WE ARE TOBACCO
ALL YOUR TOBACCO NEEDS IN ONE COMPANY

Universal Corporation is the leading global leaf tobacco supplier. Our modern production methods allow us the flexibility to quickly adapt to new ideas, customer requirements and industry trends. Universal has a diversified range of capabilities for value-added products and services that we can offer our customers, including:

- The formulation of tobacco blends, including shisha and ongoing blend maintenance.
- High-quality liquid nicotine that exceeds U.S. Pharmacopeia standards, and is extracted and purified in our cGMP facility.
- Laboratory facilities that are ISO 17025 accredited, and offer reliable analytical testing services for your tobacco, smoke, shisha, e-liquid and vapor product needs.
- Expertise in naturally reconstituted tobacco. We provide our customers high-quality filler, binder, wrapper, one-leaf, and tipping paper which can be tailored to their specific needs.

Universal is consistently looking for ways to serve our customers' current and future needs in the global market. Contact us to discuss how Universal can help you move ahead of the competition.

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Published by the International Tobacco Growers Association.
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ITGA MEMBERS
PARTICIPATING IN THIS ISSUE

Colombia
Argentina
Brazil
Italy
Turkey
Azerbaijan
India
Malawi
Zimbabwe
Zambia
Salta

ITGA INFographic
MESSAGE FROM ITGA PRESIDENT

DEAR TOBACCO GROWERS AROUND THE WORLD,

After a turbulent year of unprecedented disruptions caused by the COVID-19 pandemic, we already find ourselves living in another challenging period for the sector and the global economy. Unlike many other industries which have the luxury to move their workforce behind a computer at home, we face no choice but to remain on the fields. This is the farmers’ life and there is no other way to guarantee the future of our businesses and families. As a result of our commitment, the sector proved to be more resilient than many anticipated. We have to take pride in this fact and sincerely thank you for your tireless efforts!

We have already received some positive news about the incoming crop. The latest global production data forecasts suggest a small year-on-year increase that should result in roughly 4870 million kg of green leaf. This is driven by expected FCV growth in the US, Brazil and large parts of Africa. For example, in Zimbabwe, there will be more new growers, while in India the current most likely scenario is also optimistic.

However, we need to be ready for new obstacles and ever increasing regulatory scrutiny. During the 2020 AGM we were introduced to the importance of due diligence and multiple examples of new restrictive tobacco control measures. Last but not least, we have to remember that 2021 is a COP year, which means that important regulatory decisions will be made which will in turn model the regulatory framework for the near future. ITGA will once again do everything possible to be part of these discussions and protect the long-term viability of the sector. We remain vigilant about the latest challenges and trends and will keep you updated in our monthly publications.

The topic of this Tobacco Courier is well-known to our members. **Sustainability** is as a concept based on three pillars—economic, environmental and social and stands for meeting the needs of the present without compromising the ability of future generations to meet their own needs. However, way too often the aspects of sustainability that are ignored are the economic ones today. In other words, some often fixate on the future and forget about the present. As a result, the immediate survival of farmers is one of our key concerns. The following pages aim to provide a more nuanced perspective on the topic with a focus on affordable sustainability while addressing the latest developments in the cost versus price production dynamic.

I wish all tobacco growers a successful season and hope that we will be able to see each other in person soon!

Abiel Kalima Banda, ITGA President.

MESSAGE FROM PRESIDENT

Abiel Kalima Banda, ITGA president.
Sustainability has become the buzzword of the last decade. The general concept behind this notion is an important one: while conducting their operations stakeholders must take into account the damage done to the natural and social environments. If this does not happen their businesses are at risk. Examples in our sector include the use of child labour, deforestation and bad water management, among others. This often results in comprehensive requirements to adapt overnight to completely new conditions to the ones in existence for many generations. Unfortunately, the additional costs associated with these changes are not reflected in the prices paid to growers. This turns “sustainability” into a problematic concept. In this edition of Tobacco Courier, we bring concrete experiences of growers and experts living under the new sector realities.

Heliodoro from FEDETABACO, Colombia, provides examples of how tobacco production went from receiving big incentives to almost disappearing in the span of a decade leaving growers with debts and no alternatives at hand. Colombia is a case we should all follow closely.

In his interview, Dr Sturzenegger from Jujuy, Argentina, explains how companies ended up discounting the Special Tobacco Fund’s (FET) income per kg received by growers, so at the end taxes paid by Argentinian smokers were transferred to transnational players abroad, instead to the growers at home.

Very few markets will be able to adapt to new crops and make them more profitable than tobacco. Dr Collins, a key figure in the US tobacco sector, shares details of how some growers are successfully shifting to alternatives but unfortunately others are driven out of business.

Tobacco growers feel that all their additional efforts and commitments are going with no recognition whatsoever. This is illustrated by the data gathered in our Growers Viability for FCV and Burley section. When production costs exceed revenues, long-term sustainability becomes impossible.

In addition to the complicated equation of profitability, other factors are also preventing growers from achieving the so-called ‘sustainability’ of the sector. Our growers, experts and partners share a lot of insightful stories from different regions in the pages to follow.

ITGA dedicated last year to finding the way forward. Covid-19 accelerated processes that were already in motion in our sector. However, companies did not suffer from the negative impacts of the pandemic. As a matter of fact their profits increased. Growers should also be rewarded because a large share of this success is clearly connected to the extra efforts made by them to put tobacco out in the markets in such complicated times.

This year ITGA is working very closely with each of our members. We will give them an individual voice while keeping our collective spirit. So, expect a lot of stories and many insightful materials. We will also promote meetings in order to advocate for the good of our growers and their associations.

Finally, during the global year for the Elimination of Child Labor it’s worth mentioning the efforts made by our associations in order to end this scourge. Around the world these types of initiatives are very much flying under the radar but we value highly the positive results. They are the proof of our associations intimate understanding of the problem. No one is better than them in working closely with governments and credible institutions in the fight against Child Labor.
CHILD LABOUR MAIN ROOT IS POVERTY.

In the present day Child Labor remains rooted in poverty and lack of opportunities. By improving tobacco growers viability we are helping the promotion of good agricultural practices.
Crop Season

Tobacco has the advantage of being grown in diverse climates. However, it is short cycle, labor intensive and extremely sensitive to external factors. Therefore, it is essential to know when is the right time to plant, grow and harvest. Tobacco growing seasons are determined by the start of the rainy season, potential evapotranspiration and temperature levels. As the crop is grown all over the world the timing of the season varies in different markets.

<table>
<thead>
<tr>
<th>Country</th>
<th>2020</th>
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<tbody>
<tr>
<td>Argentina</td>
<td>January - April</td>
<td>June - September</td>
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<td>Brazil</td>
<td>January - April</td>
<td>June - September</td>
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<tr>
<td>Dominican Republic</td>
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<td>Greece</td>
<td>January - April</td>
<td>June - September</td>
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<tr>
<td>India (Andhra Pradesh)</td>
<td>January - April</td>
<td>June - September</td>
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<td>Italy</td>
<td>January - April</td>
<td>June - September</td>
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<td>Malawi</td>
<td>January - April</td>
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<td>Tanzania</td>
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<td>Zambia</td>
<td>January - April</td>
<td>June - September</td>
</tr>
<tr>
<td>Zimbabwe</td>
<td>January - April</td>
<td>June - September</td>
</tr>
</tbody>
</table>

**Legend:**
- **TRANSPLANT PERIOD**
- **HARVEST PERIOD**
- **DELIVERY PERIOD**
CROP STATISTICS
Seed sales reflected a 27% increase at 940kgs sold. This could have potentially planted close to 150,000 hectares. Number of registered growers has remained static at 146,000. Auditing of contractors submissions is still underway, but it could be estimated that 124,000 hectares were put under contract plus a further 5% of crop under auction, implying total hectares planted could be close to 130,000. National average yields will be lower than last year at 1400-1500.

IRRIGATED
Yield range: 3200 to 4000kgs/ha. Low-er than last season due to wet weather. A thinner crop is expected. Potential overall quality, however, remains good.

DRIEDLAND CROP
Yield range: 2000 to 3000kgs/ha. Low-er than last season due to wet weather. A thinner crop is expected. Potential overall quality, however, remains good.

SMALL HOLDER SECTOR
Yield range: 800kgs/ha to 1200kgs/ha. Low-er than last season due to rains. Field quality varies from area to area from thinner leaf, more yellow, with disease to good quality. End of reaping is estimated towards end of April.

***
We are fast approaching the end of reap-ing and gearing up towards grading and sell-ing. The season can be summed up as wet and overcast in most areas. However, there are notable differences within districts. Some farmers are having a perfect season with ade-quate rainfall and crops that are relatively disease free whereas farmers in the same district and sometimes only few kilometers apart have had excessive rain, resulting in reduced yields on the irrigated crops and especially the dryland crops. A lot of the main growing areas are in excess of 1000mm of rainfall and counting, resulting in reduced yields on the irrigated crops and especially the dryland crops. The smallscale reports are of badly leached crops in some areas and a reduced yield. A wet season as we have had in traditionally a tough one for growers. However reports from the councilors indicate that there is some very good quality tobacco out there especially in the irrigated crops. The dryland crop could be characterized as thin bodied but ripe styles. We await TIMB figures for crop size but rough estimates put the national crop between 180 to 200 million kg. Although a difficult growing season, the wet conditions have been very welcome in filling dams and topping up water tables. Most areas are re-porting full dams and that is a huge relief to a lot of irrigated tobacco growers as many were unable to plant full irrigated crops last year. It also allows the option to plant winter wheat for those growers that are able and help with cashflow.

SOCIAL SUSTAINABILITY: LABOUR
Shortages of skilled labour have been a major issue in a lot of districts especially on the highveld with reports of active la-bour recruitment from other farmers and competition from other sectors namely horticulture and mining. This has resulted in disparities in wages within districts and in the form of payment which has created an unstable labour force. This has not been helped by the very drawn out wage negotiations as outlined below. Our labour force is one of our key assets, and big-gest cost centres, and we need stability in this area as a priority going forward. A very difficult task in an inflationary environment.

With peak labour requirements now redu-cing, it would be a good time for districts to get together and standardize their labour remuneration, a very difficult task I know but essential. Labour need to be paid fairly for their efforts. Little barn door grading has been done because of labour constraints.

ENVIRONMENTAL SUSTAINABILITY: CURING FUEL
Deforestation has been reported as ram-pant in most areas, and those areas that have already run out of timber getting it transported in from far afield. This must be addressed by the industry, contractors and government to maintain the credibili-ty and sustainability of our tobacco. Some contractors are doing their bit and going over and above their mandate but it is few and far between and what we are seeing on the ground is of grave concern for our industry. Coal is increasingly being viewed as unsustainable especially by the blue chip companies and sustainable, viable alterna-tives need to be actively pursued.

ECONOMIC SUSTAINABILITY: 2021 PAYMENT MODALITIES
In regard to payment modalities for the coming selling season. We have engaged the RBZ with our list of requirements that need to be in place before the opening of floors. The initial response from the Central Bank of 60:40 forex/local split falls short the realities on the ground where our USD cost requirements have ballooned close to 80% over the last year. Of greater concern is the disparity between the Interbank rate and the retoolling rate. We will continue to ac-ually engage the relevant authorities and present our concerns prior the commence-ment of the marketing season.

Grower viability is always a concern of ZTA. More and more of our cost centers are becoming USD based and with average prices trending lower over the last 5 years, grower margins are coming under pressure. This is exacerbated by poor exchange rates on a portion of any profit we make. On the back of a wet season where yields are re-duced, we need realistic firm pricing of our crop to ensure we remain viable and able to retool for the coming season. An increasing number of growers are having to self-finance a portion of their crop, which in itself is not a bad idea, as long as pricing reflects the full cost of production.

The ZTA team has been extremely busy over the last few months responding to and sorting out the issues outlined above but especially payment modalities for the coming season and NEC wage negotiations. I would like to thank the councilors for their valuable input into these areas and a spe-cial mention to Rodney Ambrose for his dedication and tireless effort in the wage negotiations on our behalf. As we start the process of preparing our crop for market-ing, I would encourage growers to concen-trate efforts on grading and presentation and provide the merchants with well pre-sented, consistent quality tobacco that rep-rents the best of the Zimbabwe crop.
How TIMB Prepares for the 2021 Season

The 2021 auction tobacco marketing season opens on Wednesday 7th April 2021. Contract tobacco sales will open on Thursday 8th April 2021. Notably, Zimbabwe Tobacco Association (ZTA) voiced its concerns in relation to opening of floors before payment modalities are finalised.

STATE OF PREPAREDNESS OF TOBACCO AUCTION FLOORS IN LINE WITH COVID 19 REGULATIONS

1. The following recommendations were agreed upon by the tobacco industry and provide general guidelines on 2021 sales procedures.

2. These are minimal requirements and stakeholders are encouraged to draw up more stringent ones.

3. All selling points shall actively spearhead COVID-19 awareness campaigns at their respective premises including displaying relevant posters and fliers.

4. The TIMB will enlist all relevant authorities, which include the Zimbabwe Republic Police and local government authorities, to enforce the complete closure and removal of all flea markets and all vendors around the perimeter of auction and contract sales floors ahead of and during the 2021 Tobacco Marketing Season.

5. The farmer shall be notified of his or her tentative selling time at the point of booking and only one farmer/representative to attend the sales.

6. Selling floors shall accept tobacco deliveries as from 6:00 am to 5:00 pm, with trucks arriving outside the permissible time being turned away.

7. A maximum of only two people are allowed on-board the tobacco delivery trucks (driver and assistant only).

8. The “delivery today and sale tomorrow” policy will be enforced in full.


10. Premises, and in particular areas that have high human contact and moving traffic, will be continuously disinfected before, during and after sales. Schedules and records of disinfection should be displayed.

11. No children under the age of sixteen (16) shall be allowed into tobacco sales premises and sales areas.

12. Each sales point shall have a designated isolation area in accordance with guidelines and recommendations from the Ministry of Health and Child Welfare. MOH&CC shall be engaged to give guidance on how to handle suspected COVID-19 cases referred to the isolation centres at the selling floors.

13. Foot baths, full body cover mist sanitising sprays, hand washing facilities, comprising of running water with either an alcohol-based disinfectant or soap, will be installed at entrance gates for use before entry, during and after sales. All vehicles driving into the selling points should be sprayed.

14. Canteens should follow ALL MOH&CC COVID-19 regulations and will only be allowed to sell take-away meals with strictly no sitting arrangements. (This will be reviewed in line with further developments in national COVID-19 regulations)

15. The wearing of face masks is mandatory for everyone entering the floors i.e. all staff members for the floor, buyers, TIMB, and farmers.

16. All sales points shall have at least a qualified State Registered Nurse on site.

17. All selling points should have technological capacity to enable growers to follow their virtual sales away from sales floors.

CONDUCT OF TOBACCO SALES AT THE FLOORS

1. Auction floors are required to consolidate tobacco deliveries to minimise the number of farmers coming to Harare.

2. Tobacco contractors operating decentralised sales points (outside Harare) should utilise these facilities in order to reduce congestion at the selling points in Harare.

3. It is optional for the grower to attend the sales and only one person is allowed per grower number. A grower intending to witness the sale should not have any signs of COVID-19.

4. In the absence of the grower, grower representatives employed by the selling floors shall make decisions on behalf of the absent grower.

5. After classification and price determination, growers or their representatives shall be allowed into sales arena in batches of 20 to conclude the sales.

6. There will be continuous disinfection of the premises with disinfection schedules displayed and all records of disinfection kept for audit trails.

GUIDELINES FOR TRANSPORTERS

1. TIMB will license and coordinate all tobacco transporters and unauthorised transporters will not be allowed to deliver any tobacco.

2. All transporters will be issued with permits and passes that authorise them to pass through roadblocks and toll gates.

AFTER SALES SERVICES

1. Farmers will not be permitted to sleep over at the sales points and under no circumstances will sales floors offer overnight accommodation to farmers.

2. The sales premises will be cleaned and sanitised during the night.

TOBACCO FACTORIES AND GENERAL OFFICES GUIDELINES

1. Wherever possible, non-essential staff members will be encouraged to work from home.

2. Foot baths, full body cover mist sanitising sprays, hand washing facilities, with soap or alcohol-based sanitisers and running water, will be installed at all critical points within the premises.

3. All staff to be classified as front line workers and to be vaccinated.
Sustainable Tobacco Growing in Zimbabwe

The tobacco sector’s sustainable future in Zimbabwe depends on a complex interplay of multiple environmental, social and economic factors.

ENVIRONMENTAL SUSTAINABILITY is characterized by the protection of forests, land, and fresh water from toxic chemicals, hazardous waste, and bad agricultural practices. In the past, sustainability was mainly focused on environmental issues but now due to the rising relevance of different social and economic concerns, it is easier to view it in the grander scheme of stabilizing our planet as a whole.

SOCIAL SUSTAINABILITY is focused on health, wellness, and education with the quality of life as one of the major priorities, but many factors are interrelated. For example, planting trees and vegetables around houses and farms decreases agricultural pollution and minimizes water treatment costs. As a result, less gas is used for transportation, less money is spent at the store, while more on vegetation maintenance. This improves physical and mental health and saves healthcare costs.

ECONOMIC SUSTAINABILITY needs to incorporate procedures to decrease energy costs, improve the workplace environment and reduce employee turnover thereby saving money and benefiting from increased productivity, engagement, and innovation in the long run. Such actions require new technology and expenditure in modern ways of agriculture. This includes planting, spraying, reaping and grading tobacco using up to date machinery. It also means investment in education and research that might result in running businesses at a loss. In an environment where no cheap funding is available while governments and corporations cannot provide support to farmers problems are abundant. However, a breakthrough can be achieved by combining profit seeking with smart use of water, energy, waste, food and through including micro farming, solar energy expansion, air to water innovations, the universal works of recycling and sustainable tobacco farming.

Economic sustainability has the biggest potential to combine good agricultural practices, technology and money-making opportunities.

Among the biggest issues in Zimbabwe is extreme poverty. The majority of the local population struggles to meet basic needs and relies on informal trading thereby counting on cheap methods of survival which destroys the environment. Educating farmers to preserve the nature is a big challenge as some fail to follow regulations due to limited resources. Legislation is present but never implemented as there is practically no rule of law in the country. Farmers cut down trees to use as energy for both curing tobacco and for domestic purposes which is caused by poverty as more than 90% are unemployed.

Growers practice stream bank cultivation mainly in dry seasons due to climate change and lack of financial support to invest in technology. Climate change which causes extreme damage to the environment and will cost even more to deal with in the future. Lack of financial support by the relevant authorities even if farmers contribute a deduction of their tobacco earnings for re-afforestation. These funds are never used to help farmers but find their way to a private pocket. Women are excluded and marginalised from important decision making. Farming fields are turned beyond reach. On small farms, growers use old methods where they are encouraged to preserve the environment and will cost even more to deal with in the future.

In Zimbabwe, there is shared belief that sustainable initiatives lead to cost increases as farmers do not have access to funds to invest in machinery, which remains beyond reach. On small farms, growers use old methods where they are encouraged to exercise primitive techniques which are strenuous and very labour intensive even though there is a tendency of preserving the soil by using organic manure. In addition, manufacturers do not take into account the extra costs associated with sustainability initiatives. Big companies should implement sustainable business practices to their supply chains so that smaller enterprises can equally improve their environmental, social and economic standards. Foreign investors in Zimbabwe are worried due to obsolete and polluting technology which is lowering working conditions. Investors should change this dangerous trend so that development can become sustainable by meeting the international recognised standards.

ABUNDANT ECONOMIC ISSUES

A lot of tobacco farmers in Zimbabwe are not aware of what sustainable development represents. In addition, cost of production in relation to the offered crop price leaves a lot to be desired.

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Lack of financial support by the relevant authorities even if farmers contribute a deduction of their tobacco earnings for re-afforestation.

Cost of production in relation to the offered crop price leaves a lot to be desired.

The main challenges in Zimbabwe are land degradation, deforestation, inadequate quantity and quality of water, air pollution, habitat destruction and loss of biodiversity, waste including toxic waste, natural hazards mainly recurring droughts, climate change and above all corruption.

Actions should be undertaken by sustainable enterprises to broadly cover areas of training, institutional dialogue, new technology, monitoring systems and tools to reach higher performance levels.

This is achievable by engaging in group work in communities with incentives (certificates or rewards) for successful projects, knowledge enhancement regarding sustainability obligations for small enterprises through media campaigns and training programs, compliance improvement with technological aid and green technology, and private-public partnerships for environmental integrity, where the private sector shares investment in infrastructural development.
Affordable Sustainability

If any link runs at a loss or is not profitable there is a break in the process and consequently the activity could disappear.

Heliodoro: In the economic aspect of sustainability, activities must generate profit to everyone in the chain. If any link runs at a loss or is not profitable there is a break in the process and consequently the activity could disappear. The most important thing in our way of seeing the matter is that profitability is equitable for all the links in the chain taking into account the relative weight that each one has. One of the great difficulties we face is that this approach is rarely applied, especially concerning marketing or intermedia where a much higher profitability is attributed to primary growers.

ITGA: What are the major social and environmental pressures you are currently dealing with?

Heliodoro: The social pressure that we have today is the loss of population in the rural sector. The vast majority of the younger generation is leaving for the big cities because the rural sector does not offer them a guarantee for the future. Crop profitability is not attractive and with the loss of tobacco cultivation this situation is even more aggravated. In environmental matters, the most complex situation is climate change. There is uncertainty regarding the start and end of the rainy and dry seasons causing losses in production, in addition to the increase in temperatures that affects crops among many other situations that affect us.

ITGA: What are the most urgent issues that pose a danger to the future of tobacco growers in your area?

Heliodoro: The main danger was the departure of the multinationals from Colombia. There is no one left to market tobacco. There is only one company that buys dark tobacco from our region, but burley and virginia tobacco will disappear in 2021.

ITGA: To what extent do tobacco growers in your market understand the concept of sustainable development?

Heliodoro: In the context of their relationship with tobacco multinationals, the concept is little understood due to the multiple changes they had to make in order to maintain the tobacco crop. However, this is a complex issue that requires constant training and adoption of practices to make Sustainable Development a reality.

ITGA: How does the cost of production relate to the offered crop price in your region?

Heliodoro: In the case of tobacco, there were reasonable production costs associated with the prices paid for each kilo of tobacco leaf. With problem-free harvests profitability can reach around 20%. For other crops, it is very complicated because there are no pre-established prices, supply and demand gives the prices and these always border with a loss for farmers.

Heliodoro: The implementation of good agricultural practices, the collection of containers and packaging of agrochemicals, the use of organic inputs, efficient water resource management (drip irrigation and water harvesting), reforestation programs in micro-watersheds, the construction of biogas generators for the production of gas that is used in domestic work, avoiding the use of trees to be used in wood stoves.

ITGA: In your opinion, what are the key ingredients of a successful sustainability program?

Heliodoro: Raising community awareness of the importance of taking care of our home (the planet) through extensive training programs, economic stimulation for those who develop environmental programs, better payment for products that use organic technologies, incentives for young people to stay in the countryside producing, developing rural agrotourism programs, so that not only farmers but also the population in general understands the meaning of sustainability.

ITGA: Do you have any closing thoughts regarding affordable sustainability?

Heliodoro: I believe that sustainability should not be just a proposal but a way of life for present and future generations. Humanity is already at risk with the transformations that are occurring due to climate change. Those of us who produce in the fields are already experiencing these transformations for which we were not prepared. It is up to us to accelerate change and ensure the good of all.
Sustainability means that we should use in a balanced manner, now and in the future, resources and everything we do in society.

In general, sustainability means that we should use in a balanced manner, now and in the future, resources and everything we do in society. For Afubra, it means to maintain the production of tobacco by the associated growers in a way that meets their economic and family needs, thus providing for continuation of farming for future generations. This implies preserving such resources as soil, air and water in the farms. We at Afubra believe that the majority of growers in Brazil have a real understanding of sustainability and many of them undertake actions toward the goals of sustainable development.

The main sector-related social pressure in the Brazil is the fact that tobacco supply chain activities are not recognized as important for the nation by anti-smoking organizations or by the WHO, in addition to some other in the public sector. Alternatively, farmers deserve recognition for their efforts in preserving the environment. Additional challenges for tobacco in Brazil are taxes on legal cigarettes, illicit trade, certain e-cigarette products and farmers' awareness of crop planning and production diversification.

Regarding production costs and prices there has been an imbalance over the past years. Low crop profits are caused by climate issues which result in tobacco not meeting the market requirements. Otherwise, production costs soar due to factors such as inputs and labor.

Positive examples of sustainability initiatives in Brazil relate to crop rotation, drip irrigation, growing eucalyptus trees for woodfuel purposes, solar energy on the farms, collection of empty pesticide containers, corn and bean after tobacco harvest and awareness programs. The key ingredients of such initiatives are the provision of income, technical assistance, productive diversification, sustainable financial resources and agricultural policy focused on tobacco. In the tobacco sector, the farmers in South Brazil can rely on Afubra’s Mutuality System.

### GROWING SEASON: 2019/20

| Types | № of Families | № of Curing barns | Area (Ha) | Production (Ton) | Kg/ha | Value (US$/kg) | Total income (R$) *
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OTHER STATES

| № of Families | № of Curing barns | Area (Ha) | Production (Ton) | Kg/ha | Value (US$/kg) | Total income (R$) *
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TOTAL BRAZIL

| № of Families | № of Curing barns | Area (Ha) | Production (Ton) | Kg/ha | Value (US$/kg) | Total income (R$) *
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</thead>
<tbody>
<tr>
<td>Total</td>
<td>160,200</td>
<td>158,380</td>
<td>315,700</td>
<td>663,909</td>
<td>1,74</td>
<td>5,815,364,132</td>
</tr>
</tbody>
</table>

### ESTIMATE

| Types | № of Families | № of Curing barns | Area (Ha) | Production (Ton) | Kg/ha | Value (US$/kg) | Total income (R$) *
<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>Va</td>
<td>109,870</td>
<td>154,070</td>
<td>245,080</td>
<td>551,195</td>
<td>2,249</td>
<td>1,78</td>
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<td>By</td>
<td>24,311</td>
<td>25,169</td>
<td>49,260</td>
<td>1,957</td>
<td>1,62</td>
<td>8,15</td>
<td>401,699,636</td>
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<tr>
<td>Co</td>
<td>3,437</td>
<td>3,107</td>
<td>6,497</td>
<td>2,091</td>
<td>1,21</td>
<td>6,10</td>
<td>39,624,999</td>
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<td>Total</td>
<td>137,618</td>
<td>154,070</td>
<td>273,356</td>
<td>606,952</td>
<td>2,220</td>
<td>1,76</td>
<td>5,381,347,508</td>
</tr>
</tbody>
</table>

OTHER STATES

| № of Families | № of Curing barns | Area (Ha) | Production (Ton) | Kg/ha | Value (US$/kg) | Total income (R$) *
<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>Others</td>
<td>13,770</td>
<td></td>
<td>25,303</td>
<td>1,221</td>
<td>8,98</td>
<td>206,022,960</td>
</tr>
</tbody>
</table>

TOTAL BRAZIL

| № of Families | № of Curing barns | Area (Ha) | Production (Ton) | Kg/ha | Value (US$/kg) | Total income (R$) *
<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>Total</td>
<td>151,388</td>
<td>154,070</td>
<td>298,659</td>
<td>637,840</td>
<td>1,74</td>
<td>5,587,370,468</td>
</tr>
</tbody>
</table>
Sustainable Development Efforts in Brazil

Original text provided in Portuguese

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ITGA: Sustainability is a notion that has been in the business mainstream for several decades. It comprises a wide range of initiatives that vary according to the specific context. What does sustainability mean to you and the organization you represent?

Giovane: It means to produce more in the same area, whilst preserving the surrounding environment. Naturally, a lot of care is needed to keep the soil healthy, which requires such practices as green fertilization, crop rotation, etc.

ITGA: What are the most urgent issues that pose a danger to the future of tobacco growers in your area?

Giovane: A very important question that requires attention is that the Government does not view tobacco growers as farmers, as there are countless restrictions against this crop (the Framework Convention on Tobacco Control is the biggest example of it). Another problem that has been constantly happening over the years is the ever-increasing cost in the prices paid to the different grades of tobacco (from O1 to O2, and the same holds true for the other grades).

ITGA: To what extent do the tobacco growers in your market understand the concept of sustainable development?

Giovane: There is no way I can give a general answer representing all tobacco farmers. However, what I perceive through the work we do on the Internet, is that farmers, in general, understand that it is important to preserve the environment in order to ensure the livelihood of the future generations, which gives origin to family succession. Another clear example is crop diversification, where one activity compliments the other and there is no dependence on only one crop.

Furthermore, in case there is need to open new areas, there is much difficulty, seeing that the Environmental Law grants permission for it, but there is a lot of bureaucracy involved.

ITGA: How does the cost of production relate to the offered crop price in your region?

Giovane: Over the past years, the production cost increased considerably, not only in tobacco, but equally in crops like corn, soybean and meat. We can also see an increase in certain sales prices, a fact that is not happening in the way we expected it in tobacco.

ITGA: Is there a shared belief among growers that sustainable initiatives often lead to increases in costs of production?

Giovane: Yes. Question 7 is the answer to this question. In practice, it is very visible, because there is need for lots of investments, like water capturing systems, soil management, investments in solar energy systems, etc, thus increasing production costs.

ITGA: Do manufacturers take into account the extra costs associated with sustainability initiatives?

Giovane: The farmers have to comply with the rules set forth by the companies. In financial terms, nothing is added to the final price of the product delivered to the company.

ITGA: Can you outline positive examples regarding sustainability programs that truly improve farmers’ prospects in both the present and the future?

Giovane: Solar energy, which in the medium and long run is a cost saving factor for the farm and preserves the environment, considering that it is a clean source of energy. In addition, the capture of rain water, both in cisterns and ponds, especially in farms where there is no abundance of water.

ITGA: In your opinion, what are the key ingredients of a successful sustainability program?

Giovane: It is essential to get the support of the government and the entities. An example of support from an entity is Afbra’s Life Is Green Project, which has for decades been stimulating reforestation moves and the preservation of green areas, so much that now in our farm we have pine trees and other native trees planted during the 1980s through this project. We consume the fruit of these trees, and there are lots of animals that feed on these seeds and disseminate them, increasing the green area even further.

ITGA: Do you have any closing thoughts regarding affordable sustainability?

Giovane: Working in a conscious manner and preserving our surroundings. If now I am producing, it is thanks to what my parents and grandparents did in the past. Then, I have to pass this down to my children and grandchildren, for them to continue producing with crops and the environment in perfect balance, seeing that everyone has their function.
An In-depth View of the Sector in Argentina

Original interview carried in Spanish

Dr Adolfo Sturzenegger Ad Honorem Professor of Economic Development Theory, Faculty of Economic Sciences (FCE), ULP Full Member of the National Academy of Economic Sciences (CAEE) and Economic Advisor to the Tobacco Chamber of Jujuy.

ITGA: To kick-start with a broader topic, what are the major social and environmental pressures for tobacco growers in Argentina?

Adolfo: Regarding this aspect of social and environmental pressures, I must say that I do not think they are a problem for tobacco production in Argentina today. Tobacco production in Argentina is an agricultural production and, in general, this type of production is viewed sympathetically. In addition, tobacco cultivation has many traces of a family economy and with growers living on their farms, which is also appreciated positively in Argentine society. Tobacco production is also carried out in relatively poor provinces, and with growers of equity and solidarity, this also has positive connotations. It is recognised that in these provinces there are difficulties in having sufficient productive capacity to sustainably maintain their economies, and in such circumstances tobacco production provides a great help. Finally, tobacco production is also seen as a strong generator of employment, a factor of extreme importance in our country, in which tobacco growers living on their farms, which is also appreciated positively in Argentine society. Tobacco production is also carried out in relatively poor provinces, and with growers of equity and solidarity, this also has positive connotations. It is recognised that in these provinces there are difficulties in having sufficient productive capacity to sustainably maintain their economies, and in such circumstances tobacco production provides a great help. Finally, tobacco production is also seen as a strong generator of employment, a factor of extreme importance in our country, in which tobacco growers living on their farms, which is also appreciated positively in Argentine society. Tobacco production is also carried out in relatively poor provinces, and with growers of equity and solidarity, this also has positive connotations. It is recognised that in these provinces there are difficulties in having sufficient productive capacity to sustainably maintain their economies, and in such circumstances tobacco production provides a great help. Finally, tobacco production is also seen as a strong generator of employment, a factor of extreme importance in our country, in which tobacco growers living on their farms, which is also appreciated positively in Argentine society. Tobacco production is also carried out in relatively poor provinces, and with growers of equity and solidarity, this also has positive connotations. It is recognised that in these provinces there are difficulties in having sufficient productive capacity to sustainably maintain their economies, and in such circumstances tobacco production provides a great help. Finally, tobacco production is also seen as a strong generator of employment, a factor of extreme importance in our country, in which tobacco growers living on their farms, which is also appreciated positively in Argentine society. Tobacco production is also carried out in relatively poor provinces, and with growers of equity and solidarity, this also has positive connotations. It is recognised that in these provinces there are difficulties in having sufficient productive capacity to sustainably maintain their economies, and in such circumstances tobacco production provides a great help. Finally, tobacco production is also seen as a strong generator of employment, a factor of extreme importance in our country, in which tobacco growers living on their farms, which is also appreciated positively in Argentine society. Tobacco production is also carried out in relatively poor provinces, and with growers of equity and solidity, this also has positive connotations. It is recognised that in these provinces there are difficulties in having sufficient productive capacity to sustainably maintain their economies, and in such circumstances tobacco production provides a great help. Finally, tobacco production is also seen as a strong generator of employment, a factor of extreme importance in our country. Tobacco production is also seen as a strong generator of employment, a factor of extreme importance in our country.

Tobacco production in Argentina is an important factor for the economic evolution of prices and costs, in circumstances to which have been paid if they had been sold under competitive conditions. Those differences are their windfall profits. So, in reality, tobacco had paid storage prices in line with international prices, therefore, an important part of this FET went into the province of Jujuy and the provinces have pressing fiscal needs, and if anything, the best prediction would be to foresee a decrease, not an increase, in the future. In perspective, the situation could be broken under two circumstances: one, international tobacco prices could improve in constant dollars terms (not in current dollars, since the dollar also has its inflation); two, if the national and provincial authorities really take decisive supportive action to overturn the situation, the FET profits of the transnationals could be used to block the monopsony's negotiating power.

ITGA: How do you see the future of tobacco in Argentina?

Adolfo: Undoubtedly, as described in the answers to the previous questions, the situation is very difficult: falling international prices in dollars, and rising production costs, together with the lack of initiative from government bodies, both national and provincial, to correct the monopolistic anomalies of tobacco marketing. The fiscal resources provided by the FET cannot under any circumstances be introduced as a source, is destined to provide very important measures that has allowed the sector to survive in the last 50 years, despite the high costs, and the low competitiveness in marketing. Tobacco Fund), which is a national resource, is destined to provide very important measures that has allowed the sector to survive in the last 50 years, despite the high costs, and the low competitiveness in marketing. Precisely, one of the reasons for the creation of the FET was to try to compensate for the negative impact of the storage prices of monopolistic marketing. Another original positive measure was to create the Tobacco Cooperative in Jujuy, along with the idea of neutralising the monopolistic marketing actions of the tobacco companies and international dealers.

ITGA: What about the ones that had long lasting negative effects?

Adolfo: The lack of synergy between the Chamber and the Cooperative served to further weaken marketing with an immediate impact on storage prices and consequent lack of competitiveness against them into line with international prices. In fact, it had the opposite effect: it led to low prices like those offered by the monopoly. Paying low storage prices on some average compensated for and concealed the series of inefficiencies cited in the previous question. I believe that there were two very negative omissions in the actions of the State, which, if they had not existed, could have helped mitigate the problems. The first omission is associated with the National State, specifically the Ministry of Agriculture’s inability or unwillingness to support the Chamber’s action to defend higher prices. For example, by establishing negotiation protocols, intervening and preventing problems. The second omission is associated with the Provincial State, specifically the Ministry of Agriculture’s inability or unwillingness to support the commercial actions of the tobacco companies and competitors not participating in the agreement.
Crop Evolution:

What is the current status of tobacco production in your country? Plant, harvest, or delivery (contract and/or auctions):

Harvest and delivery according to quotas granted to growers and prices agreed between the parties' representatives.

Weather Problems/Changes:

Very favorable, with a claim ratio of 5%, compared to an average of 11% over the last ten years.

What is the number of growers involved in the current season vs last season:

1,750 in season 20/21 and 1,661 in 19/20.

How much is the area planted in hectares? Current season vs last season:

20,100 in this season and 20,500 in the 2020-2021 season as at 11/01/2021.

Sustainable Development Efforts in Salta, Argentina:

In addition to the traditional concept of sustainability, in which there is a balance between the pillars: cultivation or economic, social or the people involved in the production chain and mitigation of the impact on the environment in which the activity is carried out, there is also governance. It is essential to know the goals of sustainability, to define clear indicators, to carry out a risk analysis where it is possible to differentiate how far one is from the established goals or, in other words, where the risk exceeds the tolerance threshold and robust areas establish areas of focus.

Good governance occurs when there is interaction with all stakeholders, from the institutional, productive, governmental, workers and customers, so that the expectations of each party can be put on the table for discussion and work on common ground.

Having worked on this, concrete actions can be agreed upon, defining roles and responsibilities for their planning, implementation, impact measurement and follow-up. This cycle gives consistency and continuity which are basic premises for sustainability. The sustainability programme is subject to constant scrutiny by clients through specific evaluations and audits entrusted to organizations specialized in observation and measurement in the field of each project and/or agreed improvement.

In the particular case of tobacco production in Salta, work is being done in this direction, having established focus areas and projects to ensure the fulfillment of sustainable goals in each pillar. All these frameworks, joint and coordinated efforts, allowed us to reach growers, workers and families with protocols, communication tools and innovative training in 2020 with the uncertainty brought about by the Covid-19 pandemic.

Environment Sustainable Firewood Programme:

All firewood used for tobacco curing must come from suppliers with Sustainable Management Plans approved by the Ministry of the Environment and, if collected, on the grower’s own farm, follow a protocol that ensures its sustainability. This programme is audited annually by PriceWaterHouseCoopers (PWC).

On-Farm Waste Management Programme:

Empty containers of Crop Protection Agents (CPA) or phytosanitary products have been received at the Transitory Collection Centres (CAT) in Rosario de Lerma and El Carril since 2016, even before the regulation of Law 27.279 on Minimum Environmental Protection requirements that for the Management of Empty Phytosanitary Products Container.

In 2020, the tobacco sector signed an agreement to add the CATs to the Campo Limpio Foundation, which was created once the law was passed, obliging companies registering phytosanitary products to manage empty containers.

Other agricultural plastics: from agricultural production, they continue to be received at the CAT/CAT in Rosario de Lerma, and since the end of 2020, traveling campaigns have been carried out to collect these plastics, duly conditioned and labeled, that justify it directly from growers’ farms. They are destined for recycling. Trays for seedling production: from 2021 onwards, traveling campaigns are organized to collect them for recycling.

Reduction of Greenhouse Gas Emissions (GHG):

The highest GHG emissions are produced during the curing process, which is why in order to work on their reduction, starting in 2021 theburner efficiency of at least 100 stoves in the Community Curing Centres will be measured, so that with their calibration the combustion efficiency can be increased and therefore the emissions per kilogram of cured tobacco can be reduced. In a second phase, this will complete the almost 500 centres, and subsequently offer the service to growers.

Biodiversity:

Since 2012, trees of native species produced by Coprotab and in collaboration with the Salta Tobacco Chamber have been delivered. More than 50,000 trees have already been delivered to tobacco growers, schools, municipalities and NGOs in the tobacco sector.

Cultivation Correct Use of CPA:

There is a commitment to eliminate residues of toxicological band I (red band) and Highly Hazardous Pesticides (HHPs). For this purpose, we have been communicating which products are allowed and training in good practices for their application. Thus, good practices are monitored in the field, measurements of cured tobacco are carried out in laboratories and, since 2020, rapid field tests for green leaf have been used.

Tobacco Specific Nitrosamines (TSN):

These are compounds that are formed in Virginia tobacco when in the curing process there is a leakage of combustion gases inside the enclosure where the leaf is located, which is why the main action is to monitor the state of the stoves and heat exchangers, in order to carry out the correct maintenance of the same. Likewise, adequate detoxification and the use of certified seeds are other factors that ensure that the TSNs are below the permitted limits. The Tobacco Growers’ Cooperative provides certified fertilisers and seeds for tobacco.

The team of technicians monitors the implementation of good practices and is also working to measure the tightness of the stoves to help growers to address the maintenance of the stoves.

People Elimination of Child Labour:

Since the beginning of 2000 we have been working to raise awareness among growers, workers and their families. For several years we have been working together with the Conscience Association the Porvenir and Harvey Gardens Programs, and more recently Crecer Gardens, providing a space of containment and development for the children and adolescents of tobacco families during the harvest season.

In 2016, the Presidential Decree N° 1.117/16 determined tobacco activity as one of the types of activities that are considered dangerous work for people under 18 years of age, prohibiting the participation of children and adolescents in any stage of the crop.

Provision and Use of PPE:

The health and well-being of workers is fundamental to achieve business sustainability, especially in the case of tobacco, as it is an intensive crop that employs a large number of workers.

Since 2016, the distribution of CPA Application Equipment began, and in 2018, the distribution of Harvesting Equipment to prevent Green Tobacco Disease (GTD). At the same time, and in conjunction with other actors in the tobacco sector, training was developed for both growers and workers with the aim of raising awareness of the risks of the activity and promoting the use of PPE.

Housing Conditions:

Despite the fact that the rural exodus to urban areas is a reality all over the world, in the province of Salta, hundreds of families still live and work on tobacco farms. In 2018 we started to monitor housing and compliance with basic needs, trained growers, and agreed on improvement plans with them so that the accommodations meets the minimum standards required.

Minimum Salary:

The National Commission on Agricultural Labour sets the minimum gross salary for each of the categories of employees in the tobacco sector. Since 2016, we have been monitoring compliance with the minimum wage payment as part of our ALP (Agricultural Labour Practices) programme. The union co-responsibility agreement, signed in 2012 between representatives of growers and rural workers, allocates resources from the Special Tobacco Fund (FEPT) for this purpose, ensuring that the system works properly.

Wash:

The term refers to the conditions of access to water for drinking, washing and sanitation for families living on the farms, growers and workers. From the year 2016, the-the requirements for the provision of toilet facilities and farms to establish a baseline in this regard.
Emerging Cannabis Opportunities in Argentina

Original interview carried in Spanish

ITGA: How long have you been researching cannabis?

Gonzalo: I have been studying cannabis comprehensively for more than three years.

ITGA: How did this project come about and what do you think differentiates Argentina?

Gonzalo: I am a person linked to tobacco since 1860 when my great-great grandfather had a cigarette factory. Because I know the law of the Special Tobacco Fund (FET). I saw that one of its articles allowed using resources to diversify the cultivation and there it occurred to me that we could use resources to study in depth a plant in this case cannabis. Argentina is privileged because we are a PIC/S (Pharmaceutical Inspection Co-operation scheme) country. This is a pharmaceutical quality certification which other neighboring countries do not have and would allow us to market cannabis derivatives with added value. If the law continues to advance we could export to the world not only medicinal products but also food, cosmetics, etc.

ITGA: Can you briefly explain the project and the benefits you expect to obtain?

Gonzalo: The project’s objective is Public Health. As a result, the members of the agreement are the Chamber of Tobacco of Salta, INTA (National Institute of Agricultural Technology), FET (Special Tobacco Fund) and the Ministry of Public Health. We will begin to make greenhouses to investigate the adaptation of the seeds in our territory, starting with 8 varieties imported from Switzerland, Holland, Uruguay, and Spain. The obtained oils will then be delivered to the national program of cannabis for free, directly benefiting those patients in Argentina who are currently paying a very high cost in importing quality oils.

ITGA: In the last annual meeting of ITGA (AGM) we had the opportunity to meet with one of the experts in this crop in the USA, Dr. Snell, who warned us of a supply above the demand and an already over-looked market. Do you share his opinion?

Gonzalo: While the legal advances in the recent times make it seem that cannabis will be legal throughout the world, I think there is still a long way to go. A very big breakthrough in the USA happened last November when removing the Cannabis Classification I so that it could be investigated and considered of great potential in health use. This will bring investments to continue researching, but as we all know in North America and Europe, research, production, and packaging is still very expensive. One of the advantages of producing cannabis in Latin America, especially in Argentina, is the cost which is still cheap compared to developed countries. We have very good professionals and skilled labor at a very low cost. And that is a great opportunity for the generation of jobs here.

ITGA: What do you consider the biggest challenges for the initiative you are trying to develop together with governmental entities and institutions?

Gonzalo: Tobacco production in Argentina will take a long time to be replaced, because it generates a lot of labor and brings large amounts of money to the country, and this has nothing to do with smoking cigarettes, because as you know 80% is exported. I think that cannabis can go in parallel and be one more crop that generates wealth to our region in the future when it will be fully regulated. Many actors will be able to benefit from cannabis because it is something that still has no ceiling and benefits will continue to be discovered in its responsible use. I believe that in the not-too-distant future, given the law allows it, producers will be able to grow their own crops and negotiate as each one of them sees fit. For now, this is aimed at research.

Many actors will be able to benefit from cannabis because it is something that still has no ceiling and benefits will continue to be discovered in its responsible use.

We also have to be responsible and always defend the health of children and adolescents.

This will be the only inter institutional project with clear objectives for the benefit of the entire population.

cause the children’s brains will not finish developing until they are 23 years old. Teaching and prevention will also be part of this project.

ITGA: In your relationship with tobacco producers in your region, have you felt that there is hope in this new crop as a substitute for tobacco while maintaining the profitability that tobacco offers them?

Gonzalo: Tobacco production in Argentina has a long time to be replaced, because it generates a lot of labor and brings large amounts of money to the country, and this has nothing to do with smoking cigarettes, because as you know 80% is exported. I think that cannabis can go in parallel and be one more crop that generates wealth to our region in the future when it will be fully regulated. Many actors will be able to benefit from cannabis because it is something that still has no ceiling and benefits will continue to be discovered in its responsible use. I believe that in the not-too-distant future, given the law allows it, producers will be able to grow their own crops and negotiate as each one of them sees fit. For now, this is aimed at research.

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For decades tobacco was considered one of the most profitable crops for farmers. However, its continuing economic viability is put in serious doubt. The combination of stagnant pricing and ever growing production costs makes the life of the most vulnerable part of the supply chain increasingly difficult. Nowadays, achieving long term profitability from tobacco is a major challenge.
India Country Report

The auctions for 2020 tobacco crop ended on October 24, 2020, a total quantity of 128.65 million Kgs was marketed (against the authorised crop size of 136 million kgs) at an average price of US$ 1.77 per Kg.

The Tobacco Board has authorised a crop size of 115 million kgs for the 2021 crop in Andhra Pradesh. Auctions for this crop will commence from 15th March 2021.

KARNATAKA FCV TOBACCO – CROP 2021:
The Tobacco Board has authorised a crop size of 88 million kgs for the current 2021 crop in Karnataka. Auctions for this crop started around last week of September 2020. As on 11th February, 2021, a quantity of around 63 million kgs has been marketed at an average price of US$ 1.86 per Kg.

The previous crop (2020) of 106 million kgs was marketed at an average price of US$ 1.69 per Kg in Karnataka.

INDIA’S EXPORT OF TOBACCO & TOBACCO PRODUCTS (QUANTITY IN MILLION KG & VALUE IN MILLION US$)

Source: Tobacco Board, Govt. of India
FROM LEAF TO SMOKE EXPERIENCE.

Hand in hand with farmers and the Industry.

Star Agritech Depots: Jember/Indonesia • Malang/Indonesia • Novorossiysk/Russia • Kostroma/Russia • Johannesburg/South Africa • Koper/Slovenia • Trieste/Italy • Bremen/Germany • Antwerp/Belgium
Malawi Country Report

CROP EVOLUTION

CURRENT STATUS OF TOBACCO PRODUCTION

Malawi tobacco crop is currently at reaping, curing and baling stages. Leaf sales is anticipated to commence early April 2021. Both contract and auction marketing systems will be applied at a ratio of 80:20 respectively.

WEATHER

During October to December 2020, much of the country received normal to above-normal rainfall amounts with some pockets of the northern region receiving normal to below-normal rainfall amounts.

During January to March 2021, most areas in the south, center and the north are expected to receive normal to above-normal rainfall amounts. However, pockets of dry conditions are expected mostly over south and centre. Total rainfall amounts range from 500mm to 3000mm. The weather as recorded and predicted is favourable for tobacco production.

NUMBER OF GROWERS - CURRENT SEASON VS LAST SEASON:

About 44,550 registered numbers have licensed with the industry regulator, Tobacco Commission, to grow and sell tobacco this season. This translates to approximately 324,400 individual grower count.

While in the previous season 50,186 registered numbers licensed to grow and sell tobacco this season. This translates to approximately 324,400 individual grower count.

VOLUME OF TOBACCO PRODUCED IN THE CURRENT SEASON VS LAST SEASON:

As at the time of compiling this report, tobacco industry had not yet released first round tobacco estimates survey results. However, a total weight of 163m kilograms of all tobacco types was licensed with Burley at 85%. This is against a trade requirement of 132m kilograms of all tobacco types. Last season total licensed quota was 173m kilograms and actual volume sold was 114m kilograms.

AFFORDABLE SUSTAINABILITY

Introduction of Good Agricultural Practices has increased yield per unit area. This is as a result of improved technologies like recommended plant spacing, use of recommended chemicals, fertilizers, growing of recommended and certified seed varieties and improved extension services offered by Buyers.

A proper assessment is yet to be made on profitability of a system where growers are provided with farm inputs on loan through a buying company. There are fears that increased costs of sustainability have the potential of eroding farmers take home pay after servicing the loans.

WHAT ARE THE KEY INGREDIENTS OF THESE PROGRAMS THAT MAKE THEM SUCCESSFUL?

Conservation of trees is being widely practiced by tobacco growers especially due to mandatory requirement in Integrated Production System packages to all growers. Afforestation program is a requirement for a grower to secure contract with tobacco buyers.

As one way of environmental sustainability, farmers have adopted a technology of planting trees that are being used as live curing barns.

<table>
<thead>
<tr>
<th>AREA PLANTED - CURRENT SEASON VS LAST SEASON:</th>
</tr>
</thead>
<tbody>
<tr>
<td>This season, a total of 65, 260 hectares has been put to use for tobacco production against last season’s 69,182 hectares.</td>
</tr>
</tbody>
</table>
Affordable Sustainability

ITGA: Sustainability is a notion that has been in the business mainstream for several decades. It comprises a wide range of initiatives that vary according to the specific context. What does sustainability mean to you and the organization you represent?

Graham: Continuity of processes that are benefiting all parties involved and in a way that the outcome is within acceptable standards by all concerned.

ITGA: What are the major social and environmental pressures you are currently dealing with?

Graham: Socially, the COVID-19 pandemic is a serious matter that is exerting a lot of pressures to all and secondly is the child labour incidences in some cases due to misinterpretation of what child labour is, in our society. Environmentally, yes, unpredictable and changing weather patterns coupled with deforestation are a big concern.

ITGA: What are the most urgent issues that pose a danger to the future of tobacco growers in your area?

Graham: Compliancy (due to lack of compliance, blue chip customers may end up walking out of the Malawi market as it already happened with American market) and pricing (depressed prices tend to force farmers out and as they do not make profits out of their tobacco business).

ITGA: To what extent do tobacco growers in your market understand the concept of sustainable development?

Graham: Now that majority are being agronomically supported by merchants during the production processes, there is some degree of understanding of the sustainability concept though the belief is not guaranteed.

ITGA: How does the cost of production relate to the offered crop price in your region?

Graham: In Malawi, tobacco prices are guided by the Government formulated price matrix deriving from cost of production but as to whether there is an impact, that remains with a big question mark since there are some elements that are making the system look not as effective though it is meant to ensure growers make a margin.

ITGA: Is there a shared belief among growers that sustainable initiatives often lead to increases in costs of production?

Graham: Yes, they know this since there are added elements that are part of the value chain that require financing to achieve it hence increasing costs.

ITGA: Do manufacturers take into account the extra costs associated with sustainability initiatives?

Graham: In all fairness, it is supposed to be the case but it is not clear if that is happening since manufacturers deal with processors and processors buy from growers. However, what is happening currently, prices seem static and even reducing over the years in dollar terms.

ITGA: Can you outline positive examples regarding sustainability programs that truly improve farmers’ prospects in both the present and the future?

Graham: Good Agricultural Labour Practices as a compliance issue helps retain confidence of the customers hence increasing the demand, afforestation too is another positive program and socially, provision of Social Corporate support like school materials for facilitation of education amongst the children of tobacco growing families as opposed to involving the children in tobacco businesses.

ITGA: To what extent do tobacco growers in your market understand the concept of sustainable development?

Graham: Now that majority are being agronomically supported by merchants during the production processes, there is some degree of understanding of the sustainability concept though the belief is not guaranteed.

ITGA: In your opinion, what are the key ingredients of a successful sustainability program?

Graham: Transparency, awareness, mutually beneficial to all parties.

ITGA: Do you have any closing thoughts regarding affordable sustainability?

Graham: In conclusion, affordable sustainability should not only benefit one party but must be a way of ensuring even the marginalized are benefiting from their involvement.

Graham: Continuity of processes that are benefiting all parties involved and in a way that the outcome is within acceptable standards by all concerned.

ITGA INTERVIEW - AFFORDABLE SUSTAINABILITY

Graham Kunimba
General Manager of
AHL Tobacco Sales-
Malawi

Now that majority are being agronomically supported by merchants during the production processes, there is some degree of understanding of the sustainability concept. Affordable sustainability should not only benefit one party but must be a way of ensuring even the marginalized are benefiting from their involvement.

THE FUTURE IS INSIDE OUR NATURE.

The roots of our tobacco grow from the CTV story – from our own history.

For generations we have cultivated tobacco in our fields in Verona. Today, we look toward the future working with the same care and attention as the farmers who established our traditions. With the same love for natural and simple things.

Flue Cured Verona. The habit of doing things well.
Zambia Country Report

CROP EVOLUTION:

WHAT IS THE CURRENT STATUS OF TOBACCO PRODUCTION IN YOUR COUNTRY—PLANT, HARVEST, OR DELIVERY (CONTRACTED AND/OR SELF-FINANCED)?

For the season 2019/2020 (most recent), the total production was 30,513,099.00 Kg, with Flue Cured Virginia being 25,691,965.00 Kg and Air Cured Burley being 4,821,134.00 Kg.

WEATHER

For the 2020 tobacco production season, the rainfall pattern in areas of production was generally good to normal, Eastern parts of the country experiencing some drought spells which to some extent affected the curing of the crop.

WHAT IS THE NUMBER OF GROWERS INVOLVED IN THE CURRENT SEASON VS LAST SEASON?

The table below shows the comparison between 2020 season and 2019 with regard to the total number of growers, total area planted (Ha) and total production (Kgs)

<table>
<thead>
<tr>
<th></th>
<th>2020 Season</th>
<th>2021 Season (Projected)</th>
<th>% Change between 2020 and 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Growers</td>
<td>15,753</td>
<td>19,017</td>
<td>+20</td>
</tr>
<tr>
<td>Total Area Planted (Ha)</td>
<td>15,615.64</td>
<td>19,959.00</td>
<td>+21</td>
</tr>
<tr>
<td>Total Production (Kg)</td>
<td>30,513,099.00</td>
<td>36,931,383.00</td>
<td>+1</td>
</tr>
</tbody>
</table>

AVERAGE PRODUCTION COSTS FOR THE CURRENT SEASON AND LAST 3 SEASONS:

The average production costs for 2019, 2020 and 2021 are hereby shown in the table below:

<table>
<thead>
<tr>
<th>Season</th>
<th>Average Cost of Production (ZMW)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>36,261.41</td>
</tr>
<tr>
<td>2020</td>
<td>52,397.74</td>
</tr>
<tr>
<td>2021</td>
<td>59,397.74</td>
</tr>
</tbody>
</table>

Note: The average cost of production excludes the capital expenditure such as Curing facilities, i.e., Barns and sheds. The average production cost is the sum weighted average of production costs at small scale and large scale levels of production. Ex. Rate at time of report USD 1 = ZMW 21.45

Turkey Country Report

CROP EVOLUTION:

WHAT IS THE CURRENT STATUS OF TOBACCO PRODUCTION IN YOUR COUNTRY—PLANT, HARVEST, OR DELIVERY (CONTRACT AND/OR AUCTIONS):

In Turkey, the time period between the months March and April is used for planting seeds, followed by planting the crop in the fields during the time period between the months April and May. Then, this time period is followed by the crop cultivation process between the months May and August. After crop cultivation curing process takes place between the months August and September.

Finally, sales of the tobacco produced takes place between the months September and November.

WHAT IS THE NUMBER OF GROWERS INVOLVED IN THE CURRENT SEASON VS LAST SEASON:

In the year 2020 there were 47,216 farmers involved in the tobacco production process.

In the year 2019 there were 45,972 farmers involved in the tobacco production process.

HOW MUCH IS THE AREA PLANTED IN HECTARES CURRENT SEASON VS LAST SEASON:

In the year 2020 the total amount of tobacco produced was 950.622 hectares. In 2019, the number is almost the same.

VOLUME OF TOBACCO PRODUCED IN THE CURRENT SEASON VS LAST SEASON:

The total amount of tobacco produced in the year 2020 is 82,791.827 kilograms, which is 20% increase from the year 2019.

AVERAGE PRODUCTION COSTS FOR THE CURRENT SEASON AND LAST 3 SEASONS:

The average cost of tobacco production in the year 2020 per kilogram is 15.16 Turkish Lira.

The average cost of tobacco production for the last three years is 13.96 Turkish Liras.

AVERAGE PRICE FOR THE CURRENT SEASON AND LAST 3 SEASONS:

In the year 2020 the average farmgate sales price of tobacco in kilograms is worth 16.70 Turkish Liras. Meanwhile the average of last three years sales in kilograms is 15.25 Turkish Liras.
People that Shaped the Sector: Talking to Dr Collins about the sustainable future of tobacco

Dr William Collins is formerly Coordinator of Tobacco Programs and Tobacco Extension Specialist at NC State University where he continues to work at the NC Tobacco Foundation. He is Assistant Director of the NC Tobacco Trust Fund Agricultural Leadership Program (10 days of training over a two-year period) for mid-career agriculturalists in North Carolina. Dr Collins is a special consultant on tobacco for the Commissioner of Agriculture and Consumer Services in North Carolina. He serves several times a year as an expert witness in court proceedings related to tobacco insurance claims, writer of tobacco production articles in farm publications, and co-director of a tobacco short course for young tobacco farmers and related agribusiness.

In August 2019, the International Tobacco Growers’ Association (ITGA) organized the Americas Meeting in Raleigh, North Carolina, hosted by our member Tobacco Growers of North Carolina (TGANC). Associations from Argentina (Salta and Misiones), Brazil (AFUBRA), Dominican Republic (INTABACO) and US gathered for three days discussing the challenges facing the sector and looking into the future at regional and global level.

Among our invitees was Dr Collins, a Professor from North Carolina State University. He is one of the most experienced people in the sector. Dr Collins kindly shared some of his thoughts and findings along the years and talked about his experiences while working in forty different countries through his career. We reached out to Dr Collins at this critical time for farmers to find out his view on some key points related to our sector’s future.

To kick-start with a broader topic, we asked Dr Collins what he thought are the major social and environmental pressures for tobacco growers in the US. In addition to “...smoking restrictions are getting tighter and tighter”, Dr Collins notes that child labor is not an issue in the US, where policies are strict in terms of labor and highly regulated by the H2A US program. Dr Collins explained what the notion of poverty for a farmer in the US means: “...lack of more profitable alternatives; farmers here are successfully making their way out of tobacco into other more profitable crops as sweet potato, peanuts, corn and soya beans. Sweet potato production much of which goes to Europe, mainly England, has been very profitable for US Farmers and re-quires much of the same equipment and labor as tobacco”.

One of the key concerns for growers globally is being able to earn more than they invest. However, the relationship between costs of production and crop prices is not always stable. Ever rising costs in combination with stagnant prices often result in farmers giving up on tobacco. We asked Dr Collins how he sees this situation in the US. In Dr Collins opinion the situation is following an evolution in the recent years and in the case of US, more regulations, increase of taxes and last year’s US-China trade constraints are some of the factors that ultimately, affect farmers’ profitability.

“Next generations are well educated and intelligent farmers. They are prepared, they will respond to the challenges of future farming in the US.”

In the case of US, more regulations, increase of taxes and last year’s US-China trade constraints are some of the factors that ultimately, affect farmers’ profitability.

Collins firmly believes that the future of traditional tobacco in the US will largely depend on the need of use for ‘heat not burn’ products.

Collins firmly believes that the future of traditional tobacco in the US will largely depend on the need of use for ‘heat not burn’ products. Also, looking back in the history of US tobacco growing, one of the best measures/policies taken to ensure the sustainable future of the sector was “…the creation of the Government Tobacco Transition Payment Program, or buyout program” as it is commonly known. “It was a milestone support for farmers”. The program eliminated the price support with compensations to quota owners and tobacco farmers for a period of ten years. The last payment was made in 2014. The program improved US tobacco competitiveness in the world market. “In the past, tobacco farming was a way of life whereas now it is mainly driven by profitability. An average farmer grows 100 acres (about 40.5 ha) of tobacco.”

Finally, as a mentor to many generations of farmers how do you see the future of tobacco growing in the US? “Next generations are well educated and intelligent farmers. They are prepared, they will re-pond to the challenges of future farming in the US”. “There is a vast area of good tobacco land in Southeast US … and a high rate of mechanization these days”. Dr Collins gives an example: In 1966, 600 hours of human labor were needed to produce 1500 pounds per acre (about 1680 kg per ha). Today 70-75 hours provide around 3000 pounds per acre (about 3360 kg per ha) because in average, 70% of the acreage is mechanically harvested.

Collins firmly believes that the future of traditional tobacco in the US will largely depend on the need of use for ‘heat not burn’ products. On the other hand technology is available to produce low cost tobacco leaf using chopped green tobacco.
CROP EVOLUTION:

WHAT IS THE CURRENT STATUS OF TOBACCO PRODUCTION IN YOUR COUNTRY- PLANT, HARVEST, OR DELIVERY (CONTRACT AND/OR AUCTIONS):

The season is closed; the seeding in warehouse will occur in March 2021.

WEATHER PROBLEMS/CHANGES:

Variability of meteorological phenomena; rising temperatures: periods of drought in summer while particularly mild seasons and short periods of cold in winter. Violent phenomena like rain, hail and wind are increasingly frequent.

WHAT IS THE NUMBER OF GROWERS INVOLVED IN THE CURRENT SEASON VS LAST SEASON:

No. 1450 (current season) vs No. 1790 (last season) - a drastic drop in the number of Burley growers is assumed.

HOW MUCH IS THE AREA PLANTED IN HECTARES- CURRENT SEASON VS LAST SEASON:

9 – 10k hectares (current season) vs 12,5k hectares (last season)

VOLUME OF TOBACCO PRODUCED IN THE CURRENT SEASON VS LAST SEASON:

31 – 32mio kg (current season) vs 38mio kg (last season)

AVERAGE PRODUCTION COSTS FOR THE CURRENT SEASON AND LAST 3 SEASONS:

Current season:
- 3,30 €/kg Flue Cured Virginia (Verona)
- 2,80 €/kg Flue Cured Virginia (Umbria)
- 2,50 €/kg Burley
- 5,50 €/kg Fired Cured

AVERAGE PRICE FOR THE CURRENT SEASON AND LAST 3 SEASONS:

Current season:
- 3,00 €/kg Flue Cured Virginia (Verona)
- 2,70 €/kg Flue Cured Virginia (Umbria)
- 2,20 €/kg Burley
- 7,00 €/kg* Fired Cured

(*Price: Filler from 3,50€ to 7€; Wrapper up to 14€)

N.B Current Season = estimate for 2021; Last season = year 2020
Affordable Sustainability

ITGA INTERVIEW - AFFORDABLE SUSTAINABILITY

ITGA: Sustainability is a notion that has been in the business mainstream for several decades. It comprises a wide range of initiatives that vary according to the specific context. What does sustainability mean to you and the organization you represent?

Giovanni: Implementing all actions during the production aimed at saving natural resources in order to safeguard the natural ecosystem as much as possible. As far as possible, reducing the use of chemical/phytosanitary products and replacing them with natural ones, thus facilitating the development of biodiversity. In all production phases, pursuing compliance with the applicable rules and laws that in recent years have tended to reduce the use of chemical products and to safeguard the safety of personnel in the workplace and in the environment; these rules have the objective to provide the worker with a safe, protected environment and with a fair pay in order to offer him a dignified life, paying the farmers a fair price. In summary, sustainability means: acting in respect of the environment around us, through the use of natural rather than chemical techniques; avoiding waste of any kind; respecting the rights of workers; raising the awareness that every action must be sustainable to create and expand an ecological sensitivity. This must be a primary objective even in those who operate in a purely economic environment.

ITGA: What are the major social and environmental pressures you are currently dealing with?

Giovanni: Tobacco production is perceived as no longer sustainable from a health point of view, as agricultural production is confused with smoking. The rigorous and respected regulations in our country are a guarantee of such a product not polluted by residues of toxic active ingredients (this is difficult to affirm for the other countries where guarantees and controls are lower). Population, public administration and authorities of health control are vigilant and particularly sensitive to the agricultural practices that are considered to have an impact on the environment (treatments, etc.).

ITGA: What are the most urgent issues that pose a danger to the future of tobacco growers in your area?

Giovanni: Economic sustainability is the main issue. The market does not seem to reward the efforts of farmers to observe the rules imposed to achieve high levels of environmental and social sustainability. Although the Italian production has very high levels of compliance with the sustainability standards, the farmers' pricing requests are not met. Reduction of active ingredients for a reduced possibility of carrying out a struggle for phytosanitary issues of cultivation. Difficulty due to the cost increase related to finding the necessary technical means for an efficient production. Problems with finding manpower.

There is no direct correlation among costs, revenues and fair fulfilment for companies engaged in the tobacco sector.

ITGA: To what extend do tobacco growers in your market understand the concept of sustainable development?

Giovanni: The structured and entrepreneurial companies are aware of the importance of following all the consents for sustainable development. Nevertheless, there is the awareness of acting in a situation of serious crisis in the sector which makes everything more difficult. The concern of seeing production costs rise is real.

ITGA: How does the cost of production relate to the offered crop price in your region?

Giovanni: Production costs in Italy are far higher than crop price. There is no direct correlation among costs, revenues and fair fulfilment for companies engaged in the tobacco sector. In the last couple of years this matter has led to a very strong contraction in production with a significant reduction in the volumes produced.

ITGA: Is there a shared belief among growers that sustainable initiatives often lead to increases in costs of production?

Giovanni: Yes. Once again, although the Italian tobacco production is considered the best practicable worldwide, in terms of respect of environment and labour, the big players keep comparing the Italian tobacco prices with other areas where the approach to these matters is well below standard.

ITGA: Do manufacturers take into account the extra costs associated with sustainability initiatives?

Giovanni: No, at least not as much as they should.

ITGA: Can you outline positive examples regarding sustainability programs that truly improve farmers’ prospects in both the present and the future?

Giovanni: Correct agronomic practices which respect the pedological reality of the crops. Correct use of authorized products and respect for periods of shortage, planning to pursue the principles of an integrated pest control. Absolute prohibition to use child labour. Adequately trained and remunerated labourers based on established contracts. Rational fertilization or use of fertilizers with a reduced impact on the chemical balance of the fields. With timely and periodic checks using soil analysis tool, essential for rationalizing the use of fertilizers. Cultivation techniques to improve the organic substance of the land, to increase the crop exchange capacity, without using chemical fertilizers (green manure). Carry out the distribution with focused targeted techniques, avoiding waste (fertilization with drainage, etc.). Rational and correct use of water resources, with the spread and use of water saving techniques (drip irrigation, etc.). Using modern irrigation techniques, which also allows energy savings, with reduced use of fuels. Use of renewable energy sources and a gradual reduction of the use of fossil fuels.

Sustainable development is now undeniable and in the immediate future it will be an obligatory path to follow.

ITGA: In your opinion, what are the key ingredients of a successful sustainability program?

Giovanni: Awareness of the owners, workers and all operators involved in the sector on the absolute indispensability in pursuing all the principles of a sustainable development. Economic sustainability of production leads to safe sustainable development, on the other hand, if companies operate in conditions of extreme economic difficulty, due to the market situation, it is much more difficult to pursue the principles of a correct and sustainable development.

ITGA: Do you have any closing thoughts regarding affordable sustainability?

Giovanni: Sustainable development is now undeniable and in the immediate future it will be an obligatory path to follow. Nowadays environmental awareness is acquired by public opinion and all political decisions will also be consequential in the short term. Sustainability means higher production costs but end users apparently don’t take this much into consideration. The Italian growers get the impression that sustainability is a beautiful facade but then the Industry’s main concern is to buy cheap.
Azerbaijan Country Report

CROP EVOLUTION:
WHAT IS THE CURRENT STATUS OF TOBACCO PRODUCTION IN YOUR COUNTRY- PLANT, HARVEST, OR DELIVERY (CONTRACT AND/OR AUCTIONS):
On a contract basis
WEATHER PROBLEMS/CHANGES:
Drought, hail, frost, storm.
WHAT IS THE NUMBER OF GROWERS INVOLVED IN THE CURRENT SEASON VS LAST SEASON:
Current season 2020: 201 farmers
Last season 2019: 226 farmers

HOW MUCH IS THE AREA PLANTED IN HECTARES- CURRENT SEASON VS LAST SEASON:
Current season 2020: 1527 ha
Last season 2019: 1807 ha

VOLUME OF TOBACCO PRODUCED IN THE CURRENT SEASON VS LAST SEASON:
Current season 2020: 2307 t
Last season 2019: 2090 t

AVERAGE PRODUCTION COSTS FOR THE CURRENT SEASON AND LAST 3 SEASONS:
Current season 2020: 1688,24 $/ha
Last season 2019: 1672,35 $/ha
Last season 2018: 1570,59 $/ha

AVERAGE PRICE FOR THE CURRENT SEASON AND LAST 3 SEASONS:
Current season 2020: 2,28 $/kg
Last season 2019: 2,47 $/kg

North Macedonia and Bulgaria Country Reports

2020 PRODUCTION
Bulgaria: 7.5 Million Kilos, 15% - 20% decline from 2019.
North Macedonia: 25 Million Kilos, 7% decline from 2019.

There are many reason for the decline and some of them are as follows:
- Privatization of State Tobacco Monopolies, hence no more guaranteed purchase commitment from the government
- Less attractive agricultural subsidies from the government
- Growing urbanization pushing young farmers to move to the city and abandon tobacco farming
- Oriental Tobacco is high quality and expensive product. Increasing taxes on a pack of cigarette is pushing
- Small & Medium Size manufacturers to search for a substitute product
OTHER MARKETS IN A GLANCE

GERMANY
- **Production Size:**
  - 2020: 4,000 tons
  - 2019: 4,800 tons
- **Tobacco Types:**
  - Virginia Bright

BELGIUM
- **Production Size:**
  - 2020: 50 tons
  - 2019: 50 tons
- **Tobacco Types:**
  - Burley, Dark Fired

FRANCE
- **Production Size:**
  - 2020: 4,030 tons
  - 2019: 5,250 tons
- **Tobacco Types:**
  - Virginia Bright, Burley, Dark Fired

SPAIN
- **Production Size:**
  - 2020: 27,906 tons
  - 2019: 29,698 tons
- **Tobacco Types:**
  - Virginia Bright, Burley, Dark Fired

CROATIA
- **Production Size:**
  - 2020: 7,600 tons
  - 2019: 7,600 tons
- **Tobacco Types:**
  - Virginia Bright, Burley

POLAND
- **Production Size:**
  - 2020: 27,997 tons
  - 2019: 27,983 tons
- **Tobacco Types:**
  - Virginia Bright, Burley, Dark Fired

HUNGARY
- **Production Size:**
  - 2020: 6,000 tons
  - 2019: 5,350 tons
- **Tobacco Types:**
  - Virginia Bright, Burley

ROMANIA
- **Production Size:**
  - 2020: 2,000 tons
  - 2019: 2,580 tons
- **Tobacco Types:**
  - Virginia Bright

GREECE
- **Production Size:**
  - 2020: 20,633 tons
  - 2019: 24,623 tons
- **Tobacco Types:**
  - Virginia Bright, Orientals

Source: ITGA - European Leaf Tobacco Information Organisation