of World No Tobacco Day in 2023, Dr Rüdiger Krech, director of the Department of Health Promotion at WHO, called tobacco cultivation's apparent economic importance a "myth that we urgently need to dispel".

The UN health agency accuses the tobacco industry of trapping farmers in a "cycle of dependency", leaving them with little control over prices and quality while companies take the profits.

THE LONG-TERM HAZARDS

Tobacco cultivation uses land, fertiliser and water, while handling and curing leaves can expose workers and their families to health risks.

Dozens of farmers interviewed in northern districts described nicotine residue on their hands and breathing difficulties among family members when leaves were stored or cured at home.

"When [tobacco] is kept at home, the children have difficulty breathing. Women also have difficulty breathing," Saiful said. Green tobacco sickness, a form of nicotine poisoning, occurs when nicotine from wet leaves is absorbed through the skin. Pregnant and postpartum women sometimes have to stay elsewhere during the curing season.

His wife opposes the crop. "Of course, she stops me. But then, you see, because of the temptation... I see the money," he said.

The effects on soil are also documented. A two-year study published in SN Applied Sciences in 2021 compared tobacco fields in Rangpur Sadar, Badarganj and Gangachara with non-tobacco fields in Mithapukur. It found declines in soil organic matter and nitrogen, phosphorus, potassium and sulphur between 2019 and 2020.

A 2026 study in Mirpur upazila of Kushtia also found lower nutrient levels in tobacco-growing soils.

Land use is another concern. A 2021 survey in northern Bangladesh found that more than half of respondents believed tobacco was replacing traditional food crops.

Tobacco is mainly grown in the Rabi season, when farmers could otherwise cultivate food crops. Farida Akhter, executive director of UBINIG, said it can prevent farmers from growing other crops on the same land for two seasons, sometimes three.

"On one hand, the government is promoting crop diversification, while on the other, tobacco cultivation is preventing farmers from growing alternative crops during the Rabi season, putting nutritional security at risk," she said.

According to the DAE, tobacco covered 21,290 hectares across five Rangpur-region districts in 2026, up from 18,734 hectares a year earlier. Lalmonirhat accounted for 18,225 hectares.

Acreage has gradually declined, although it sometimes rises again when prices are high, said Rangpur DAE's Alam. The department is promoting alternatives such as mustard and maize through government incentives.

A government policy to regulate tobacco cultivation, initiated around 2016-17, remains pending, Farida said. "It does not necessarily call for a ban. It proposes regulating tobacco cultivation so that it does not create food insecurity or take away land needed for food production."

Rumana said replacing tobacco required more than awareness campaigns. Farmers needed finance, technical advice and, above all, reliable markets for alternative crops.

"We need to connect them with the market for the new products they will produce, so that there is a direct market link and their profitability is ensured. We have to do the opposite of what the tobacco companies do," she said.

Agricultural economist MA Sattar Mandal said tobacco cultivation should be viewed through farm profitability rather than by portraying farmers as choosing a harmful crop.

Farmers consider soil conditions, land type and profitability before deciding what to grow. At prevailing prices, Boro rice may not cover costs such as diesel and other inputs.

"I cannot simply go there and tell farmers what to do. I need to give them an alternative output that is more profitable, with technological and other support to increase productivity," Sattar said. Access to finance was also necessary.

THE TAX HIKE CONUNDRUM

BAT Bangladesh, Japan Tobacco International and Abul Khair Tobacco together account for about 99 percent of the formal cigarette supply market.

For decades, the government has raised tobacco taxes to discourage consumption. The total tax rate has reached about 83 percent, one of the highest in the world.

Yet the market has shifted towards cheaper cigarettes. National Board of Revenue data show that the high-price segment's share fell from around 15 percent in fiscal 2006-07 to 2.85 percent in 2024-25, while the low-price segment expanded to nearly 60 percent.

Recorded cigarette sales fell from 8,400 crore sticks in fiscal 2023-24 to 6,500 crore in 2024-25. But this does not establish that smoking declined by the same amount.

In August 2025, then NBR Chairman Md Abdur Rahman Khan said contraband and counterfeit cigarettes had surged despite higher taxes and prices. The government had expected an additional Tk 10,000 crore from tobacco tax increases, but the revenue had not materialised.

He pointed to untaxed foreign cigarettes entering the country and locally produced counterfeit products.

A PRI study presented in May 2026 estimated that potential revenue losses from illicit cigarette trade reached nearly Tk 4,700 crore in 2025, up 106 percent from the previous year. It also estimated that legal cigarette consumption fell from 74.6 billion sticks to 61.3 billion.

Tobacco is not native to Bangladesh. Commercial cultivation took shape in the mid-1960s, when BAT began experimenting with flue-cured Virginia tobacco, a variety used in cigarette production, in what was then East Pakistan.

After independence, the company expanded cultivation around the Teesta basin in Rangpur, where alluvial soil and cool, dry winters were considered suitable. It brought farmers into a supply system, organising leaf purchases. Other varieties followed, and cultivation spread to Kushtia, Lalmonirhat, Nilphamari and parts of the Chittagong Hill Tracts.

Companies established growing areas and secured supplies by providing inputs and buying arrangements. That relationship remains central to tobacco cultivation, generating immediate profits for farmers, manufacturers and the state while leaving the country with far greater long-term costs.







