

## Notwithstanding the pandemic, **tobacco is shipped to 113 countries**

**In 2020, Brazil exported 514,287 tons of tobacco, generating US\$ 1.638 billion in revenue.**

Tobacco, product that ranks eighth in Brazilian agribusiness exports, accounted for 0.8% of the total shipments in 2020, and 4.1% of all exports in the South Region. Other data attest that, in Rio Grande do Sul, State that is responsible for approximately half of the tobacco produced in the South Region, the product accounted for 9.5% of all exports. The numbers of the Ministry of Economy show that shipment of the 514,287 tons of the product generated revenue of US\$ 1.638 billion.

As far as business expectations go, the numbers keep pace with what the sector had foreseen. The reduction of 6.31% in volume and 23.4% in dollars from 2019, when shipments amounted to 549 thousand tons, representing revenue of US\$ 2.14 billion, had already been expected. According to SindiTabaco president Iro Schünke, research conducted by Deloitte Consultants had projected this decline because in 2019 there was an increase of 7.6% in dollars and 19% in volume exported, mainly because of shipments delayed in the previous year at the request of the clients.



### PRODUCTION

With **603 thousand tons** produced in **544 municipalities** (2019/2020 growing season), **Brazil is holding on to its position as second biggest global producer**. The largest tobacco producing municipalities were as follows:

- 1<sup>st</sup> São João do Triunfo/PR:** 19,422 ton
- 2<sup>nd</sup> Canguçu/RS:** 17,406 tons
- 3<sup>rd</sup> Itaiópolis/SC:** 16,741 tons
- 4<sup>th</sup> Rio Azul/PR:** 16,138 tons
- 5<sup>th</sup> Canoinhas/SC:** 15,366 tons
- 6<sup>th</sup> Venâncio Aires/RS:** 15,281 tons
- 7<sup>th</sup> São Lourenço do Sul/RS:** 1,708 tons

### BRAZILIAN TOBACCO MARKETS IN 2020

<b>European Union:</b> 41%	<b>North America:</b> 9%
<b>Far East:</b> 24%	<b>Latin America:</b> 9%
<b>Africa/Middle East:</b> 11%	<b>Eastern Europe:</b> 6%

### MAIN IMPORTERS IN 2020



-  **1<sup>st</sup> Belgium:** US\$ 414 million
-  **2<sup>nd</sup> China:** US\$ 153 million
-  **3<sup>rd</sup> USA:** US\$ 125 millions
-  **4<sup>th</sup> Indonesia:** US\$ 98 million
-  **5<sup>th</sup> Arab Emirates:** US\$ 74 million
-  **6<sup>th</sup> Turkey:** US\$ 55 million
-  **7<sup>th</sup> Russia:** US\$ 54 million

# PRESIDENT'S WORD

Iro Schünke

The year 2020 had in store unexpected events, starting with the uncertainties of the Covid-19, followed by the long-lasting pandemic. The tobacco industries adapted to the health recommendations and continued with their operations, conducted businesses and exported. They took care of their health without overlooking the need to keep the economy going, we had a year close to normal, keeping the jobs and farmers' income thus reducing the impacts in the tobacco producing municipalities.

The numbers of the Ministry of Economy show that, by keeping the engine operating, we did our part, with the export year coming to an end with revenue of US\$ 1.638 billion from the shipments of 514,287 tons.

In spite of all the adaptations of the activities, we witnessed good things happen. One of them was the national acknowledgment of the Growing Up Right Institute, obtained at the seventeenth edition of the Innovare Award. The Rural Professional Learning Program was honored with the category Justice and Citizenship award, competing against 189 registered practices in the entire country.

Now, in 2021, we are preparing the 9th Conference of the Parties (COP9) and the 2nd Meeting of the Parties of the Protocol to Eliminate Illicit Trade in Tobacco Products (MOP2), scheduled to take place in November. Our efforts intend to sensitize the Brazilian Representatives on the importance of the supply chain, relevant generator of jobs and income, and occupying the eighth position in Brazil's agribusiness exports.

## SPEAK UP, PRODUCER!

This space is destined for the farmers who belong to the ITPS (Integrated Tobacco Production System) in all regions in South Brazil.

**ISMAEL BASTOS GOMES**  
Vera Cruz – RS

VERA CRUZ

Porto Alegre

Tradition and income are the reasons why Ismael Bastos Gomes and Márcia Ziebell opted for the production of tobacco as the main agricultural activity on their farm. Always focused on production quality, they follow the guidelines of their company and take advantage of the opportunities for qualification and technological innovations.

That's why they take part in the Tobacco Integrated Production Program (IP Tobacco), which attests to the safe and sustainable production system, with social responsibility and guaranteed traceability. Ismael is one of the fifty producers that first adhered to the IP Tobacco, six years ago and, since then, has complied with all the requirements for the certification of the Agricultural Integrated Production (IP Brazil), of the Ministry of Agriculture. "We strictly follow the technological package of the company, keeping abreast of such cultural practices as fertilization, application of pesticides and pest monitoring", he explains. "As the years went by, I came up with a history of the farm, which helps with planning the next crops", he says.

Ismael and Márcia have taken part in the Sustainable Farm Program for eight years now, which consists in financially managing all the activities on the farm. "Based on this administration, we check the production costs, what yields profits, or causes losses, and we feel quite sure when it comes to taking decisions on investments and crops", the farmer explains.

## THE FARM

- **7 hectares**
- **5 hectares** of arable land
- **80 thousand** tobacco plants
- **4** curing-barns (conventional)
- **1,8 thousand** eucalyptus trees (reforestation for curing tobacco)
- **0,9** hectares of native forests
- **1** hectare of corn after tobacco harvest (animal feed)
- **Diversification:** production for home consumption (beef and dairy cattle, pigs, poultry, vegetables and fruit trees).

**What are the most important measures in the fight against contraband?** As a criminal economic phenomenon, contraband should be fought from the supply side, with repression, seizure and the destruction of illicit cigarettes and, equally, from the demand side, where the price is a decisive factor that stimulates the smokers. Criminal cigarettes reach the market for half of the price of legal cigarettes, for an obvious reason, they do not pay any taxes in Brazil. In Paraguay, taxes are the lowest in the world, 18%, while in Brazil taxes amount to 71%. As things are, the result represents high profits for the criminals who operate in illicit trade, and risks are negligible. In order to fight the supply of illicit cigarettes, we should continue with the actions integrated and coordinated by the police at the borders and roadways, with permanent investments in human, financial and technological resources. Keeping the VIGIA Program in operation. With regard to demand, besides creating smokers' awareness about the fact that if they purchase illicit cigarettes they are financing criminal organizations and affecting their own security, the question of taxes should be deeply evaluated. Any tax increase will put the national market in the hands of the criminal organizations.

**For the National Day of Action against Contraband, on March 3, to which type of awareness should the actions give priority?** The smokers, for them to understand that purchasing illicit cigarettes means they are financing criminal organizations, and the government, for keeping in operation the repression activities and revise the taxation system, leaving no chance for any tax increase.

**What is the situation of the illicit tobacco trade in Brazil? What main products are affected?** The situation is worrisome. In 2019, 57% of the Brazilian market was dominated by illicit cigarettes (49% contraband and 8% illicit cigarettes manufactured in Brazil, I consider this situation unacceptable, a market with three traditional cigarette manufacturers being dominated by contraband, structured by criminal organizations and militias, which derive their money from this criminal cigarette, involving millions of dollars, evading taxes and ignoring all ANVISA recommendations. The illegality dimension should be understood not only from its economic side, but also from the public security side, seeing that every illicit cigarette consumed represents the financing of criminal organizations, which get stronger and promote drug, firearms trafficking, and put our security at risk. The cigarette is the most affected.

**Is it true that cigarette contraband receded during the pandemic?** Research conducted by some institutions show that there was a reduction from 57% to 51% during the pandemic. The fully abnormal situation represented the closing of frontiers, the lockdown in Paraguay, with the stoppage of the factories that supply cigarettes to contraband, a higher value of the dollar and record seizures at the borders and along roadways, thanks to great efforts carried out by the Federal Revenue Service, Federal Police, Highway Police and State Police, ended up decreasing the amount of supplies.

## CLASSROOM

## The countryside apprentices are back, now for a complementary course

As in 2020 it was not possible to conduct in its entirety the proposal of the Rural Professional Learning Program, created by the Growing Up Right Institute, the opportunity offered to the young apprentices was renewed. They were invited to return in 2021 for a complementary course of rural management and administration. To this end, the associated companies that hire the young apprentices in compliance with the Learning Law, continue offering the benefit and the partner municipalities continue offering the venues for conducting the activities.

The complementary course is from March to December, providing for the experiences not comprised by the remote activities. That is, the 141 apprentices from Boqueirão do Leão, Canguçu, Cerro Branco, Herveiras, Passo do Sobrado, Santa Cruz do Sul and Sinimbu are given one more opportunity to expand their knowledge.

**WHAT HAS OCCURRED** – The plan had been for a year full of new experiences, along with technical visits, attendance at fairs and exhibitions. But then the pandemic started and the only solution was distance learning, adversely affected by poor phone and internet services in the rural environments. On a monthly basis, the apprentices received materials structured from the contents of the course, however it was not possible to include the reflections which happen during the daily activities, coming from studies, seminars, visits and community activities.



# A year of overcoming challenges

Adaptation of the introductory text to the 2020 Brazilian Tobacco Yearbook, by Editora Gazeta.

The pandemic of the new coronavirus caught everybody by surprise. If the social, productive, industrial and retail sales activities were affected to some extent in all the countries and in all corners of the planet, the Brazilian territory was no exception. With the first health protection measures, involving a more rigorous quarantine in the first days, the industrial sectors had to adapt rapidly to the recommendations.

The same scenario of rapid adaptation, followed by the adoption of a vast internal protocol, was registered in the tobacco supply chain, whose sector was, by the way, reaching the commercialization peak of the 2019/20 growing season, as the crop had just been harvested in its entirety in the Southern Brazilian States. It was the long tradition of over a century of the Integrated Tobacco Production System that provided the companies and every link of the segment with the necessary experience in facing and rapidly overcoming adversities.

The result, as witnessed by the tobacco sector over 2020, featured by this edition of the Brazilian Tobacco Yearbook, is that the sector faced the pandemic and remained quite unscathed by it, as far as the collaborators' health goes. More than that: with the exception of the inevitable effects over any productive and industrial activities, all over the world, derived from the alterations to the routine provoked in society with the so-called "new normal", the production and arrangements agenda was, as far as possible, fulfilled without any major problems.

That is to say, once more, a reflection of the competency, efficiency, extreme professionalism and competitiveness of tobacco over the decades.



## NEWSFLASHES

### TOBACCO YEARBOOK

The 2020 Brazilian Tobacco Yearbook, published by Editora Gazeta, now at its 24th edition, depicts the complete panorama of the sector. The articles are in Portuguese and English, with information on production, exportation and impacts from the pandemic. The most important themes include the 9th Conference of the Parties, canceled in 2020 and postponed to November 2021, in Holland. Other subjects include rural succession, new technologies, diversification, contraband, electronic smoking devices, soil conservation, fight against child labor, collection of empty pesticide containers and actions conducted by the Growing Up Right Institute.

### LESS CARGO THEFTS

Tobacco cargo thefts have decreased. In 2020, nine thefts were reported, and four of them were recovered, representing a reduction of 65% from 2019, when 26 thefts occurred, with 11 recoveries. In Rio Grande do Sul, the reduction rate is 85%, with only two cargo thefts and both recovered. In Santa Catarina there was a reduction of 50% and in Paraná, 45%. The strategies include an engagement with the Public Security Institutions, the creation of a Security Committee, immediate communication of events, standardization of the transport rules and the distribution of the Directory to the transporters.

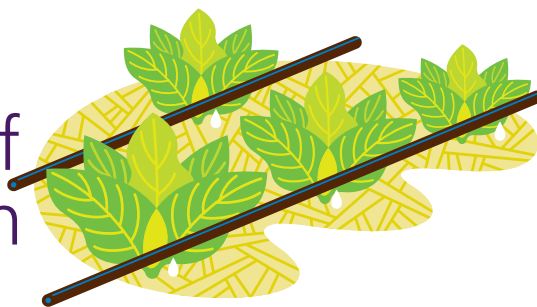
### CONTAINER COLLECTION

In the first months in 2021, the Empty Pesticide Container Collection Program continues operating across the tobacco growing regions in Santa Catarina. In February 24, the teams were at Alto Vale. After this, from March 1 to March 23, the trucks that collect the containers visit 14 municipalities in the Center-North region: Porto União, Irineópolis, Bela Vista do Toldo, Canoinhas, Major Vieira, Papanduva, Monte Castelo, Timbó Grande, Mafra, Três Barras, Campo Alegre, São Bento do Sul, Rio Negrinho and Itaiópolis. And then the trucks will move to Western Santa Catarina. The program is a reference in reverse logistics and collects empty containers at 1.8 collection sites.

### INNOVARE AWARD

The Rural Professional Learning Program of the Growing Up Right Institute was honored by the seventeenth edition of the Innovare Award, category Justice and Citizenship, with the practice "Professional Learning as an alternative to the fight against child labor in the rural setting". The disclosure of the winners was virtual, with the presence of the ministers of the Supreme Federal Court: Ayres Britto, Alexandre de Moraes, Cármen Lúcia, Dias Toffoli, Luís Roberto Barroso, Luiz Fux and Rosa Maria Weber. In 2020, 12 practices were selected from a total of 646, split into six categories. In the category Justice and Citizenship, 189 practices had been registered.

# Fertirrigation, to ensure efficiency of agricultural production



Ideal rural production is the one that does not exclusively depend on the weather to yield good results. That's why, in the tobacco sector, the industries are encouraging their producers to adhere to techniques that minimize the damages caused by prolonged droughts. At the 2020/21 growing season, dry spells were major problems in many regions, there was further perception of the uncontested need to invest in irrigation.

Considering the various technologies, the one that is gaining momentum in tobacco farming is ferti-irrigation, system that combines irrigation and fertilization, based on drip irrigation. This technique increases the efficiency of water and fertilizers, besides requiring less labor. In practice, it consists in a set of hoses installed across the fields, supplying water in drips, containing the necessary fertilizers that reach the roots of the plants, whereby no water or fertilizers are wasted.

The development of the technique is the result of investments by the sector in research and technology, with an eye on sustainability through the improvement of the best agricultural practices, management and farm planning. Ferti-irrigation proved relevant because it is responsible for benefits that provide the farmers with higher stability, efficiency, quality and productivity, using the resources at the appropriate period for plant development.

**FOR GOOD UNDERSTANDING** - The technique of applying fertilizers through irrigation water differs from soil applications, as it speeds up the cycle of the nutrients. Ferti-irrigation complies with conservation principles, seeing that it requires prerequisites that ensure sustainability, like soil analysis and correction, contour farming and ridge farming, besides cover crops, intended to protect and improve the physical and biological traits of the soil.

## TOBACCO ROADS



✓ Rio Pardo, one of the first four municipalities in Rio Grande do Sul, was, at the beginning of the nineteenth century, one of the most important military, commercial and cultural centers in South Brazil.

✓ Mayor: Edivilson Brum

The main tobacco growing regions are the highlight in every edition of *SindiTabaco News*. Now, know a little more about the municipality of Rio Pardo, 146 kilometers from Porto Alegre, the capital city of Rio Grande do Sul.

The economic pillars of the municipality of Rio Pardo include agriculture and cattle farming, followed by commerce, services and industrial activities. According to mayor Edivilson Meurer Brum, the primary sector accounts for approximately 40% of all wealth generated, turning rural production into the most important pillar of the municipal economy.

The main agricultural products of the municipality are as follows: soybean, rice, tobacco, corn and beef. With approximately 3.5 thousand rural properties, activities are diversified. Within this context, 1.002 farmers in Rio Pardo cultivated tobacco in the 2019/2020 growing season, according to data released by the Tobacco Growers' Association of Brazil (Afubra). Production reached 4,490 tons, with Rio Pardo ranking 18th among the municipalities that produced the biggest amount of tobacco in Rio Grande do Sul and 44th in Brazil.

Mayor Edivilson Brum is sure that the crop performs an important socioeconomic role because it involves family labor. "Most of the tobacco growers are small-scale farmers", he comments.

## RIO PARDO IN NUMBERS

Sources: Municipal Administration and IBGE

Population (estimated 2020): **38,265** people

Territorial area: **2,051.112** km<sup>2</sup>

Per capita GDP (2018): **R\$ 24,379.36**

GDP of the municipality: **R\$ 932,876,210.00**

Farms: aproximadamente **3.5 thousand**

Average size of the farms: **45** hectares

Tobacco growers (2019/2020 growing season): **1,002**

Main agricultural products: soybean, rice, tobacco, corn and beef



## GLOSSARY

### DECREE 4074/2002

Sets forth, in article 53, that "users of pesticides and correlated products are under obligation to return the empty containers and respective lids to the stores where they were acquired, in compliance with label Instructions, within one year from date of purchase".

### PI TOBACCO

It is an official program of the Brazilian government created by the Ministry of Agriculture, Livestock and Food Supply (Mapa) with the aim to ensure the safety and traceability of the products for consumption. With the certification, it is feasible to attest to the origin and methods used in the generation of the products, through formal and audible records, on the principles of sustainability and their function in light of environmental, economic and social requirements.

### RURAL PROFESSIONAL LEARNING PROGRAM

Created in 2015 by the Growing Up Right Institute, it provides professional courses to young rural boys and girls, without having to leave their farm or school, enrolling adolescents in the Rural Management and Entrepreneurship course. The adolescents aged 14 – 17 carry out their theoretical activities in the school premises, at home or in their communities and, in compliance with the Learning Law, they receive a salary proportional to 20 hours a week – the hourly load of the course, which takes place in the shift opposite to their regular school hours.

## CALENDAR

### MARCH 3

National day to combat smuggling

### APRIL 15

Meeting of the Sectoral Chamber of the Tobacco Supply Chain

### APRIL 15

National Soil Conservation Day

### APRIL 23

Growing Up Right Institute turns 6

## DID YOU KNOW?

### 65% of the tobacco farmers have adhered to conservation techniques

- In the past decade, conventional tobacco farming decreased from 83% to 35% and, in the meantime, conservation practices, like direct planting and minimum tillage, increased from 17% to 65%.

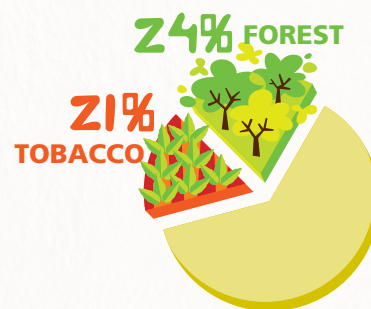
### Benefits derived from direct planting

- Reduction of soil erosion occurrences.
- Maximization of the efficiency of fertilizers and crop protection agents.
- Ideal soil temperature is maintained.
- Soil biological activity increases and compaction is reduced.
- Production cost reduction.
- Is one of the systems that reduce CO2 emissions and other greenhouse gases.



### Furthermore:

The sector is responsible for high rates in forest cover. On average, 24% of the total area of the tobacco growing farms is covered with forests (15% native forests and 9% reforested plots).



## ASSOCIATED COMPANIES

SindiTabaco comprises 15 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's strategies, whilst emphasizing the social and economic importance of the sector, whether in the generation of jobs and taxes, or through the relevance of tobacco for the economy of the municipalities and States in the South Region. Furthermore, the Entity encourages sustainability, through social and environmental responsibility, a fact that attests to the reason for the existence of the SindiTabaco and its vast operational field.

- Alliance One Brasil Exportadora de Tabacos Ltda.
- ATC - Associated Tobacco Company Brasil Exportação e Importação de Tabaco 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.
- JRM Tabacos do Brasil Eireli
- OTC Comércio e Fabricação de Fumos 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

This is a quarterly publication by SindiTabaco (Interstate Tobacco Industry Union) addressed to authorities, consultants, farmers, political and entrepreneurial leaderships.

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**Circulation:**  
3.7 thousand copies