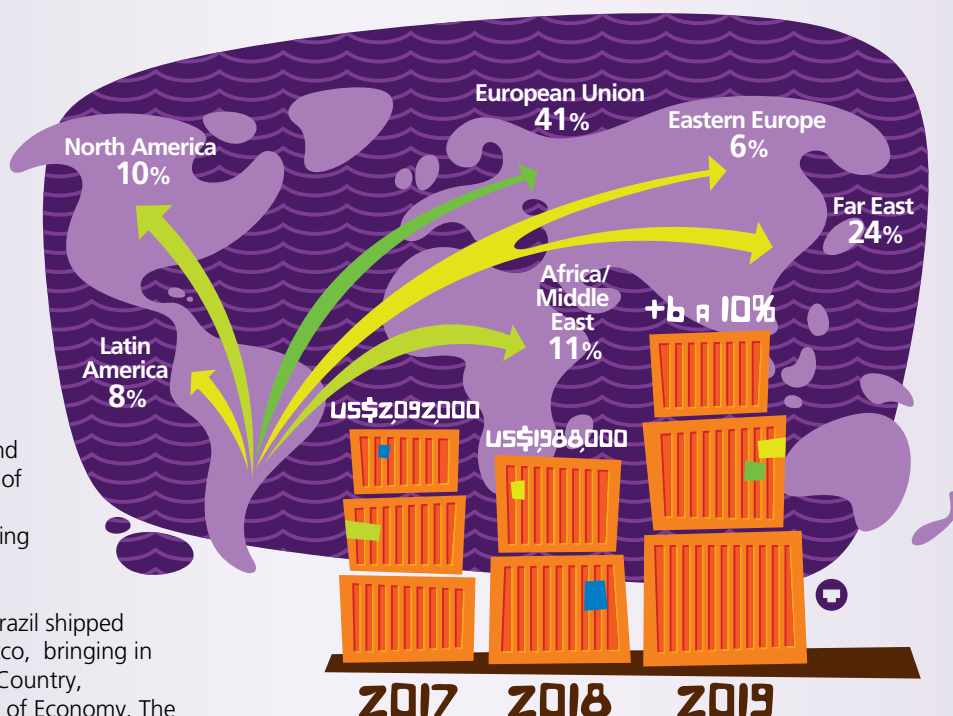


Brazil continues leading the global tobacco market

PwC estimates refer to a 6% to 10% increase in dollar terms and 15% in tobacco volumes shipped abroad

The Brazilian tobacco sector is supposed to come to 2019 year-end maintaining its leadership in the global market. According to a survey conducted by PricewaterhouseCoopers (PwC), at the request of the Interstate Tobacco Industry Union (SindiTabaco), the trend is for an increase from 6% to 10% in dollars and from 10% to 15% in volume of tobacco shipped abroad in 2019. According to data released by the Ministry of Economy, last year shipments amounted to 461 thousand tons of tobacco (generating revenue of US\$ 1.99 billion), with 457 thousand tons from the southern region, bringing in revenue of US\$ 1.95 billion.

From January to August this year, Brazil shipped abroad 345 thousand tons of tobacco, bringing in US\$ 1.35 billion in revenue for the Country, according to data from the Ministry of Economy. The numbers attest to an increase of 30.4% in volume and 16.5% in dollar terms from the same period in 2018.



SindiTabaco president Iro Schünke has it that the Brazilian tobacco market has continued stable in the last years, and the increase is explained by the delay of the shipments to China, which were supposed to take place in late 2018 and early 2019. "Last year we experienced a drop in our exports due to logistic questions and the decision of the client to delay shipments of that year. Currently, Brazil has a share from 25% to 30% in the global tobacco businesses, and the survey suggests we shall maintain the leadership in global tobacco exports", Iro Schünke, president of SindiTabaco, comments.

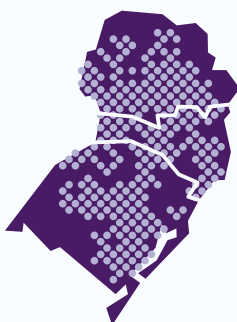
TOBACCO PRODUCTION 2018/2019

SOUTH REGION

Source: PwC

277 thousand hectares cultivated

623.5 thousand tons produced



Paraná

140
thousand tons

Santa Catarina

171
thousand tons

Rio Grande do Sul

312.5
thousand tons

WORD OF THE PRESIDENT

Iro Schünke

In this final 2019 edition, we present the export trends of the recent survey conducted by PricewaterhouseCoopers, at our request. It has great news: Brazil maintains its leadership position in the global tobacco market. In this SindiTabacoNews we also address the myths related to pesticides and our empty pesticide packaging collection program, turning 19 in October. There is more: with tobacco in the field, we clarify the importance of wearing harvest clothing.

Some important decisions still lie ahead of us, for example, the regulation of the new tobacco products in the Country, a niche of the sector that has already captured the attention of the gangs involved in the illicit trade – the ones that gobble up 57% of the Brazilian cigarette market. During these final three months in 2019, before the new year starts, we hope that some resolution will be taken to protect the legal industry which generates jobs, taxes and revenue for the Country.

For next year we also hope for developments from the Framework Convention on Tobacco Control, as one more Conference of the Parties will be held, in October. It will be addressed in our next edition. Happy reading!

SPEAK, PRODUCER!

This space is destined for the farmers who have joined the ITGS (Integrated Tobacco Production System) in all regions in the South of the Country.

JOSI CARINE SCHERNER
Santa Cruz do Sul - RS

SANTA CRUZ DO SUL



THE PROPERTY

- **12.5 hectares**
- **7 hectares** dedicated to crops
- **2.5 hectares** of tobacco
- **2** curing-barns
- **2.5** of native forest and reforestation
- **Diversification:** corn (for livestock) and bean, sweet potato, Irish potato, sugarcane, cassava and vegetables (for home consumption)
- **Family production:** farm currently run by Josi's parents, Dari and Marlene Scherner.

The reality of the lack of farm succession planning in the small rural holdings, a recurring problem over the past years, is now changing. Currently, many young people perceive chances for a prosperous future in their decisions to stay in the countryside. An example is Josi Carine Scherner, 18 years old, in Santa Cruz do Sul, now getting ready to engage in rural businesses as a life project.

According to her, the fact that the young are leaving the rural setting attracted by chances, sometimes illusory, of jobs and study in urban centers, has enhanced the perspectives of those who decide to stay in the interior. Josi views the production of food items as a great opportunity. "With people leaving the countryside, there may be food shortages", she recalls.

Josi's plans include tobacco farming in her own name as early as in the 2020/2021 growing season, initially working with her parents, Dari and Marlene Scherner, with whom she intends to acquire experience. Practical knowledge regarding the cultivation of land will be used concomitantly with her rural administration knowledge acquired during the Rural Professional Learning Program of the Growing Up Right Institute, which Josi attended in 2018. By the way, it was during the course that she firmly decided to construct her future in the rural setting. "I realized that learning is not enough, there is need for financial and administrative management, besides looking after the soil and other natural resources!", she explains.

INTERVIEW

José Otávio Machado Menten, agronomic engineer, president of the Scientific Council for Sustainable Agriculture (CCAS), with a master's degree in Phytopathology, PhD in Agronomy, and postdoctoral degree in Resistance and Epidemiology (Holland), Seed Pathology (Denmark) and Biotechnology (Cambridge, Britain).

What are the main myths about pesticides in Brazil? One of them is that Brazil is the biggest consumer of phytosanitary products in the world. This is not true, mainly because the manner in which consumption is expressed is not in any way the amount divided by the number of people in the country, but the quantity of active ingredient per area unit or per unit of harvested products. Another myth has it that some products used in Brazil are banned in other countries, especially in Europe. The fact is, crops like soybean and sugarcane, widely produced in Brazil, are attacked by different strains of pests and, therefore, there is need to use here products that are not used in other parts of the world. Likewise, there are products that are used in Europe, but not here, like the ones that control olive tree pests and cereal crops in winter. Another myth is that our foods contain residues of phytosanitary products. All monitoring works have attested that our foods fit into the international standard.

What is Brazil's position in terms of pesticide use, compared to other countries? Depending on the indicator, this classification of Brazil in the ranking of pesticide consumption could vary. One of the correct manners to indicate this consumption is the quantity of active ingredient per hectare. There are international evaluations that rank Brazil 44th in terms of consumption. We should remember that our agriculture takes place in a tropical country, and in tropical regions the number and severity of pests are much bigger, requiring more intense management practices, including the use of phytosanitary products. Even under such conditions, we use far less pesticides compared to several countries where there are strict environment and toxicological controls, as is the case of Japan, Holland and other European countries.

What is the average amount of pesticides used per hectare in Brazil? Is this number viewed as rational and efficient? If we take into consideration just the areas devoted

to grains, fruit trees and vegetables, the amount reaches about 4 kilograms of active ingredient per hectare. If we include, besides these crops, all pasturelands, this number drops to 1.5 kilograms of active ingredient per hectare. It is, in fact, a rational quantity, which is on a par with the levels of pesticides used in several Latin American and Asian countries, all of them tropical regions. That is to say, Brazilian farmers use the amount needed for protecting their crops against pests, and these products are used in case other management measures – like resistant cultivars, appropriate management practices and biological controls – are not enough to keep the pest population below the economic damage level.

A research conducted by Esalq/USP attested that tobacco is the commercial crop that uses the least amount of pesticides in Brazil. How do you evaluate this number in comparison to other agricultural products? The cultivation of such cultivars as cotton, for example, gives rise to outbreaks of a relatively big number of pests and this explains why cotton is one of the agricultural crops that uses the highest amount of pesticides. On the other hand, in sugarcane the amount is much smaller, practically only herbicides are used, because the diseases are controlled through the availability of varieties resistant to fungi, bacteria and viruses, and the insects are controlled by the action of the natural enemies and biological pesticides. The tobacco crop, due to its characteristics, requires only low levels of phytosanitary products, something like 1 kilogram of active ingredient per hectare. This can be observed at any analysis of the production cost of the crop, as the amount of pesticides is one of the smallest among all species cultivated in Brazil. This makes us perceive that in tobacco, other management practices – including genetic, cultural, physical and biological methods – work properly, in an efficient manner, resulting into hardly any use of chemical control methods, compared to other crops.

CLASSROOM

Female voices in the countryside

The program **Us for Them – The female voice** in the countryside is an initiative by the Growing Up Right Institute focused on former students of the Rural Professional Learning Program. Currently, in the third edition of the program, during three months the girls leave their rural localities and go to the University of Santa Cruz do Sul, where they take part in capacity building courses in the laboratories of the Social Communication College.

In all, there are 240 hours of research work on subjects related to women and young girls in the countryside, the history of the radio, concepts and techniques of basic radio journalism, news structure, text production and itineraries. Just like what happened in the previous editions, the activities will come to an end with the production and broadcast of radio programs of partner entities of the Institute.

To make the participation of the girls viable, they are granted scholarships by the Growing Up Right Institute, along with logistics support for their travel to the campus. The 2019 edition of the **Us for Them** is attended by nine girls, daughters of tobacco farmers from the Rio Grande do Sul municipalities of Vale do Sol, Boqueirão do Leão, Santa Cruz do Sul and Vera Cruz.



The Green Tobacco Sickness and worker protection

Luiz Carlos Castanheira - Agronomic and Occupational Safety Engineer

The Green Tobacco Sickness (GTS) is a type of nicotine poisoning caused by the transdermal absorption of this alkaloid while harvesting rain soaked or dew soaked tobacco leaves. The tobacco companies, concerned about the problem, started a work with the aim to study the matter accurately and develop appropriate personal protection equipment.



When we started the work, in early 2009, we soon perceived that the protective clothing worn by the growers did not work, as this garment tears easily, or it does not offer the necessary protection. This gave rise to studies seeking the right Harvest Garment that provides protection and comfort to the farmer. During the entire 2009 year, we visited farmers in the three Southern Brazilian States, keeping a close watch on the entire harvest work, testing materials, models, stitch types, finish, everything with the aim to come up with a harvest garment that did not only meet the protection needs, but was equally thermally comfortable and accepted by the farmers.

At the end of that same year the final report of this work was handed over to SindiTabaco, with the specifications for the harvest garment. The efficiency of this new protective equipment was tested, attesting to a 98% effective protection. Now 10 years have passed, and the farmers are still wearing this garment. It fulfills its role in preventing any dermal nicotine poisoning, thus protecting the farmers, providing them with thermal comfort, and this harvest garment lasts longer than others.

NEWSFLASHES

HARVEST INAUGURATION

In Rio Grande do Sul, the Tobacco Growers' Day will be celebrated during the Official Tobacco Harvest Inauguration Ceremony. On this day, the municipality chosen for hosting the event is Arroio do Tigre, which, in the 2018/2019 crop year, produced 10,240 tons of tobacco, involving 2,509 families. The program is organized in November, under the supervision of the State Rural Development, Livestock and Agriculture Secretariat, jointly with the SindiTabaco, Afubra and the municipal administration of Arroio do Tigre.

GRADUATION

On December 12, the young apprentices of the Growing Up Right Institute will celebrate their graduation day of the Rural Management and Entrepreneurship Course. The graduating students come from rural producers of the municipalities of Boqueirão do Leão, Cerro Branco, Herveiras, Passo do Sobrado, Sinimbu, Vale do Sol and Vera Cruz. For 2020 the Institute has just announced seven new groups in Boqueirão do Leão, Canguçu, Cerro Branco, Herveiras, Passo do Sobrado, Sinimbu and Santa Cruz do Sul.

ON YOUTUBE

The SindiTabaco channel on Youtube is constantly supplied with updated information of the sector, videos on health and safety, web lessons and life stories of tobacco farmers. Not long ago, a manifest video was made public, with a backdrop featuring the way the farm entrepreneurs live and think: men and women, young and adults who earn a living in the countryside, but on the grounds of good planning, with the use of new technologies and with an eye on the environment. Just check: youtube.com/user/Sinditabaco.

AWARENESS

Conducted since 2009, the seminars of the *Awareness Cycle on Farmers' Health and Safety*, and Child and Adolescent Protection have so far attracted approximately 30 thousand people in more than 60 municipalities in South Brazil, with the aim to debate on themes that are permanently present in the relationships of the Integrated Tobacco Production System. This year, the 11th edition of the Cycle was held, featuring events in six municipalities with the participation of approximately 2.5 thousand people.

For nearly two decades, packaging is disposed of properly

The empty containers of pesticides used in the farms of the tobacco growers are disposed of properly since 2000, when the *Empty Pesticide Container Collection Program* was created. This pioneer initiative promotes the itinerant collection of empty pesticide packaging, following pre-established and widely announced itineraries, in the tobacco growing regions in the states of Rio Grande do Sul and Santa Catarina.

In an organized reverse logistics action, the collected containers are sent to central receiving stations accredited by the National Institute for the Processing of Empty Packaging (inpEV), where they undergo a screening and separation process. About 90% of the collected volume is destined for recycling and 10% of the containers are incinerated.

In 19 years, upwards of 15 million empty containers have been collected. However, it does not mean that tobacco uses a great deal of pesticides, as the crop only requires 1.1 kilograms of active ingredients per hectare. Seeing that the tobacco farms are diversified, the farmers take the opportunity to get rid of their empty containers of pesticides used on crops other than tobacco, a fact that increases the volume of packaging collected by the program.



Know more

- The program was created prior to legislation that makes it mandatory to return the empty containers to their respective origins. Created in 2000, it preceded Decree 4.074, of 2002.
- The farmers are given receipts, which are to be mandatorily presented to the environment inspection organs.

TOBACCO ROADS



- Colonized by a group of Polish, Italian and German immigrants.
- Guamiranga means "tree with small red leaves", in Tupi-Guarani.
- Mayor: Ângelo Machado do Nascimento

The main tobacco-growing regions always stand out in every edition of *SindiTabaco News*. In the sequence, you can learn a little more about the municipality of Guamiranga, 192 kilometers from Curitiba, the capital city of Paraná.

In the Paraná State municipality of Guamiranga, leaf tobacco production is the main activity that drives the local economy. With agriculture as the most important economic sector and pillar of other sectors like business and services, the municipality is home to 1,400 registered rural enterprises. According to the secretary of agriculture in Guamiranga, Olicir José Moleta, 80% of the family farmers rely on tobacco for their subsistence.

Moleta maintains that the main characteristic of the primary sector in the municipality is the smallholding, where diversification is common practice. "The second most important agricultural crop is soybean", he says. "We also grow bean crops, usually after the summer crop, cultivated after tobacco harvest", he explains. "Other products include yerba mate and flour", he adds.

The surveys conducted by the Tobacco Growers' Association of Brazil (Afubra) attest that, in the 2017/2018 growing season, Guamiranga ranked 39th in tobacco production in Paraná, with a total of 6,090 tons, cultivated in an area of 2,515 hectares. Guamiranga is also home to some companies of the industrial sector, where ceramic industries stand out, especially bricks and tiles.

GUAMIRANGA IN NUMBERS

Sources: Municipal Administration and IBGE

Population (estimated in 2018): **8,600** people

Territorial area: **259.6** km²

GDP of the municipality: **R\$ 191 million**

Per capita GDP (2016): **R\$ 22,437.02**

Average size of the farms: **14** hectares

Tobacco farmers (2017/2018 crop year): **749**

Main agricultural products: tobacco, soybean, bean, corn, yerba mate and wheat



GLOSSARY

COP

The Conference of the Parties (COP) are biennial events, representing the deliberative body of the Framework Convention on Tobacco Control (FCTC), in which only take part the countries that have ratified the treaty, among them Brazil. During the COP sessions, the delegations of the members of the State Parties discuss and approve guidelines intended to convince the countries to introduce national measures.

DECREE 4074/2002

It sets forth, in article 53, that the users of "pesticides or similar products should return the empty containers and respective lids to the shops where they were purchased, complying with the instructions on the labels, in the period of one year, of the purchasing date".

GREEN TOBACCO SICKNESS

Known as GTS (Green Tobacco Sickness), this disease consists of an intoxication caused by the absorption of nicotine through the skin, and it is nicotine dissolved in moisture, when the green tobacco leaves are handled wet from rain or morning dew.

RURAL PROFESSIONAL LEARNING PROGRAM

Created in 2015, by the Growing Up Right Institute, the program offers professional learning to rural youth, without having to leave school or the rural setting, qualifying adolescents in Rural Administration and Entrepreneurship. The apprentices, aged 14 – 17, carry out their theoretical activities in the environment of the course, at home or in their communities and, in compliance with the Learning Law, they receive a salary proportional to 20 hours a week – the hour load of the course that takes place on the shift opposite to regular classes.

CALENDAR

OCTOBER 22

61st Meeting of the Sectoral Chamber of the Tobacco Supply Chain (Bahia)

OCTOBER 23

19th anniversary of the Empty Pesticide Container Collection Program

OCTOBER 28

World Tobacco Growers' Day

DID YOU KNOW?

Protective clothing for harvesting tobacco has a 98-percent degree of efficiency in warding off the green tobacco sickness.

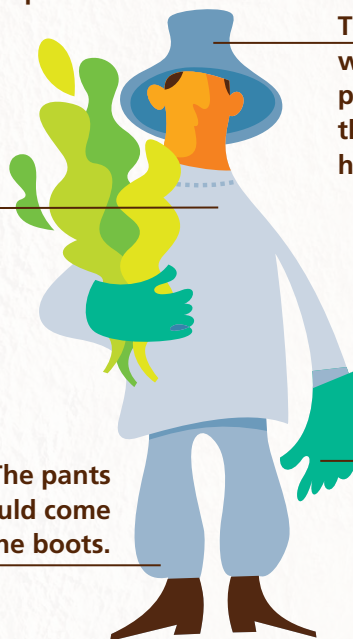
It consists of a blouse, light and impermeable pants and nitrile gloves.

Underneath the clothes, it is recommended to wear light cotton linen.

The pants should come over the boots.

There is need to wear a hat to protect the neck and the ears against harmful sun rays.

The sleeves of the blouse should stick to the fingers by means of a ring that comes with the PPE.



ASSOCIATE COMPANIES

SindiTabaco comprises 13 associated companies and sees to the demands from all over Brazil, with the exception of the States of Bahia, Rio de Janeiro and São Paulo. Transparency and visibility are SindiTabaco strategies, emphasizing the social and economic importance of the sector, whether in the generation of jobs and taxes, or attesting to the relevance of tobacco for the economy of the municipalities and the States in South Brazil. Furthermore, the entity encourages sustainability efforts, through social and environmental responsibility, thus reiterating the existence of the Union and its vast operational field.

- Alliance One Brasil Exportadora de Tabacos Ltda.
- ATC – Associated Tobacco Company (Brasil) Ltda.
- Brasfumo Indústria Brasileira de Fumos S.A.
- China Brasil Tabacos Exportadora S.A.
- CTA – Continental Tobaccos Alliance S.A.
- JTI Processadora de Tabaco do Brasil Ltda.
- Philip Morris Brasil Indústria e Comércio Ltda.
- Premium Tabacos do Brasil S.A.
- Profigen do Brasil Ltda.
- Souza Cruz Ltda.
- Tabacos Marasca Ltda.
- Universal Leaf Tabacos Ltda.
- UTC Brasil Indústria e Comércio de Tabaco Ltda.

PUBLISHERS AND EDITORS



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