

BRAZIL (October 1998)

Over the past two decades Brazil has become a tobacco superpower. Brazil is now the world's largest exporter of tobacco, as well as the world's fourth largest producer.¹ Since 1975, Brazilian tobacco leaf exports have more than doubled, reaching an estimated 300,000 tons in 1997.² Worth almost \$1 billion in 1997,³ more than half of these exports were destined for Europe and the former Soviet Union,⁴ where the multinational cigarette companies have been aggressively expanding their manufacturing capabilities. Brazilian tobacco is primarily used by Philip Morris and other companies to make less expensive generic brands, since it is half the cost of its American counterpart.⁵ Along with tobacco leaf exports, the volume of Brazilian cigarette exports has also skyrocketed, going from only 610 million in 1981 to 63 billion in 1996, putting Brazil among the top 10 cigarette exporting nations.⁶

Tobacco Cultivation:

In many respects, growers are like indentured servants of the tobacco industry.

-- *A Poison Crop: Tobacco in Brazil*, Pesticide Action Network⁷

Ninety percent of the country's tobacco is grown in the in the southern states of Rio Grande do Sul, Santa Catarina and Paraná, while dark tobacco for pipes and cigars is grown in the northern states of Alagoas and Bahia. Approximately 209,000 tobacco farmers cultivate some 765,700 acres, and the number is growing. In Paraná, for example, the number of tobacco farmers has increased by 43% since 1990.

Life for many of these farmers is difficult. Most Brazilian tobacco is grown on small family farms. Tobacco is an incredibly labor-intensive crop, requiring 1,200 labor hours per acre, compared to beans which take only 120 labor hours per acre or maize which takes 107 hours. Mostly family labor is used on the tobacco farms, including child labor. In some areas, the tobacco companies have reportedly asked that school schedules be rearranged so that children will be available to work on the tobacco crop.⁸

Foreign companies play an enormous role in the Brazilian tobacco industry. Two U.S.-based companies, Universal Corporation and Dimon Inc., have contracts with nearly half of Brazil's tobacco farmers.⁹ Souza Cruz, a subsidiary of British American Tobacco (BAT), contracts with most of the rest. According to a report in the *Washington Post*, these companies get down payments from American cigarette companies to deliver a set amount of leaf. "They then use that down payment to provide cash advances to [Brazilian] growers...helping to finance farmers there without putting their own funds at risk."¹⁰

These companies loan the farmers seeds and fertilizer at subsidized prices, and provide technical advice on such matters as planting schedules, the construction of curing sheds and even weather reports. This is a major reason that so many choose to farm tobacco in a country where banks often charge more than 100% for loans.¹¹ In return for this generosity, however, farmers are under strict legal obligations to the companies. Having signed a contract with a particular company, farmers may only purchase seeds, fertilizers and pesticides from it.¹² Growers pledge to sell their harvest exclusively to the company, which determines how much land will be cultivated and how much of each type of input should be used. Company inspectors make regular visits to the farms to make sure its guidelines are followed.

Previously, prices for different grades of tobacco fluctuated according to supply and demand. Following a growers' strike in the late 1980s, however, the companies "tightened the pricing noose" by banding together, reports the *New York Times*. The large tobacco companies now "decide prices among themselves, and punish growers heavily should they decide to sell elsewhere," says the *Times*. "[T]he big companies join together to estimate the growers' cost of production plus a modest margin. To help enforce their control, the companies hold back a share of the farmer's payment until the entire harvest is delivered." Although farmers complain bitterly that the companies intentionally grade their crops lower in order to pay them less, they have little recourse. Although these companies receive huge tax breaks, state governments refuse to intervene in contract disputes, maintaining that they are private matters.

Farmers who try to withhold their crops over grading disputes often have their crops seized by police acting on behalf of the companies.¹³

Due to low prices and massive crop failures as a result of heavy rains, the 1997/1998 season has been a terrible one for Brazilian tobacco farmers. Brazilian officials estimate that 35% of tobacco growers will end the harvest owing more money than they earned.¹⁴ Having lost their food crops as well, few farmers will be able to pay their debt to the companies. According to a farmers' union in the Rio Azul area of Paraná state, 70% of the tobacco farmers will be unable to pay their debts, 20% will break even and only 10% will make a bit of money.¹⁵ As a result, thousands of families may have to migrate to urban centers in search of work. Helio Friedrich, a city councilman in Venâncio Aires, remarks that Brazil has a system "in which a half dozen companies are strangling the growers. Each year they come up with a new way to squeeze the growers tighter."¹⁶

Many farmers find that growing tobacco only puts them further into debt. Yet they continue to grow tobacco, surveys show, because of they receive more security from the tobacco companies than they would get from the government for growing food crops. In order to switch to food crops, the farmers say, they would need credit, price guarantees and crop insurance, benefits currently only available for tobacco production.

Environmental and Health Issues:

Increased tobacco production in Brazil has led to a series of ecological crises. Every year, thousands of acres of forests are cut down to make room for new tobacco plantations and to provide fuel to cure (dry) the tobacco.¹⁷ Tobacco cultivation in Brazil also requires the heavy use of pesticides, many of which are highly toxic and some of which are banned in the United States. Most Brazilian tobacco farmers fumigate the soil with methyl bromide, which is not only toxic but has long been suspected of depleting the ozone layer.¹⁸

Doctors, researchers and politicians have raised serious concerns about the heavy use of pesticides on the Brazilian tobacco crop particularly in recent years, as farmers have been increasing their use on the orders of the tobacco companies. In southern Brazil, tobacco workers, particularly the young, are the main victims of pesticide poisonings.¹⁹ A 1995 survey of 240 tobacco farmers found that 55% did not use protective clothing like masks, gloves, boots and water-repellent garments because they were too expensive and not designed for such a hot climate. Although the tobacco firms sell the bulky protective suits, they cost \$37 each, about one-third of what the average tobacco farmer makes in a month.

In any event, the pesticides used on the tobacco crop are making the farmers sick. About 48% of family members surveyed have suffered health problems, including headaches, vomiting and nervous crises, while 42% of interviewees said they knew of someone with physical birth defects. One farmer interviewed by the *Miami Herald* said it was common for at least one family member to "spend the day vomiting" after coming into contact with wet tobacco leaves.²⁰

Wacky Tabacky

For over a decade, farmers in Southern Brazil have been growing large quantities of a genetically-altered, fast-growing tobacco plant containing twice the normal amount of nicotine. Brown & Williamson (BAT's U.S. subsidiary) developed the plant under the secret project code "Y-1," in conjunction with DNA Plant Technology, an Oakland-based biotechnology company. The hybrid seeds were then provided to the farmers by Souza Cruz. By 1990, approximately 4.5 million pounds of the enhanced tobacco was being grown in the region -- enough to produce 180 billion cigarettes a year.²¹ Between 1990 and 1994, Souza Cruz shipped nearly 8 million pounds of the genetically altered tobacco to the United States for use in Brown & Williamson brands, including Pall Malls and Lucky Strikes. Roger Black, director of leaf-blending for BAT, says that since 1992 Brown & Williamson had been secretly adding 2 million pounds a year of genetically altered tobacco to its cigarettes destined for export to Asia, the Middle East and Western Europe. This was twice the amount it added to its domestic brands, according to Black.

Brown & Williamson spokesman Mark Smith says that while the company has stopped growing and importing Y-1 tobacco, it will continue to put Y-1 in cigarettes until the existing stockpile of 3.5 million pounds is used up some time in 1999.²² Yet Brazilian farmers are still growing the tobacco and selling the leaf to Souza Cruz. Enoir Mueller, a former Souza Cruz field instructor, says: "The company line is that what we're planting today is different tobacco, but anyone who works with the stuff knows that's just a story."

The tobacco, dubbed "fumo louco" ("crazy tobacco" in Portuguese), was reported to cause dizziness among the farm workers who handled it, so powerful was its narcotic effect. "Even out in the field, I had a hard time approaching the stuff without getting dizzy...that smell was heavy, felt cold in my lungs. It made the back of my neck crawl," said Juca Schneider, a tobacco field instructor.²³

The U.S. Justice Department, which has filed criminal charges against Brown & Williamson and DNA, charges that on numerous occasions, employees of the two companies smuggled the seeds to Brazil and other countries in violation of the law.²⁴ In January 1998, DNA pled guilty to a misdemeanor charge and agreed to cooperate with the government's investigation into Brown & Williamson's role in the scandal, in particular its efforts to "control and manipulate the nicotine levels in its cigarettes."²⁵

Industry:

Multinational tobacco firms have spent hundreds of millions of dollars in the past few years building new factories in Brazil. Souza Cruz recently opened the world's largest leaf processing plant in the state of Rio Grande do Sul. Built in 1996 at a cost of \$81 million,²⁶ the factory has the capacity to process 120,000 tons of tobacco leaf each year.²⁷ Philip Morris has announced that it will invest \$227 million to expand cigarette production at its factory in the state, allowing the factory to increase production by 54% over 8 years.²⁸ The state government has provided Souza Cruz with tax incentives worth \$770 million, while Philip Morris has received \$195 million in tax breaks. Although the government intended the tax breaks as a way to create jobs, the opposite has occurred. At the new Souza Cruz processing plant, for example, the permanent workforce has dropped from 1,000 to 180.²⁹

Souza Cruz, which has been a subsidiary of BAT since 1914, is the unquestioned leader in Brazil's tobacco leaf and cigarette sectors. It is also Brazil's fourth largest company.³⁰ The company sells tobacco and manufactured cigarettes in some 50 countries around the globe, with a majority of its exports going to countries in Eastern Europe and the former Soviet Union.³¹ In recent years it has aggressively expanded its international presence. In 1997, Souza Cruz's profits increased 40% to \$275 million, while the price it offers growers has remained stagnant.³²

In the cigarette market, Souza Cruz had sales of \$5.67 billion in 1996, controlling around 84% of the Brazilian cigarette market, with Philip Morris controlling the rest.³³ Souza Cruz' Derby brand cigarettes is the country's most popular cigarette (as well as BAT's best-selling brand globally), with a 42.5% market share in 1997. In fact, the company dominates the local cigarette market, with its Free, Hollywood, and Carlton brands taking the next three spots. Philip Morris's Dallas brand is the company's biggest seller, with 5.1% market share, with Marlboros lagging behind at 3.6% market share.³⁴

Tobacco Control:

For such a large producer of tobacco Brazil has relatively strong tobacco control legislation in place, a tribute, many say, to its active public-health lobby. In 1996 these groups were instrumental in passing a new law which restricted cigarette advertising on television to between 9pm and 6am and prohibited ads which associate smoking with relaxation, sex or sport. The law also banned smoking in enclosed public areas and on public transport if the trip is less than one hour.³⁵ In addition, many states and cities have banned smoking in shops, schools and cinemas. Brazilian law prohibits the distribution of free cigarette samples, and restricts tobacco purchases to those over 18.³⁶ All cigarette advertisements and packages must carry health warnings, which cigarette retailers are also supposed to display.³⁷ Taxes on cigarettes

are high in Brazil -- at around 78%, versus around 30% in the United States.³⁸ The Brazilian courts have also gotten into the anti-tobacco act. In 1997, a judge in Brazil ordered Souza Cruz to pay \$82,000 plus a monthly pension for 35 years to the family of a man who had died of a heart attack related to smoking. This marked the first time a tobacco company had been ordered to pay damages outside of the United States. BAT's appeal of the judgment is pending.³⁹

Advertising:

Despite advertising restrictions, cigarette ads in Brazil are widespread. Street signs, billboards, café umbrellas and other items have tobacco company ads plastered all over them. Many of the brand names, such as Free, Dallas and Hollywood, attempt to link smoking with American prosperity and a sense of adventure. Souza Cruz's marketing intelligence manager, Federico Monteiro, says that Brazilian consumers think that English names are prestigious, even though they often don't know how to pronounce them or understand what they mean.⁴⁰ The campaign for Souza Cruz's Hollywood campaign is directed at urban males who are "professional, adventuresome, and perhaps a little rustic, at least in [their] recreational interests." Says Monteiro, "Living life to the fullest is the basis of the advertising campaign, with concepts like innovation, audacity, larger than life, facing challenges, and going the extra mile all playing a role."⁴¹

Prevalence:

Approximately 30.5% of Brazil's adult population smokes, although that figure has been declining in recent years.⁴² The WHO attributes this decline to higher taxes, increased advertising restrictions, and the efforts of the local tobacco control movement. Despite this overall drop however, smoking rates seem to be climbing among women. Mortality figures from smoking in Brazil are difficult to come by, although one study in Rio Grande do Sul reported an increase in lung cancer deaths between 1970 and 1990.⁴³

Resources:

National Office of Tobacco Control, Instituto Nacional de Câncer (INCA)
<http://www.inca.org.br/>

Pesticide Action Network North America: <http://www.panna.org/panna/>

Ross Hammond, *Addicted to Profit: Big Tobacco's Expanding Global Reach*
<http://www.essential.org/action/addicted/addicted.html>

Pan American Health Organization, (Country Health Profiles and other publications):
<http://www.paho.org/english>

San Francisco Tobacco Free Project: <http://www.globalink.org/gtm/SFTFP>

Tobacco BBS (useful news and resources on tobacco): <http://www.tobacco.org>

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EndNotes

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