



The Economic And Social Impact Of Leaf Tobacco Production

**Epsom Manotel, Geneva, Switzerland
6 – 7 February 2003**

SPEAKER PROFILES & PAPER SUMMARIES

AYRES, MR P

Paulo Ayres is representing Sindifumo (Brazilian tobacco trade association). He has two bachelor degrees from University of Sao Paulo, Brazil - engineering and economics. He is married and has three children. He has been working for the tobacco industry for the last 17 years with several different jobs. His current position is leaf finance manager of one of Sindifumo's affiliate (Souza Cruz) and he has been in a secondment in London for the last 18 months.

PAPER TITLE: Economic and social importance of leaf tobacco production in the south of Brazil

BARONCINI, MS J

The International Union of Food, Agricultural, Hotel, Restaurant, Catering, Tobacco and Allied Workers Associations (IUF) is an international federation of trade unions organising workers throughout the food chain and in allied industries such as drinks, tobacco and tourism. In the tobacco sector, the IUF represents workers throughout the production chain: from growing, through processing to manufacturing.

Jacqueline Baroncini is a policy officer at the IUF, responsible for tobacco sector issues and co-ordination of the activities of the Tobacco Workers Trade Group.

PAPER TITLE: The economics of tobacco growing: The price the workers pay

BHANDARI, DR L

Laveesh Bhandari completed his Ph.D. in Economics from Boston University, USA in 1996. His Ph.D. dissertation was on the success and failure of international alliances. His thesis received the Best Thesis in International Economics award by the EXIM Bank of India in 1996. Prior to that he got his MA in Economics specializing in Finance and Industrial Organization from the same university. He was also awarded the Hite Fellowship for his work on International finance.

Dr. Bhandari began his career as a Consultant for Manhattan (now Brookdale) Funds, New York and Boston, USA, where he was working on the valuation methodologies of derivative securities. He joined the National Council of Applied Economic Research (NCAER), New

Delhi, in 1996. At NCAER he led research teams for various studies on Indian industry and infrastructure.

Currently he heads Indicus Analytics, an economic research organization where he has been involved with many studies on Indian socio-economy, economic geography, as well as the manufacturing sector. He has conducted many studies in the past that include those on public sector reform, foreign direct investment, the manufacturing sector in India, on the comparative performance of Indian states, and on civil aviation.

Dr. Laveesh Bhandari has also taught economics at institutions such as Boston University, Indian Institute of Technology, New Delhi, etc. and has been the past Managing Editor of the Journal of Emerging Market Finance.

PAPER TITLE: The importance of tobacco cultivation and trade in India's rural economy

A large rural segment that includes an extremely high share of agricultural activity, followed by services, and manufacturing, characterizes the Indian economy. Much of this economy is characterized by low value added, low labour productivity, and low surplus creation. As a result, a vast majority of India's population is deprived of a high standard of living. Even in commodities where the overall surplus creation is high, it is found that the trade mechanisms are loaded in favour of larger traders and against the farmers. As a consequence, the cultivators are deprived of a large chunk of the surplus created.

Tobacco cultivation, trade, and processing is largely undertaken in the rural areas. But unlike other crops, tobacco has been found to have high value added, productivity improvements have been occurring steadily, and surplus is being created. Most importantly, we find that this surplus is passed on to the tobacco cultivators. This in turn has led to significantly better lifestyles for tobacco farmers than their non-tobacco counterparts. Villages where tobacco cultivation is high tend to be economically better off, have better facilities, and consequently better lives for all – not only those directly employed in tobacco related activities.

The paper is based on a primary survey across the major tobacco growing states of India (Andhra Pradesh and Karnataka). It uses the control group method where more than 500 tobacco and non-tobacco farmers were queried on a vast range of issues. These ranged from their cultivation characteristics to their lifestyles to their experiences with the trading mechanism, etc.

Overall the paper puts forth the view that the tobacco growing areas in India are significantly better off than their non-tobacco counterparts. It also finds that organized tobacco trade such as the auction system held by the Auction Board as well as the involvement of larger firms has benefited the cultivator and the rural economy.

BOUVIER, MR N

Nicolas Bouvier has been working as a consultant for the European tobacco growers for the past 15 years in order to help them to deal with the challenges of their political and economical environment.

Among other things, he has developed or co-ordinated several studies on tobacco growing in Europe, both for the tobacco growers and for the European Institutions, of which we can name:

- “De la participation de la petite agriculture à l’effort d’aménagement du territoire : le cas de la culture du tabac” (1994 – FNPT),

- “Tobacco Growing and Rural Environment, a European Challenge” (1996 – UNITAB),
- “The Reform of the Raw Tobacco Common Market Organisation” (1997 – European Parliament),
- “The Development of Tobacco Growing in the Countries of Central and Eastern Europe, in the Light of their Future Membership to the European Union” (1998 – UNITAB)

Nicolas Bouvier holds a M.A. degree in Information and Communications Sciences and a post-graduate degree in Political Sciences from the University of Paris La Sorbonne. He lectures regularly on in several French Universities.

PAPER TITLE: Tobacco growing within the European Union: an approach to the feasibility of alternative crops

Alternative crops to tobacco growing is a long lasting issue within the European Institutions: for the past 20 years, it has been mentioned in nearly every official document dealing with tobacco growing. However, no solution has emerged until now, from either the Institutions or the tobacco industry, especially because the whole agriculture is in a difficult situation.

Should this issue be considered on a case by base study, there are two different scenarios:

- in some cases (mainly Northern Greece), there is no agricultural alternative to tobacco; because of the agro-climatic conditions, farmers have no other choice than growing tobacco or quit agriculture, which also means leaving their home village (examples to be given).
- in the other cases, the farmers can develop other crops than tobacco but this will an impact on their revenue or on the structure of their farm or on their environment (examples to be given).

Should this issue be considered at the European scale, it becomes even more difficult to envisage alternative, but sustainable, crops for 140 000 farmers and 400 000 seasonal workers, also because of the problems that this may cause on the alternative crops markets.

CHE, MR KE

Che Ke is a researcher of Yunnan Tobacco Economy and Information Research Center. He worked at Information Center of Yunnan Institute of Tobacco Industry in organizing science and economy information from 1997 to 1998. Since 1998, he has been working at Yunnan Tobacco Economy and Information Research Center in collecting and studying tobacco economy information. As a member of the research group, he has made achievements in several research projects, such as strategy for China Tobacco after its joining to WTO and strategy of developing China Tobacco, etc..

PAPER TITLE: The contribution of leaf tobacco production to China’s national economy and agriculture

This article surveys the current situations of the development of leaf tobacco production, China tobacco and Chinese agriculture, analyses the contributions of leaf tobacco production to the development of Chinese agriculture, and suggests that it is important to correctly and objectively evaluate leaf tobacco production and fully recognize the positive effects of leaf tobacco production on the development of Chinese economy.

FERAT, MR M and MATOSSIAN, MR A

Michel Ferat has served as the Secretary General of Fetrtab (European Federation of Tobacco Transformers) since 1994. He has worked in the tobacco sector for over 40 years for Seita, now Altadis.

Ara Matossian is President of Missirian S.A. and Vice President of Fetrtab (European Federation of Tobacco Transformers). Born in Cairo in 1931, he has served the tobacco business in the production and packing of leaf tobacco, mainly in oriental varieties, for 50 years. He has been Vice President of the Greek tobacco exporters for many years and in 2000/01 was President of Tobacco House.

PAPER TITLE: The local and regional tobacco economies in Europe

When tobacco was introduced into Europe in the second part of the sixteenth century, its cultivation spread out in certain particular areas depending on soil, climate or political will.

Now, four centuries later, its geographical distribution has not changed much. There is a concentration of tobacco growing in the same areas, the economy of which is based on this activity. The disappearance of tobacco would bring about desertification or would turn these areas or many entire villages into dormitories. Destroying these lively and balanced economies would introduce huge damages and high costs to society. The authors of this delivery invite you to a visiting tour of a few of these typical "tobacco republics".

GILVESY, MR G

Mr. Gilvesy was born in Tillsonburg, Ontario, Canada. Throughout his childhood and adolescent years, his family was involved in a number of successful business enterprises, including the production of flue-cured tobacco.

George is a graduate from the Ivey School of Business, University of Western, in London Ontario. Although many avenues were available to George, tobacco was in his blood, and in 1979 he purchased his tobacco farm in Oxford County – a third generation tobacco farmer in the Gilvesy family.

He was first elected to the Board in 1986 as a director. He was elected to the position of Vice-Chairman in 1989 and held that position through to 1994 following which he was elected Chairman of the Board. He served in the position of Chairman of the Board from 1994-1996 and again from 1999 to 2001. He presently sits on the Board in a Director capacity.

Throughout his career with the Board, George and his family, have been actively involved in tobacco production. He and his family, own and operate a 150 acre farm in Oxford county. In order to balance his Board and farming duties, he oversees the farming operation and has a share in managing the day to day operation.

George is actively involved in community initiatives. His hobbies include golf and go-cart racing. Although he occasionally travels in the "fast lane", he is proud to be a farmer.

PAPER TITLE: Managing change in today's tobacco environment

For well over half a century, the tobacco industry has been the backbone of agriculture and an important economic force in many parts of the Regional Municipality of Haldimand-Norfolk, Brant, Elgin, & Oxford Counties. These four counties constitute the primary tobacco-growing region within Canada.

There is a need to document and measure the economic contribution of the industry and social adjustment consequences linked to changes in the tobacco industry. In 1995 we

commissioned an economic study of the area and commissioned an update of that study in 2002. The purposes of these studies was to 1. provide a “fact book” on the economic contribution of the tobacco industry and 2. assess the economic and social adjustment consequences of changes in the demand for tobacco produced and processed within the tobacco growing area of Ontario, in order to assist communities in assessing the implications of change.

The tobacco industry in South-western Ontario is an economic force within the growing region, creating in excess of 14,000 job opportunities and \$500 million in total value-added and economic spin-off activity in 2001. Tobacco is a high-value crop, particularly when one considers that growers spend on average over \$2800 per acre for inputs such as labour, pesticides, fuel, etc., A good part of the expenditures for farm input supplies and personal goods and services are made locally in the production area and as such, the industry has spawned many other supporting industries and services within the area. Any change in the tobacco industry affects more than tobacco growers.

Our industry has undergone significant changes over the past decade, and I welcome the opportunity to provide you with a brief overview of the challenges of managing change, and in particular, managing the decline of consumption and the impacts of such on the economic and social fabric of our communities and the growers.

GRALOW, MR H

Hainsi Gralow was born in Santa Cruz do Sul in Brazil in 1939. His parents were among the first to grow flue-cured Virginia in the region. He holds a degree in book-keeping from the University of Santa Cruz do Sul.

Mr Gralow took up the post of Auditor and Advisor to Afubra’s board of Directors in 1974 and was elected Secretary the following year. He was elected President of Afubra in 1983 and has held the post since that time. As a tobacco grower he owns 20 hectares of land, of which 2 to 3 hectares are planted with flue-cured Virginia.

Since 1976, he has been teaching Agricultural Accountancy at the University of Santa Cruz do Sul. He is a member of the Brazilian Agribusiness Consultative Council (ABAG). Mr Gralow was Vice President of the International Tobacco Grower’s Association from 1990 to 1994 when he was elected President for a two-year term.

Mr Gralow takes active part in the annual tobacco price negotiation rounds promoted by Sindifumo (the industry’s association in Brazil). He represents growers before the Government and at determinations of Ministerial Acts. Due to his notable contribution to environmental and educational matters, he is frequently invited to give lectures internationally on Afubra’s involvement in these issues.

PAPER TITLE: Projects and environmental (social) and educational programmes in the tobacco-growing regions of south Brazil

HOFSTETTER, MR M

Marc Hofstetter has extensive experience in the private sector working for companies such as Shell, as well as the not-for-profit sector including the International Committee of the Red Cross who he was with for 12 years mainly in the Middle East and former Soviet Union.

He was appointed to his current position of Director of the ECLT Foundation shortly after its formation in 2001. Marc is a Swiss/French national.

PAPER TITLE: Child labour in tobacco growing

MATTAS, PROFESSOR K

Konstadinos Mattas is a professor of Agricultural Economics at the Aristotle University of Thessaloniki, Greece. He is a member of the Executive Committee of European Association of Agricultural Economists (E.A.A.E.). He is editor of the "Agricultural Economics Review", the official Journal of the Greek Association of Agricultural Economics. He also is Director of the Agricultural Policy and Marketing Laboratory of the Aristotle University of Thessaloniki and leads one of the larger groups of agricultural economics researchers in Greece. He has edited several books and written articles about European and agricultural policy, international trade, interindustry analysis, rural development, interdisciplinary work, agricultural marketing and investment analysis.

PAPER TITLE: Tobacco cultivation: a rural initiative for less developed regions (Co-authored by Loizou, E. and Tzouvelekas, V.)

Tobacco has always been one of the most important products of the Greek agriculture and economy. Traditionally tobacco cultivation as well as tobacco processing sectors possess a dominant role in supporting, household income and employment creation all over the country. This role is much more important, a vital one could be said, for the less developed rural regions of the country, which are since long, specialized in tobacco cultivation. Integrated development of rural lagging regions is among the dominant targets of the European Union (EU) the last years; for this, several developing plans and initiatives have been put forward supporting EU less developed regions. Most of these plans are aiming to keep people in their areas (most of them rural) and support activities that promote employment and income creation. Such an implement, by it self, it can be stated that is tobacco cultivation; a product that can effectively promote employment and income creation of unskilled people in lagging areas and safeguard their viability. In order this to be supported, Input-Output (I-O) analysis is employed; specifically a regional I-O model is constructed for a less developed rural Greek region to examine the significance of tobacco in terms of generating output, employment and income effects (direct and indirect) in the regional economy. Results indicate the high linkages and strong interdependence of tobacco sector within the regional economy, proving the dynamics of tobacco culture in supporting regional income and employment. Moreover, it is revealed that tobacco can perform as a stimulus for the viability of the region.

SNELL, DR W

Dr. Snell was raised on a beef and tobacco farm in Bourbon County (Paris), Kentucky which has now been in the family for five generations. He received his B.S., M.S. and Ph.D degrees from the University of Kentucky.

Dr. Snell joined Agricultural Economics faculty at the University of Kentucky in May 1989 with a split extension (80%) and teaching (20%) appointment. His extension program has dealt primarily with tobacco policy and economics, with interests also in general agricultural policy and macroeconomic policy linkages to agriculture. Currently, Dr. Snell serves as the Coordinator for UK's Agricultural Economics Extension programs.

Career highlights include providing testimonies before committees of the U.S. Senate, U.S. House of Representatives, and the Kentucky Legislature on various issues related to the U.S. tobacco program. Dr. Snell recently received the Tobacco Merchants Association Tobacco Economist Award. Other awards include the Senator Wendell H. Ford Tobacco

Leadership Award and the University of Kentucky's Outstanding Extension Specialist Award.

Other professional highlights include invited paper presentations to the American Agricultural Economics Association, the Southern Agricultural Economics Association, U.S. Department of Agriculture's Outlook Conference, Southern Outlook Conference, Kentucky Long-Term Policy Research Trends Center Annual Meeting, Tobacco Workers Conference and the Kentucky Farm Bureau Annual Convention. Since 1989, Dr. Snell has written more than 250 extension publications/articles and made over 500 extension presentations.

Dr. Snell still resides in Paris, Kentucky with his wife, Amy, and their two daughters, Lucy Ann (13) and Caroline (10).

PAPER TITLE: How tobacco farmers and policy makers in the most tobacco-dependent US State are responding to a volatile and uncertain world tobacco market

Since the early U.S. settlers discovered tobacco being grown by native North Americans, tobacco has been an important commodity in the southeastern United States. But it also has been a very controversial one. The tobacco debate has intensified during the 1990s. Existing and proposed regulations and restrictions, excise tax increases, health issues, changing social attitudes towards tobacco use, litigation, and marketing and policy changes, and international competition have induced much uncertainty regarding the future of the U.S. tobacco program, tobacco farming, and many southern rural economies. Consequently, farmers, agricultural leaders, and policy makers in these tobacco states are attempting to modify the current tobacco policy to strengthen the U.S. tobacco economy, while also searching for alternative crops and markets for farmers desiring to exit tobacco production. This paper reviews some of the trends impacting U.S. tobacco farmers, while focusing on the response of policy makers and farmers in the most tobacco-dependent U.S. state, Kentucky, are responding to the current tobacco economic environment.

TEEGARDEN, MR H

Hal Teegarden is Director Leaf Agronomy for Philip Morris International.

His educational background includes degrees from the University of Kentucky College of Agriculture and Xavier University. He gained his professional experiences first through growing up on a tobacco farm in a tobacco family. He has worked as an extension agent within the Extension system in the United States and served as Director Agronomy for an International Leaf Supplier prior to assuming his current position and responsibilities. He has travelled extensively in the tobacco world and been involved in the development of various agronomic programs around the world. He has served in several industry groups and is currently a member of the ACAC (Agriculture Chemicals Advisory Committee) of CORESTA and serves as the President of the Agronomy group of CORESTA.

PAPER TITLE: Good Agricultural Practice in tobacco and Social Responsibility

Good Agriculture Practice, or GAP as it may be referred to is not new. In fact, through the years, we believe that farmers have implemented practices aimed at promoting crop quality and protecting the environment as best they know how. And for a number of years, Philip Morris International agronomy groups have supported agriculture research on several fronts, worked within industry organizations, and worked directly with our suppliers to identify, develop and ensure the implementation of new technologies and practices aimed at farmer well-being, protecting or enhancing the environment and ensuring leaf quality. However, as society has become less and less agrarian, public awareness, understanding

and appreciation of Good Agriculture Practice has decreased. Thus we, Philip Morris International, have developed our GAP Guidelines and Assessment Program, in concert with our suppliers, to more effectively provide focus, disseminate information, better identify opportunities for further development and raise awareness of Good Agriculture Practices as they are implemented.

The program focuses on Responsibility, Accountability, Sustainability and Societal expectations. Simply put, the program is intended to further ensure that leaf production complies with regulation, is environmentally sustainable, and is carried out in a manner that protects the physical well being and socio-economic interest of those involved.

THYANGATHYANGA, DR G

Dr. Garbett Thyangathyanga is the Chief Executive in the Tobacco Association of Malawi (TAMA) responsible for the International Tobacco Growers Association activities in the African Region. His activities include those of corporate and regulatory affairs as they affect the tobacco growers in TAMA.

He started his carrier in the Government of Malawi as a Veterinary Surgeon in 1972 after qualifying from the University of Nairobi. Therefore he specialized in Epidemiology from the University of Copenhagen, Denmark.

He gained experience in the Ministry of Agriculture by rising through the ranks to a position of Controller of Agricultural Services before joining TAMA as Executive Secretary in 1992.

He has served as a Board Member and Chairman of many of the Agricultural Parastatal Organizations in Malawi since 1984.

PAPER TITLE: Tobacco versus all others in Malawi

Malawi is rated among the poorest nations on earth with a population of 11 Million and GDP of US\$ 1.8 Billion in 2000. 80% of the population lives in rural areas who earn their incomes from peasant farming. There are no known exploitable minerals and its economy (98%) is basically Agricultural.

Tobacco alone generates over 70% of the nation's Forex. It contributes 38% of the countries GDP and employs 25% of the nations labour. Sugar, Tea and coffee are the other Forex earners for Malawi bringing in the balance of 28%.

All this is obtained from 2% of Arable land which tobacco growers use from the total of 119,000 square kilometres that this landlocked country possesses. The 20% of the area is made of Lake Malawi and other water bodies.

Transport from the Sea Ports of Dar-es-Salaam, Nacala, Beira and Durban contribute to 70% of the cost of products to the outside world also suffers similarly all inputs used in Agriculture Production in Malawi.