

The largest exporter for 29 years now

Top tobacco exporter in the world, in 2021 Brazil shipped abroad 464.4 thousand metric tons to 105 countries.

Despite logistic problems – caused by the pandemic, responsible for the reduced availability of containers and maritime vessels crossing the oceans -, Brazil is managing to keep stable its position as largest leaf tobacco exporter in the world. Since 1993, for 29 years in a row, we have been the country that is the top exporter of tobacco products. In 2021, the considerable amount of 464,429 metric tons departed from the Brazilian ports, generating US\$ 1.464 billion in revenue.

The official statistics of the Ministry of Economy show a 9.69% reduction in the volume shipped abroad, compared with the 2020 volume, when shipments amounted to 514,287 metric tons. In dollar terms, there was a reduction of 10.61%, as in 2020 revenue from exports amounted to US\$ 1.638 billion.

The reduction in tobacco exports reflects the ever-worsening of the deficient maritime transportation operations in 2021. At the beginning of the year, Brazilian tobacco expectations looked promising, according to a survey conducted by Deloitte Consultants, at the request of the Interstate Tobacco Industry Union (SindiTabaco). But from July on, there were problems relative to the shipment of products and, as a result, there was a reduction in the volumes shipped abroad.

According to SindiTabaco president Schünke, tobacco accounted for 0.5% of all Brazilian exports in 2021. And, in Rio Grande do Sul, state that produces the biggest amount of tobacco, the product represented 5.76% of all state exports.



MAJOR IMPORTERS IN 2021



-  **1° Belgium** : US\$ 329 million
-  **2° China**: US\$ 183 millions
-  **3° USA**: US\$ 127 million
-  **4° Indonesia**: US\$ 83 million
-  **5° U. A. Emirates**: US\$ 60 million

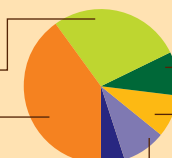
SHARE OF TOBACCO IN BRAZILIAN EXPORTS IN 2021

Brazil: **0,5%**
 South Region: **2.87%**
 Rio Grande do Sul: **5.76%**
 Santa Catarina: **1.72%**



MARKETS OF BRAZILIAN TOBACCO IN 2021

Far East 28%
European Union 40%
Eastern Europe 5%
Africa/Middle East 9%
North America 9%
Latin America 9%



PRESIDENT'S WORD

Iro Schünke

With 85% of the Brazilian tobacco crop destined for the international market, for 29 years now, we have been the leading leaf tobacco exporter in the world. Our product is shipped to all continents and, in 2021, it was shipped to 105 countries. Logistic problems, caused by a restricted availability of containers and ships, were responsible for delays to previously programmed shipments, especially during the second half of the year, resulting into a reduction in the total volumes shipped abroad. That is why the forecast for outstripping the 2020 exports did not confirm.

And now, we have just started the year 2022 with the expectation for the maritime transport logistics to get back on track, making it possible for the industries to meet the needs of their international clients within the pre-established product delivery chronogram.

Other aspects that will attract SindiTabaco's attention throughout 2022 are questions related to tax reform, illicit trade, regulatory matters and other issues relative to the crop that is the main source of income for 138 thousand farmers in the rural area and approximately 40 thousand jobs in the industries. We will also carry on with our social, environmental and governance programs, always with an eye on the sustainability of the sector in Brazil and the quality of life of all those involved in this important supply chain of Brazilian agribusiness.

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.

JEFERSON P. S. SCHWANTES
Vale do Sol – RS

VALE DO SOL
Porto Alegre



The new generation of tobacco farmers includes young people, who are connected, study and seek new knowledge to achieve excellence in production. An example is Patrick Stumm Schwantes, 19 years old, who opted for staying in the rural area and chose tobacco as one of the crops grown on his farm. Along with his mother Silvia Rejane Stumm, he cultivates 25 thousand tobacco plants, besides several subsistence crops.

According to him, his option for the rural setting resulted from an analysis of various factors, like a cheaper cost of living because of the chance to produce most of the food crops, besides quality of life, fresh air in the open, and the freedom to choose the best time to start working and stop. "Another reason was the chance to work with my mother, who has been a tobacco farmer since the beginning", he adds. "I can spot lots of opportunities in the rural area because, besides tobacco we can invest in other sources of income", he stresses.

Jeferson admits that he is applying on his farm the knowledge on rural and financial administration he acquired during the entrepreneurship course conducted by the Growing Up Right Institute, which he took in 2018. And, in 2021, he received the prize of the Young Rural Entrepreneur Program, awarded by JTI, for his farm diversification project. He invested his R\$ 4 thousand prize in a silage packing machine, which is used for processing maize and transform it into silage for the livestock in winter. "My future plans include an increase to my beef cattle farming operation", he explains.

THE FARM

- **6 hectares**
- **4.5 hectares** dedicated to crops
- **25 thousand** tobacco plants
- **1** curing barn
- **1.3 hectare** of native forest and facilities
- **0.2 hectare** of reforestation (1 thousand eucalyptus trees)
- **Diversification:** tobacco (source of income), besides corn, bean, cassava, bovines and other subsistence crops.



The adjustment to the ESG principles is becoming essential for international businesses. In what way does it impact on agribusiness?

The ESG agenda is impacting and becoming essential for all businesses, not only international. It is a new logical and market behaviorism in which the economic questions are no longer enough isolatedly, they need to be looked at from an aspect that also includes environmental, social and governance factors. We are talking about a structural change, about a new capitalism, about a transformation in the manner we do businesses. And, when the subject turns to international businesses, increasingly the ESG agenda is turning into an assumption to, for example, export products and do businesses with the European Union. The ESG announced, for example, a carbon tariff at the border as of 2026, in accordance with the intensity of carbon at the production of the item. Foreign trade has quickly incorporated these ESG criteria, that is to say, they could turn into a barrier or make it easier to do business with other countries. Brazilian agribusiness is concerned with ESG's best practices, therefore the impact could translate into new business opportunities, new players, with chances for innovation. Those who do not adjust to this agenda will lose market opportunities.

Which are the most important standards to stay in accordance with a good ESG administration?

Regarding this matter, the best thing for the company is to consider the standards and certification of its sector. In a broader manner, to take part in sustainability indices, for ex-

ample, will give a good measure of the extent the company is advancing in accordance with this agenda. There is also the certification of Company B, which is global and evaluates to what extent the company adheres or not to a series of ESG principles and practices.

Can we say that Brazilian agribusiness is well positioned in relation to the ESG principles? What challenges are there?

I think Brazilian agribusiness is well-positioned in relation to the ESG agenda. As for the steps forward, as a whole, not only regarding agribusiness, there is the important leadership challenge. During the pandemic, the leaderships realized in a very deep manner the impacts the environmental and social questions have on the economic and finance sector and, consequently, there was a great step forward in its involvement with these themes. There is need for engagement and decision if it comes to walking even faster and more consistently. From a private sector point of view, which is my entire experience, Brazil is well-positioned in international terms. Our companies, of all sectors, including agribusiness, are quite advanced, dedicated to implementing the best practices, the questions of governance and transparency. But, the important thing is that we no longer ask ourselves "why do this". We have all come to grips with the need to evolve in sustainability, whilst keeping on the right track to achieve the UNO Sustainable Development Objectives. The great challenge now is the "how", the implementation, the measurement and the publicity of these practices.

CLASSROOM

Year starts with new apprentices in the rural area



In 2022, more than 150 adolescents, aged 14 – 17, have the opportunity to be hired as apprentices and take the rural administration entrepreneurship course. It is in fact the Rural Professional Learning Program run by the Growing Up Right Institute, which has already made history by enforcing the Learning Law on behalf of adolescents from the countryside. The apprentices are treated in compliance with work permit procedures and get a salary proportional to 20 hours a week and, at the end of the year they are given certificates. To attend the course, the adolescents must attend school regularly, thus spending their days at the course and at school, far away from tasks inappropriate for their age.

There are seven groups in all, in the Rio Grande do Sul State municipalities of Canguçu, Cerro Branco, Passo do Sobrado, Rio Pardo, Paraíso do Sul, Progresso and São Lourenço do Sul. The young apprentices will attend 800 hours of theoretical and practical activities, conducted at the partner institutions, in study trips, and at the families and communities. The activities program of the course includes a study and an analysis of the rural properties, diagnosis of the municipality and region, with the focus on local production arrangements and mapping of the local partnerships and strategic alliances. The adolescents are also encouraged to consider future perspectives, along with studies on the viability of the development of products in the rural area, besides rural administration issues.

Soil protection

JOSÉ ELOIR DENARDIN, agronomic engineer, PhD in Agronomy, and researcher at the Brazilian Agricultural Research Corporation (Embrapa) and deputy head at the Embrapa Wheat Research and Development department.

Among the technologies aimed at improving soil and water management and conservation, the High Wide Ridge stands out as a conservationist practice that contributes toward the sustainability of the tobacco production system.

Although High Wide Ridges prevent soil waterlogging, spur root growth, ward off diseases, increase productivity, promote production stability and improve the quality of tobacco at harvest, their most relevant benefits lie in their efficiency in keeping soil erosion under control.

While terrace cultivation protects soil against heavy rainfall, which normally happen at 10-year intervals, High Wide Ridges protect soil against torrential rains that take place at 250-year intervals. Such intensive protections legalize the cultivation of tobacco and other annual crops, on fields located on slopes with a mean declivity of 45%. Without the use of High Wide Ridges, the cultivation of annual crops is only allowed on slopes with a mean declivity of 20%.

However, to achieve these benefits, the High Wide Ridge must comply with the following rules: ridge base: 80 to 90 cm wide; ridge crest: 30 to 40 cm wide; ridge height: 35 to 40 cm; spacing between ridges: 1.20 to 1.30 m. And, mandatorily, cover crops are required from the moment its construction is concluded.



NEWSFLASHES

AWARENESS ON-LINE

The live of the *Awareness Cycle on Farmers' Health and Safety, Child and Adolescent Protection*, aired on the SindiTabaco YouTube channel was watched by 3,700 people as it was being broadcast and has already reached 10 thousand visualizations. The special edition, in virtual format, counted on the participation of the following: SindiTabaco president Iro Schünke; doctor Ana Paula Motta Costa, lawyer, sociologist and professor at the Federal University of Rio Grande do Sul; and Benício Albano Werner, president of the Tobacco Growers' Association of Brazil. The 2021 event was virtual due to health safety concerns associated with the Covid-19 pandemic.

TOBACCO YEARBOOK

The 25th edition of the Brazilian Tobacco Yearbook featured updated statistical numbers relative to production and exports. It is a 140-page yearbook, with texts in Portuguese and English, giving details on the panorama of the market and the great differentials of the sector, that consist of its programs, social, environmental and governance initiatives. The performance of Brazil in global tobacco businesses is the central theme of some of the articles. Furthermore, the challenges, opportunities and the role of Brazil in the production and export scenarios are analyzed by leaderships of the sector.

GROWING UP RIGHT INSTITUTE

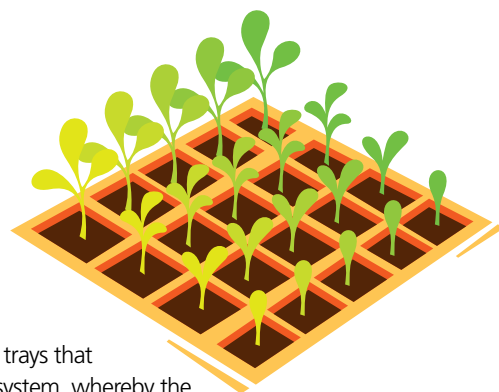
The Growing Up Right Institute received the Brazil Child-Friendly Award, promoted by the Ministry of Women, Family and Human Rights. The Professional Learning initiative as an alternative to the fight against child labor in the rural areas won the first place in the category Promotion of the Rights of Children and Adolescents, and got the highest score – 80.0 – among the 76 registered in the seven categories of the public notice. The award was handed over to the president of the Institute, Iro Schünke, by minister Damares Alves and by the national secretary of the Rights of Children and Adolescents, Maurício Cunha, at a ceremony in Brasília.

PESTICIDE CONTAINER COLLECTION

The *Empty Pesticide Container Collection Program* is carrying on with its itinerant collection of used pesticide packaging in the tobacco producing farms. From February 16 to March 3, the teams of the program visited the rural districts of 39 municipalities located in the Rio Grande do Sul Sierra-Plateau Region. After it, the next itinerary covers the Southern region in Rio Grande do Sul. In operation for 21 years, the initiative of the SindiTabaco and associate companies, in partnership with the Tobacco Growers' Association of Brazil, sets an example of reverse logistics focused on empty pesticide containers, and 93% of these items are recycled.

Thirty years of the float system, which revolutionized the cultivation of tobacco seedlings

Research involving the float system, the way the tobacco seedlings are produced in a healthier manner and with a reduced need for pesticides, started three decades ago. Back then, the development of this technology was the result of a five-year research and the evaluation of alternatives intended to reduce the need for pesticides, whilst improving the quality of the seedlings and the consequent increase in productivity in the fields.



The dissemination of the system, whereby the tobacco seeds are sown in multi cell trays that float in water tanks (coated pools) has led to the replacement of the conventional system, whereby the seedlings were produced in common seedbeds, before they were transplanted to the fields. All research works pointed to the fact that the float system represented a real reduction in the demand for pesticides, besides several other advantages. These advantages include high vigor standard and field uniformity, along with the development of an improved root system. As a general result, productivity went up from 7% to 11% in fields planted with seedlings from the float system.

For the farmers, the more ergonomic working conditions, the reduction of the need for labor and the introduction of a new technology were just other differentials that led them to replace the traditional method with the newly created alternative system. Therefore, in only a few growing seasons, the float system turned into the innovative and 100% efficient option for the farms. This was one of the revolutionary technologies that kept tobacco farming in Brazil on its globally recognized top position. The innovation improved the sustainability conditions of the entire tobacco supply chain, whilst using the natural resources, water and soil in a more rational manner.

TOBACCO ROADS



The main tobacco growing regions are the highlight in every edition of SindiTabaco News. What follows will show you a little more about Canguçu, municipality in Rio Grande do Sul, 278 kilometers away from Porto Alegre.

Canguçu, a portion of Southern Rio Grande do Sul, is now the leading tobacco producing municipality in Brazil. In the 2020/2021 growing season, 5,378 farmers were responsible for the production of 20,944 metric tons. The volume was cultivated in 8,767 hectares, with a productivity rate of 2,389 kilograms per hectare. With its economy based on agriculture and livestock farming, tobacco is responsible for about 30% of ICMS tax returns in Canguçu. Other products include soybean, milk, rice, corn and vegetables, which are an integral part of the diversified activities of the family farmers in Canguçu.

According to mayor Vinícius Pegoraro, who is also the president of the Association of Tobacco Producing Municipalities (Amprotabaco), the crop is very important for the municipality, especially for the farmers who own small rural holdings. In his view, public administrators should pay heed to and encourage all initiatives that benefit the population. "Within this context, there is no denying that tobacco generates relevant economic gains", he stresses.

Known as the Family Farming capital, Canguçu is located in the grassy plain in Rio Grande do Sul. It was the 22nd municipality created in Rio Grande do Sul, (when it gained independence from the city of Piratini, in 1857).

Mayor: Vinícius Pegoraro

CANGUÇU IN NUMBERS

Sources: Municipal Administration and IBGE

Population (estimated in 2021): **56,370** people

Territorial area: **3,481** km²

PIB per capita (2018): **R\$ 19,013.00**

PIB of the municipality: **R\$ 1,113,646,291.00**

Rural holdings: **18,087**

Tobacco farmers: **5,378**

Main products: tobacco, soybean, livestock, milk, rice, corn, timber and a range of vegetable species.



GLOSSARY

ESG

Acronym for Environmental, Social and Governance, is a set of practices relative to caring for the environment, social contributions and governance initiatives carried out by companies. The Companies that have implemented best practices in these fields tend to have better results over the years.

FLOAT SYSTEM

Seedling and plant growing system in trays that float in tanks. For the production of tobacco seedlings, the technique was developed in Brazil some 30 years ago, and contributed significantly towards the reduction of pesticides, higher productivity rates in the fields and improvement to the quality of the final product.

RURAL PROFESSIONAL LEARNING PROGRAM

An initiative by the Growing Up Right Institute that offers professional learning courses to adolescents from the countryside without the need to leave the rural setting. The adolescents are hired through the Learning Law to attend the Rural Administration and Entrepreneurship course in the shift opposite to their regular school hours.

DID YOU KNOW?

Security strategies in tobacco transportation have reduced cargo theft losses.



Occurrences of raw leaf tobacco thefts

26

2019

9

2020

1

2021

The major measures, taken jointly by the tobacco companies and the public security agencies are as follows:

- Guidelines to transporters and the distribution of the security guide;
- Creation of a channel to which occurrences and suspected attacks are reported;
- Mapping of all critical zones;
- A plan was devised for immediate communication of events;
- Electronic monitoring devices on tobacco cargoes.



Access the QR Code and know more about theft prevention measures

CALENDAR

3rd MARCH

National Day to Combat Smuggling

23th to 26th MARCH

Expoagro Afubra

15th APRIL

National Soil Conservation Day

23th APRIL

Growing Up Right Institute TURNS 7

ASSOCIATED COMPANIES

SindiTabaco comprises 14 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.
- BAT Brasil
- 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.
- OTC Comércio e Fabricação de Fumos Ltda.
- Philip Morris Brasil Indústria e Comércio Ltda.
- Premium Tabacos do Brasil S.A.
- ProfiGen do Brasil Ltda.
- Tabacos Marasca Ltda.
- Universal Leaf Tabacos Ltda.
- UTC Brasil Indústria e Comércio de Tabaco Ltda.

PUBLISHERS AND EDITORS



SINDITABACO

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

Production: SindiTabaco (www.sinditabaco.com.br)
Rua Galvão Costa, 415 - Centro
96810-012 - Santa Cruz do Sul - RS
Fone: (51) 3713 1777

Editorial coordination:

MSL
ANDREOLI

Circulation:
3.7 thousand copies

