

Brazil's leadership in tobacco exports has completed 30 years

In 2022, the generation of revenue went up 67.44%, with US\$ 2.45 billion in sales abroad.










Brazil's leading position in tobacco exports completes 30 years in a row. Statistics published by the Ministry of Economy (Comex Stat) point to a continuity of Brazil's predominance on that score, seeing that leaf exports amounted to 584,861 metric tons, up 25.93% from the previous year, when 464,429 metric tons were shipped abroad. In dollar terms, this increase was even bigger, with US\$ 2.452 billion, representing an increase of 67.44% from 2021, when the generation of revenue reached US\$ 1.464 billion.

Out of the total in dollars, 97.43% come from tobacco produced in the South Region, where 95% of the Brazilian crop is produced. Exports of the States of Rio Grande do Sul, Santa Catarina and Paraná amounted to US\$ 2.389 billion, up 68.14% from the values generated in 2021, when sales reached US\$ 1.421 billion. With regard to the volumes, the total of the three states reached 578,264 tons, up 25.88% from 2021 (459,364 tons). Out of the total in 2022, 71,5% were shipped through the ports of Rio Grande do Sul, 23,5% Santa Catarina and 5% Paraná.

According to SindiTabaco president Iro Schünke, the credit of the bigger exports goes to several factors, among them the standardization of the maritime shipments which had been suffering delays during the pandemic. "In the current year, when we are completing 30 years of global leadership, an achievement whose credit goes to the quality and integrity of our product, we are celebrating the good performance of the sector's total exports", the executive officer proclaims. The share of tobacco was 0.73% in Brazil, 4.23% in the South Region and, in Rio Grande do Sul, state that is the leader in production, it reached 9.65%.

TOP IMPORT COUNTRIES

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|---|--|
|  1° Belgium: US\$ 631 million |  4° Indonesia: US\$ 109 million |
|  2° China: US\$ 472 million |  5° Turkey: US\$ 84 million |
|  3° USA: US\$ 154 million |  6° Germany: US\$ 69 million |
| |  7° France: US\$ 65 million |



PRESIDENT'S WORD

Iro Schünke

Cultivated in Brazil since the establishment of the first agricultural crops and deserving the status of being represented on the National Coat of Arms, tobacco has always played an important role in the domestic economy and was already exported during the Empire period. The sector has engaged in a constant updating process, and since 1993, we are the leading global leaf exporter: in 2022, leaf exports brought in revenue of more than US\$ 2.4 billion.

Several historical facts contributed toward the success of our sector. The major ones include the ones that occurred during the first decades of the 20th century, when huge tobacco companies arrived in Brazil. Back then, the Integrated Tobacco Production System was created. It promotes joint work between farmers and companies, and is associated with the better quality and integrity of the leaves produced in Brazil.

Another relevant period was the 1970s, when a crisis in Rhodesia (now Zimbabwe) resulted into higher demand for Brazilian tobacco, which was responsible for the modernization of our crop and foreign investments in industrialization. Furthermore, actions related to social, economic and environmental sustainability began to be enacted over the decades, resulting into a higher position of Brazil relative to the international tobacco businesses.

The results achieved in 2022 attest to Brazil's global tobacco exports leadership for 30 years in a row, and the credit of this accomplishment goes to the quality and integrity of the Brazilian tobacco crop. For 2023, the expectation is for Brazil to keep this leading position in the market, as well as the maintenance of the 40 thousand jobs at industry level, and a source of income for approximately 130 thousand farmers and their families.

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.



ROMIRO BIERHALS E TIAGO RUTZ KROLOW São Lourenço do Sul – RS



The farm that belongs to Romero and Marilda Bierhals and Tiago and Josiane Krolow, from São Lourenço do Sul, was the venue for the Official Tobacco Harvest Opening Ceremony in Rio Grande do Sul. Reference in entrepreneurship, technology and diversification, these farmers cultivate 70 thousand tobacco plants, besides soybean, corn and a variety of other subsistence crops. Out of their arable area, they destine 15% for the tobacco fields, crop that accounts for 48% of their total income. "Tobacco has always been our main crop, but we also grow soybean and corn, which, together, represent 52% of our income", Romero says. According to him, the income derived from small areas devoted to tobacco is one of the reasons they cultivate this crop.

Romiro and Marilda inherited the farm from her parents and now they are planning to leave it to their children Josiel and Josiane, and son-in-law Tiago. The family have adopted diversification and keep updated on new techniques and technologies that improve crop yields and reduce the need for manual work, investing in electric curing barns, solar energy systems, tractors and modern machinery. Water and soil quality is preserved by such initiatives as crop rotation, direct planting, reforestation and the preservation of native tree species. Furthermore, Bierhals and Krolow contribute with research works focused on the sector, growing experimental crops for the industries to come up with the ideal species and the appropriate management practices for every single region.

THE FARM

- **29 hectares**
- **70 thousand** plants of tobacco (in 4.3 ha)
- **4** curing barns (2 electric and 2 conventional)
- **2.5 hectares** with native forests (APP)
- **3 reforested hectares** (eucalyptus)
- **6.7 hectares** devoted to pastureland, pond, facilities, vegetable Garden and orchard
- **12.5 hectares** with corn, soybean and other crops
- **Technologies:** tractors, machines and implements, modern curing barns and solar energy systems.
- **Diversification:** Besides tobacco, corn and soybean, other grain crops are cultivated, along with legumes, vegetables, fruit, beef cattle, pigs, poultry and fish for family consumption.

INTERVIEW

MARCUS NAKAGAWA, professor at ESPM, coordinator of the ESPM Socioenvironmental Development Center; idealizer, former-president and advisor to the Brazilian Association of Professionals for Sustainable Development (Abraps); and lecturer on sustainability, entrepreneurship and lifestyle.

The importance of the acceptability of the ESG principles is increasing for all international businesses. How does this impact on the image of Brazilian agribusiness?

It is of fundamental importance for Brazilian agribusiness to adhere to questions related to governance, conservation, maximum and careful use of soil, besides efficiently dealing with local development questions, social questions, labor related issues, and social questions linked to minimum and maximum possible when it comes to the life of the workers, relative to their necessary healthcare requirements, along with the much needed security for agribusiness to develop, abandoning the traditional model, whilst adhering to state-of-the-art technology, research works, local development and, above all, complying with all ESG criteria now being mandatory all over the world.

Which are the main standards that comply with a good ESG Administration?

The first question consists in complying with legislation. Our labor and environmental laws are well outlined, they deal with several questions which favor all ESG questions.

Therefore, minimally, all agribusiness entrepreneurs should comply with the Law. The next step consists in going beyond the Law, promoting actions intended to developed society. And, at a further moment, deal with development and local leadership issues, setting an example in ESG questions to other farms, to other businesses and together join efforts with regard to questions linked to the Sustainable Development Objectives (SDO), to the seventeen SDO that encompass the questions related to sustainable agriculture, viable economy, among other important topics.

In some sectors, like the tobacco sector, several environmental sustainability and social practices, along with actions linked to governance, have already been encouraged for decades. Could we say that it is more difficult to do ESG or communicate ESG?

The tobacco sector experiences bigger difficulties in giving publicity to ESG questions, as the crop itself is subject to specific publicity laws. This is an enormous difficulty, but the ESG concepts should be disclosed to the stakeholders who are really interested in the development of their business.

CLASSROOM

Awareness reaching out to farmers

For the purpose of keeping the farmers aware and informed, the tobacco sector conducts periodical media campaigns, with insertions on several communication channels, especially newspapers, radio and TV stations in the three states in the South Region of Brazil. The suggested themes intend to reinforce the dialogue between the people involved with the supply chain, with the focus on the farmers.

In all, in 2022, insertions over the radio amounted to 1.2 thousand minutes (in 48 stations), 142 minute on TV (11 stations) and seven announcements in newspapers. The media campaign is conducted by the SindiTabaco and associate companies, jointly with the Associação dos Fumicultores do Brasil (Afubra), and was carried out in two stages. The first, during the planting period of tobacco, from June to August. And the second, at the time harvest started, from September to November.

With the motto "Sowing seeds of awareness and reaping health and safety", the aim of the campaign consisted in encouraging best practices and sensitizing people to the problem of child labor and to the importance of protecting children and adolescents. Some theater plays promoted awareness about careful pesticide handling and the correct disposal of the empty containers. Furthermore, the campaign kept people informed about how to avoid illnesses caused by the green tobacco sickness, avoiding the contact of the skin with wet tobacco leaves at harvest.



2023 will be a **challenging** year, but we are going to **succeed**

Giuseppe Lobo, senior manager at ABIFUMO

The report "Global Economic Perspectives", published in early January by the World Bank, warns about the continuity of the global economic slowdown throughout the second year in a row. Brazil, however, has everything to be the exception rather than the rule. Over the past years, despite the crisis, we managed to enact important reforms to resume our economic growth.

The Brazilian productive sector is dynamic and is eager for investments, but the government needs to catalyze this development. Instead of regulatory ties that increase the production cost, whilst paving the way for the collection of huge amounts of taxes, the government should encourage the production of goods and make it possible for the Country to join the big global value chains.

Taking a look at our backyard, the tobacco supply chain strongly contributed toward our balance of trade in 2022. In 2023, our exports will continue consolidating our position as leading global leaf exporter, but there are domestic challenges that have to be surmounted.

The fight against contraband should be a federal policy in cooperation with state governments. The illicit cigarette trade generates losses to the public coffers, finances organized crime and is a source of health risks for society.

As the title predicts, 2023 will be a challenging year, but we are going to surmount the challenges. We have the best sustainable production practices, dedication and the efforts of thousands of integrated tobacco farmers, along with a dynamic and innovative industry. We will continue generating jobs and income for the families in the countryside, and we will equally continue exporting and generating revenue for the states in South Brazil. This is the tobacco supply chain's commitment.



NEWSFLASHES

LOOSE LEAVES

Baling tobacco at the farm in order to deliver it to the processing companies can now be done with loose leaves, thus reducing labor costs, seeing that the farmers are no longer required to make bundles. With the aim to clarify the correct manner of baling tobacco, SindiTabaco and its associate companies produced an explanatory video that can be accessed on channel www.youtube.com/sinditabaco.

YEARBOOK

The 2022 Brazilian Tobacco Yearbook, published by Editora Gazeta, updated the statistics and the scenario of the sector. With 140 pages, the bilingual publication clarifies why the tobacco supply chain is completing three decades of an uninterrupted leadership in leaf exports. Emphasis is given to actions linked to the ESG agenda (Environmental, Social and Governance), with color identification in its layout: environmental, in brown; social, in red; and governance, in green. Another highlight is the interview with Mercedes Vásquez, chief executive officer of the International Tobacco Growers' Association.

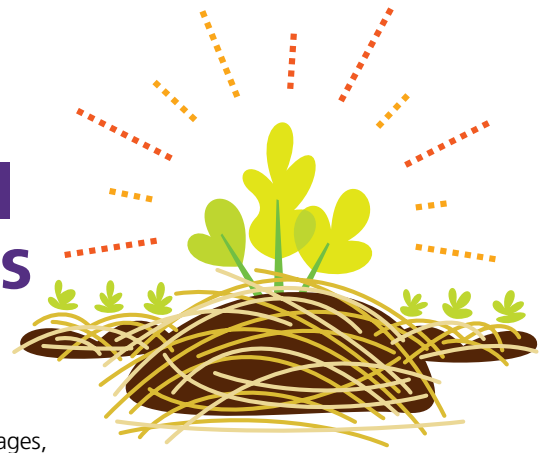
GROWING UP RIGHT

In 2023, the Rural Professional Learning Program run by the Growing Up Right Institute has groups in Itaiópolis – the first one in Santa Catarina – and in the Rio Grande do Sul municipalities of Agudo, Canguçu, Novo Cabrais, Progresso, Rio Pardo and São Lourenço do Sul. In the current year, the Institute which is an initiative by SindiTabaco and its associate companies, is completing 8 years and has already achieved a trajectory of relevant accomplishments, with 741 adolescents certified. The participants are hired as apprentices, receive a proportional salary and, instead of working at the companies, they attend a management and entrepreneurship course.

EMPTY CONTAINERS

After completing its itinerary across the Rio Pardo and Taquari Valleys, in Rio Grande do Sul (RS), the Empty Packaging Collection Program is now completing its itinerary through the Central Region in Rio Grande do Sul. The teams visit rural districts of 25 municipalities, in line with a program that extends from February 13 to March 3. Then they will collect the empty containers of 23 municipalities in the Center-Sierra region, in an initiative that extends from March 6 to April 25. The complete itineraries can be accessed www.sinditabaco.com.br.

74% of the tobacco fields are based on soil conservation practices



Water and soil conservation practices have evolved remarkably in the production of tobacco, especially in the past 15 years. Encouraged by the companies' field staffs, the farmers started to adhere to such practices as ridge planting and the use of mulch. They immediately realized the advantages, and at present, 74% of the tobacco farmers have adhered to such innovations as direct planting or minimum tillage. This positive transformation is measured by the surveys conducted by the SindiTabaco jointly with the companies. These data attest that, in the 2022/2023 growing season, only 26% of the farmers were still using conventional methods.

The evolution of soil conservation practices has been rising since 2007, when the sector began to show statistics on cultivation techniques commonly used in the fields. Back then, 83% of the farmers were still using the conventional system and only 17% were adopting conservation-oriented practices. As a result, the companies reinforced their technical assistance work and the results proved highly positive. The biggest advance took place from 2011 to 2014, when the conventional system dropped from 61% to 35%, while planting in the mulch increased from 39% to 65%.

ADVANTAGES – The environmental benefits include a reduction in water and eolic erosion, recovery and preservation of the natural environment for terrestrial organisms and maintenance of the quality of water. And for the farmers, the practices have a positive impact, resulting into higher productivity rates and crop stability over the years. The crops get more resilient to adverse climate conditions and there is a reduction in the outbreaks of soil diseases and the presence of weed.

TOBACCO ROADS



• Santa Cruz do Sul encompasses the industrial production of Brazilian tobacco and is the second largest economy in the State's GDP among the municipalities with more than 100 thousand people. It is ranked as high point in the yearbook 'The Best Brazilian Cities in 2022', by Publisher Três and by Austin Rating, occupying the 30th position among the Brazilian medium-sized cities.

• Mayor: Helena Hermany

The main tobacco growing regions are the highlight in every edition of SindiTabaco News. What follows will show you a little more about Santa Cruz do Sul, municipality in Rio Grande do Sul 155 kilometers from Porto Alegre.

Santa Cruz do Sul is the Brazilian tobacco processing industrial hub. The three biggest industries established in the municipality are tobacco processors and, among the group of the 10 leading tax-paying companies, four belong to the tobacco sector. It is from the industrial district of Santa Cruz do Sul that leaf tobacco products are shipped to every corner of the planet, reaching volumes that have sustained its position as leading global leaf exporter for 30 years now.

The municipal secretary of Economic Development and Tourism, Márcio Martins, stresses that tobacco is of utmost importance for Santa Cruz do Sul. "Besides generating thousands of jobs for our urban population, it is a source of significant income for our rural producers", he recalls. "We are always developing projects that encourage our farmers to adhere to crop diversification, but tobacco is still responsible for the biggest income share in Santa Cruz do Sul", he says.

In the ranking of the leading tobacco producing municipalities, Santa Cruz do Sul occupies the 12th position in Brazil, and the sixth position among the leading tobacco producing municipalities in Rio Grande do Sul. In the 2021/2022 growing season, the 3,152 farmers harvested 10,757 tons cultivated on 4,883 hectares and cured in 4,149 curing barns.

SANTA CRUZ DO SUL IN NUMBERS

Sources: Municipal Administration, IBGE and Afubra

Population (2022): **132,049** people

Territorial area: **733.898** km²

GDP per capita (2020): **R\$ 79,888.73**

GDP of the municipality (2020): **R\$ 10.49** billion

Tobacco farmers (2021/2022 crop year): **3,152**

Average size of the farms: **12.7** hectares

Hectares planted with tobacco: **4,883**

Main agricultural products: tobacco, corn, soybean, rice, cassava and bean.



GLOSSARY

COP

The Conferences of the Parties (COP) are biennial events that represent the deliberative body of the Framework Convention on Tobacco Control (FCTC), whose members include the countries that ratified the treaty, among them Brazil. During the COP sessions, the delegations of the States Parties debate and give their approval to guidelines that instruct the countries toward the adoption of national measures.

ESG

Acronym for Environmental, Social and Governance, is a set of practices related to ways of taking care of the environment, social contributions and governance actions carried out by companies. The companies that reveal good practices in these fields tend to reap better results over time.

IP TOBACCO

Integrated Tobacco Production is a program run by the Ministry of Agriculture, Livestock and Food Supply (Mapa) with the aim to guarantee the traceability and safety of the product. With this certification, it is possible to attest to the origin and methods used in the generation of the products, through formal and auditable records, about sustainability principles and their link to all environmental, economic and social demands.

DID YOU KNOW?

Tobacco sector had already put ESG strategies into action even before the acronym was created

For more than a century, the Integrated Tobacco Production System has been promoting joint work between industries and farmers, thus strengthening the entire supply chain. This organization excels at sustainability in its economic, social and environmental essence. That is why, way before the expression Environmental, Social and Governance turned into an everyday word, the tobacco sector was already enacting strategies geared toward environmental, social and governance questions. Consider some of them.



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1978	Incentive to reforestation with an eye on energy self-sufficiency	1985	Corn, Bean and Pastureland after Tobacco Harvest Program was launched	2014	Publication of the Specific Technical Standards for the certification of tobacco
2000	Beginning of the Empty Pesticide Container Collection Program	1998	Future Is Now program, aimed at fighting child labor, was launched		
2011	Unprecedented agreement with Ibama for the preservation of the Atlantic Forest	2015	Creation of the Growing Up Right Institute		

CALENDAR

MARCH 3

National Day Against Contraband

21 to 24 MARCH

Expoagro Afubra

APRIL 15

National Soil Conservation Day

APRIL 23

8 years of the Growing Up Right Institute

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 for 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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