

## For 75 years now, on behalf of sustainable tobacco farming in Brazil

**SindiTabaco does its best to develop the entire tobacco supply chain, in compliance with ESG principles**

The labor union that encompasses the tobacco industries is turning 75 on June 24. It's three-quarters of a century of actions geared towards the sustainability strategies of the sector. In this history of joint work, the strengthening of the supply chain resulted into Brazil's leadership in tobacco exports, and its steady top global position on that score for 29 years in a row.

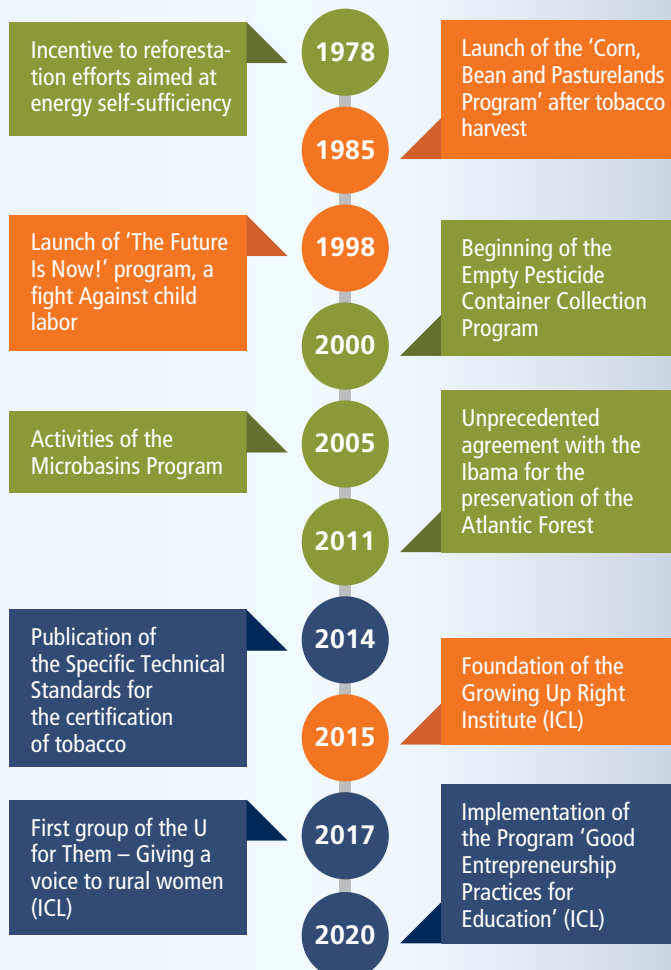
With a broad vision of the future, the union plays an important role in the maintenance of the crop in Brazil. Paying heed to environmental, social and governance (ESG) questions is no novelty in the sector and have been perpetuated by the SindiTabaco, especially in recent years. Several initiatives preceded market requirements, either related to legislation or to businesses.

An example is the Empty Pesticide Container Collection Program, now in operation for 21 years, before the reverse logistics legislation was passed. Incentive to reforestation started 40 years ago, and made the sector self-sufficient in fuelwood, thus preserving the native forests. Furthermore, there has been a reduction in the use of pesticides to 1.1 kilogram of active ingredient per hectare, as a result, tobacco is now one of the commercial crops that uses the smallest amount of pesticides.

With regard to the social scenario, the fight against child labor since the 1990s, the permanent incentive to rural succession and awareness-raising on farmers' health and safety are practices constantly emphasized. Furthermore, the foundation of the Growing Up Right Institute, in 2005, provided more opportunities for young rural people and, more than that, launched a specific program for rural women, which also translates into focus on governance.



### ESG AT TOBACCO



# PRESIDENT'S WORD

Iro Schünke

75 years. The SindiTabaco was founded on June 24, 1947, in Santa Cruz do Sul, a municipality in Rio Grande do Sul, home to the biggest industrial complex in the world when the subject is tobacco. From then till now, there have been big changes. Starting with the name. The then Sindifumo came to be known as SindiTabaco in 2008, with the aim to continue in line with the main activity of the past Years: sustainable production and the value of the product in the international marketplace. This has been our mission: to defend the common interests of the 14 companies associated with the entity.

On the regulatory front, an area at which the SindiTabaco has also excelled for its representativeness in recent years, we continue abreast of all regulations, taking a position and seeking support from legislation and government decisions that might adversely affect the production of tobacco in Brazil, as is the case of the Framework Convention on tobacco Control (FCTC).

Likewise, we are carrying on with our innovative and pioneering spirit that started back in the 1970s. An example is the Growing Up Right Institute, which, for seven Years now, has been providing the young rural people with opportunities focused on management and entrepreneurship. But more than just going in search of solutions, we also insist on those initiatives that worked, as is the case of incentive to diversification, reforestation and awareness on health and safety.

I feel honored to preside over the SindiTabaco for 16 years now and to have contributed decisively to the history of tobacco in Brazil. Much has been done, but there is still much to do if success is to be achieved. Towards 100.

## 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.



**DAVI DACYCHEN**  
Santa Terezinha – SC



Getting ready for the 27th tobacco crop, couple Celina and Davi Dacychen, from Colônia Ruthes, in the municipality of Santa Terezinha, in Santa Catarina, is not even considering to stop growing tobacco. Born into tobacco growing families, they learned how to grow tobacco from their parents, and are now passing on the skill and their assets to the children. "We live in an environment of clean air and good climate, and we are very satisfied and feel accomplished at our job", Davi says.

Upon recalling that agriculture is an enterprise in the open, Dacychen comments that in tobacco things are not different. "Although being subject to adverse weather conditions, and hard work is required, tobacco is an advantageous agricultural crop. It is the best cash crop for those who do not have much arable land, as it more profitable, compared with other crops". Another advantage cited by the farmer is the Integrated Tobacco Production System, especially because the entire crop is purchased by the company, which also provides free technical assistance.

Fully aware of the importance of diversification, the Dacychens also grow corn, triticale, soybean and bean to make extra income, and food crops like potato, cassava and vegetables for own consumption. "We make the most of our croplands, as we have adhered to a crop rotation system, whereby we cultivate winter crops", Davi explains. "Furthermore, we are constantly getting updated and trying to innovate. We have implemented the photovoltaic solar system and are now investing in reforestation", he adds.

## THE FARM

- **30.4 hectares** (in two small holdings, one 23.2 hectares and the other, 7.2 hectares)
- **15 hectares** of cropland
- **80 thousand** tobacco plants
- **2** curing-barns (loose leaf)
- **6.5 hectares** of native forests (APP)
- **5.7 hectares** reforested hectares (eucalyptus)
- **Technologies:** machines, modern implements and solar energy
- **Diversification:** corn, triticale, soybean and bean, besides subsistence food crops, pigs and poultry for own consumption.



**What is the situation of the international tobacco market in light of the impacts from the Russia-Ukraine war and of the pandemic?**

The first year of the pandemic caused interruptions and delays to the market, travel and transport restrictions and some prohibitions to the farmers during the sales process. These factors, along with disruptions of services were responsible for higher production costs. These effects were also detected in labor shortages and in export operations. There are still a lot of challenges. The war in Ukraine is cause for severe concern in the global agricultural panorama, seeing that these two countries represent 15% of all global corn exports, besides other products like seeds, oil, barley and fertilizers, of which they are relevant global suppliers. All these factors and the ones on the way translate into higher input prices. Tobacco, just like all other crops, will be forced to absorb its share of sacrifice to balance the impact of all these macro-economic factors.

**The global market has also been impacted by the increasing attention to the ESG practices. What would you stress within this context?**

The good environmental and social practices should be integrated in a serious and viable manner. Ever since the ITGA was created, we have been witnessing with much concern the implementation of mechanisms which make it possible for us to reduce the negative impacts, caused by our crop, to the environment. In the social scenario, the fight against child labor has continued and the ITGA, since its foundation,

has adhered to the platform of fighting against child labor in the cultivation of ELCT tobacco, of which we are founder members, we are trying to bring them together with our partners, tools to effectively fight this problem, which is likely to occupy a remarkable seat on our agendas. The problem is that if we do not act collectively, we will not be able to make progress in collective form, either.

**With regard to our production systems, which are the most significant differences between the leading tobacco-growing countries?**

In past Years, the auctions disappeared almost in their entirety, the reality in most tobacco growing countries is the production of tobacco under contract. The difference now has to do with the legal conditions of the growers in the countries where they grow the crop, and if they have government support. We can say that the Brazilian model has extended way beyond our frontiers. There are also specific examples, like the case of Argentina, where there is a special fund (FET) which consists in a percentage that is deducted from the taxes generated by the exports of tobacco. The farmers reap the benefits of this fund. In India there is a limitation to annual production, which makes it possible to control supply and demand to a certain extent. The farmers who do not comply with the quotas are fined. In the case of the cooperatives, the farmers process their first tobacco and sell it to the cigarette factories. This is what happens in Argentina (Cooprotab), Italy (FCV) and Zambia (TAZ).

## CLASSROOM

## Tobacco sector on the frontline in the fight against child labor

June 12 is the World Day Against Child Labor, date that was instituted by the World Trade Organization (WTO), in 2002. In Brazil, the 12th of June is National Day Against Child Labor, according to Law nº 11.542/2007. However, way before these mobilizations, the tobacco sector was already raising awareness towards protecting children and adolescents.

Still before the end of the 1990s, the initiatives previously carried out alone, were brought together in a program that comprises the entire tobacco supply chain. It was known as 'The Future is Now', created in 1998. In 2011, the creation of the Growing Up Right Program took the first steps towards the Growing Up Right Institute, founded in 2015 and is now known nationally and internationally for its innovative steps towards the fight against child labor.

The institute is the result of a long walk of the tobacco sector in its fight against child labor and, at the same time, keeping the farmers aware of the incredible shortage of opportunities for the teenagers in the rural area. As no path was ever presented to us, we created one. Providing opportunities for young people in the countryside is changing lives. And those who change a life, also change their own life!", concludes the president of the Growing Up Right Institute, Iro Schünke.



# The farmer as part of the solution

**Domingos Velho Lopes, secretary of Agriculture, Livestock and Rural Development of Rio Grande do Sul.**

Much is said about global warming, carbon credits, methane gas emissions and the environment as a whole. However, little is said about the livestock and agribusiness sectors as relevant parts in the solution to this problem. By the way, as a rule, we can find references blaming the primary sector as a major agent that causes the present environmental problems. Honest mistake!



Few people know that Brazil has an important role as a participant of the Koronivia Joint Work on Agriculture, the only agreement renewed during COP26. The aim of the group is to debate on how agriculture relates to innovation and to the adoption of technologies, productivity increase, adaptation practices that promote the resilience of the productive systems, technical assistance, reduction of greenhouse gas emissions, financing and in what way the countries should consider these themes within the context of their attributions in the Paris Agreement.

Brazil, through the ABC+Program, sets an example to the world, a fact that has already been acknowledged by the president of COP27 to be held in Egypt. The program is strategic for this working group. The vision on the importance in improving the livestock sector in order to make it more productive, recovery of pasturelands and reduction of emissions, for example, gained momentum due to the work of Brazil in the different meetings, submissions and workshops conducted since 2018.

The rural producers are good reason for Brazilian people to be proud of them. There are reasons enough for this. We are responsible for feeding 1.2 billion people around the globe, whilst preserving more than 60% of our native vegetation, ensuring food and nutritional security and, in addition to it all, being a reference as part of the solution to global warming. Although being a hard task, the future looks promising. We have a lot to feel proud of!

## NEWSFLASHES

### 12<sup>th</sup> AWARENESS CYCLE

After two years, the Awareness Cycle on Farmers' Health and Safety and Child and Youth Protection is again being held in on-site events. The first municipality chosen for the program in 2022 is Cerro Branco (RS), on June 23. In the sequence, the municipality of Prudentópolis (PR) will host the afternoon awareness event on July 12, followed by Mallet, also in the State of Paraná, on July 13. In the day that follows, July 14, the program will be held in Major Vieira (SC), and on July 27, in Vitor Meireles (SC). The last event of the Cycle this year will be in Canguçu (RS), on August 4.

### TOBACCO INTEGRITY

The recommendations to the farmers on how to handle the tobacco in order to guarantee its integrity are now being emphasized. A folder and a video show the importance of using only inputs recommended for the crop, based on an agronomic prescription and the use of the appropriate techniques and technologies in the tobacco fields. As the market keeps a close watch on the production processes, through the traceability system, the purpose is to warn the farmers about the need to preserve the reputation of the tobacco produced in Brazil and about what has to be done to ensure the continuity of the international businesses.

### PESTICIDE CONTAINER DELIVERY

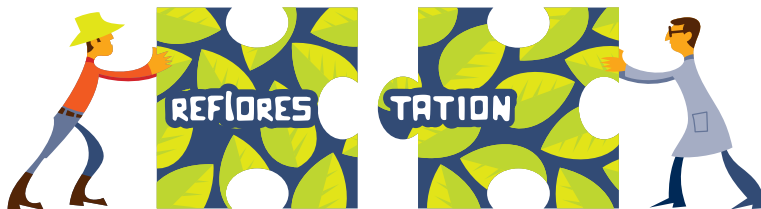
The Empty Pesticide Container Collection Program is giving continuity to its itineraries through the tobacco-growing municipalities. May 19 marks the end of the collection of the empty pesticide containers used by the farmers in the South region of Rio Grande do Sul. From May 23 to June 9, the container collectors will visit 66 municipalities in the northwestern regions in Rio Grande do Sul. In the sequence, still in June, the itinerary includes the Coastal Region in Santa Catarina. The farmers are asked to deliver their triple rinsed containers to the collection sites, which are specified on the invitations sent the farmers by the companies associated with the SindiTabaco.

### GROWING UP RIGHT

The activities carried out in 2021 by the Growing Up Right Institute, which completed seven years in April, are stressed in the Institutional Report launched recently. The results of the innovative Learning Program are an integral part of the publication, as well as the "First price winner" of the Brazil Child-Friendly Award, in the category "Promoting the Rights of Children and Adolescents", promoted by the Ministry of Women, Family and Human Rights. Other themes addressed include the Program of Good Entrepreneurship Practices for Education and the Us for Them Program – Giving Voice to Rural Women.



# Self-sufficiency in wood for the curing-barns



Across the landscapes of the tobacco growing regions, forest stands of energetic tree species are common, especially eucalyptus stands. This geographical peculiarity is part of the incentive for the farmers to produce their own wood for their curing-barns. For over 40 years now, initiatives by the sector have been encouraging the planting of forests, thus turning the farmers self-sufficient in wood and, consequently, it has led to the recovery of native forests.

The traditional practice of planting eucalyptus trees is now being strengthened through the dissemination of technical and scientific knowledge. Since 2019, the project 'Initiatives Towards Forest Sustainability in Tobacco Farming', created by the Sinditabaco, in partnership with the Federal University Of Santa Marias (UFSM), is focused on this context.

Through the implementation of demonstrative units in farms, new Technologies came to be tested, genetic materials and tree species that are more productive and perform better in terms of energy. Furthermore, videos are produced with guidelines on more efficient planting and cultivation techniques, like planning, choice of area, seedling quality, legal aspects, ant control and management practices.

**DEMONSTRATION UNITS** – The research units are split into four types: new reforestation, regrowth condition, forest reform, and silvopastoral system. Initially, there are 21 units in 17 municipalities.

**NEW FORESTS** – The present average forest cover of the area is a quarter of the tobacco farms. According to surveys conducted by Afubra, native forests normally cover 15% of the total area of the farms, and 10% is reforestation.

## TOBACCO ROADS



Barão do Triunfo was a district of São Jerônimo until 1992. The population is composed of descendants of German, Italian, Polish and Spanish immigrants, besides a large group of Luso-Brazilians.

Mayor: Elomar Rocha Kologeski

The main tobacco growing regions are the highlight in every edition of SindiTabaco News. What follows will show you a little more about Barão do Triunfo, a municipality in Rio Grande do Sul 100 kilometers far from Porto Alegre.

The small municipality of Barão do Triunfo, located in the coal-mining region of Rio Grande do Sul, is a typical region occupied by smallholders, and now 90% of its people live in the countryside. Its economy is based on agriculture, where tobacco is the leading crop, besides grain crops and livestock operations. The tobacco crop, according to Afubra sources, amounted to 3,744 metric tons in the 2020/21 growing season, involving 882 producers within the Integrated Tobacco Production System (ITPS).

According to the municipal secretary of the environment and agriculture, Adilson Kologeski, tobacco farming is very important in social and economic terms. "The small-scale farmers, who own up to 10 hectares of land, depend on the production of the golden leaf for supporting their families. The surveys conducted by the municipal administration show that upwards of 1,600 hectares of land are devoted to tobacco".

In recent years, the farmers of the municipality began to diversify their agricultural crops, and started to grow soybean, corn and wheat. However, according to the secretary of Agriculture, the other crops are only profitable for those farmers who own huge stretches of land and, in Barão do Triunfo, most of them are smallholders

## BARÃO DO TRIUNFO IN NUMBERS

Sources: Municipal Administration and IBGE

Population (estimated in 2021): **7,550** people

Territorial area: **436.1** km<sup>2</sup>

GDP per capita (2019): **R\$ 19,140.71**

Agricultural properties: **1,776**

Tobacco farmers (2020/21 growing season): **882**

Average size of properties: **16.09** hectares

Main products: tobacco, wheat, soybean, corn, rice, sweet potato, watermelon and bean. There are also livestock operations and reforestation.





## GLOSSARY

### ESG

Acronym that stands for Environmental, Social and Governance, consists of a set of practices related to the zeal for the environment, social contributions and governance actions conducted by companies known for their good practices on these fields and reap better results over the years.

### RURAL PROFESSIONAL LEARNING PROGRAM

An initiative by the Growing Up Right Institute that offers professional learning courses to young people in rural areas, with no need for them to leave the countryside. The adolescents are hired on the basis of the Learning Law to take the Entrepreneurship and Rural Administration course in the shift opposite to their regular classroom hours.

## CALENDAR

### 25<sup>th</sup> MAY

Industry Day

### 27<sup>th</sup> MAY

Atlantic Forest Day

### 5<sup>th</sup> JUNE

Environment Day

### 12<sup>th</sup> JUNE

World Day Against Child Labor

### 24<sup>th</sup> JUNE

75 years of SindiTabaco

### 13<sup>th</sup> JULY

Anniversary of the Statute of the Child and Adolescent

### 17<sup>th</sup> JULY

Forest Protection Day

### 18<sup>th</sup> AUGUST

National Clean Field Day

## DID YOU KNOW?

### Why are the farmers still opting for tobacco?

This question was asked in a survey that considered a universe of 91,330 tobacco farmers, conducted by the Center of Research and Administration Studies (CEPA), a division of the Federal University of Rio Grande do Sul (UFRGS). The data were collected in 15 of the 21 micro-regions where tobacco is grown, in the South Region of Brazil, and are focused on income, possession of goods, standard of living, succession, motivation, diversification, among others.



**89.6%** For guaranteed sales

**89.0%** For being the most profitable/lucrative crop

**87.5%** For providing technical assistance

**81.8%** For being protected by farm insurance

**81.7%** For the chance of paying for inputs at crop

Source: Socioeconomic profile of the Tobacco Growers in the South Region of Brazil (2016).

## ASSOCIATED COMPANIES

SindiTabaco comprises 14 associate companies and sees to the needs of the entire Country, with the exception of the States of Bahia, Rio de Janeiro and São Paulo. Transparency and visibility are strategies implemented by the SindiTabaco, which emphasizes the social and economic importance of the sector, whether through the generation of jobs and taxes or through the relevance of tobacco to the economy of municipalities and States in the South Region. Furthermore, the entity strongly

- 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



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