

TOBACCO & AGRICULTURAL ISSUES

For years, the tobacco industry has sought to hide behind tobacco growers to protect its own economic interests. In many countries, the industry has successfully shifted the terms of the debate from the protection of public health to the perceived damage that tobacco control policies will have on tobacco growers and their communities. Through the use of secret lobbying, working through front groups and misrepresenting the truth, the companies are hoping that tobacco growers and tobacco producing countries will actively fight current efforts to adopt a Framework Convention on Tobacco Control (FCTC). Yet a closer look reveals that tobacco companies are far more concerned with their own economic interests than those of developing countries or farmers.

Tobacco Agriculture: Some Facts

The tobacco industry estimates that globally, 33 million people are engaged in tobacco cultivation. However, this figure includes not only farmers who rely entirely on tobacco, but also farmers who grow other crops besides tobacco, seasonal laborers, family members and other part-time workers. Of these 33 million, approximately 15 million are in China and 3.5 million in India.

Although tobacco is grown in more than 100 countries, just four countries (Brazil, China, India and the United States) account for two-thirds of total global production and only two countries, Malawi and Zimbabwe, are significantly dependent on export earnings from tobacco.¹ Out of the 141 countries that export tobacco, only 18 derive more than one percent of their total export earnings from tobacco. In only four of those 18 countries do tobacco exports account for more than five percent of total export earnings.²

In some countries, tobacco is grown on small family farms that contract with large multinational companies. In others, tobacco is grown on large plantations and sold at auction. Whatever system is used, the profits from tobacco cultivation accrue largely to large multinational companies. Three U.S.-based companies dominate the global leaf trade – Universal, Dimon and Standard Commercial. The leaf companies – which select, purchase, process and sell tobacco – work with the multinational cigarette companies to determine where, how much and what kind of tobacco will be produced.³ As multinational cigarette companies increase their overseas manufacturing capacity, the leaf dealers have followed, setting up leaf procurement and processing facilities near the new factories. Today, they operate in dozens of countries on five different continents. In a constant drive to increase profits, these companies regularly shift production from country to country regardless of the impact on local growers or economies.⁴

The FCTC: A Threat to Tobacco Growing Communities?

Multinational cigarette companies have sought to publicly link themselves with tobacco farmers as a means of putting a “human face” on the industry. A document from a major 1985 Philip Morris International meeting on smoking and health issues, for example, details the company’s efforts to “enlist the help of our natural allies such as the trade [sic] and growers” (emphasis in original) to oppose tobacco tax increases and other anti-smoking measures. The document states that “we have already helped organize growers in a number of countries” and that “we intend to do more on tax and health issues with the growers in Europe.”⁵ Another Philip Morris

document from 1989 suggests the creation of a “global agro-lobby” citing as some of the benefits the “purity of the agro-lobby”, “useful Third-World bias” and that agricultural issues are the “weak flank of W.H.O.”⁶ By convincing farmers that the public health community and WHO are out to destroy their source of livelihood, the companies have been able to enlist farmers’ opposition to all sorts of regulations.

Because tobacco companies are the sole purchasers of tobacco, individual farmers are reluctant to publicly criticize the practices of the industry out of fear of retaliation. In fact, many of the organizations purporting to speak for farmers, such as the International Tobacco Growers Association (ITGA), rarely, if ever, criticize the tobacco industry for actions which might imperil the economic security of tobacco farmers. Rather, they reserve their opposition for tobacco control efforts such as the FCTC, whose impact will not be felt by tobacco farmers for many generations.

Even under the most optimistic tobacco control scenarios, global tobacco consumption is projected to increase over the next three decades. According to the World Bank, if current trends continue, the absolute number of smokers will increase from the current 1.1 billion to 1.6 billion in 2025 (due in part to an increase in global population), even as overall prevalence falls in some countries. While future declines in consumption will clearly reduce the number of tobacco farming jobs in the future, this will occur over many generations.⁷ There is simply no realistic scenario under which anyone farming tobacco today will be put out of work as a result of the passage of the FCTC. Opposition to the FCTC is about protecting the profits of the tobacco industry, not the livelihoods of tobacco farmers.

A much greater threat to the viability of tobacco growers are the tobacco companies themselves. By encouraging more and more countries to cultivate tobacco, by pressuring for the elimination of price support systems such as in the United States, by spending tens of millions of dollars designing cigarettes containing less tobacco, and by playing off countries against each other, the companies are attempting to drive down the global price of tobacco leaf in order to ensure continued profits for the companies.

Tobacco Companies Profit at the Expense of Tobacco Farmers

Between 1990 and 1998, Philip Morris’ international tobacco profits more than tripled, from \$1.3 billion to \$4.97 billion.⁸ The leaf dealers have also been prospering. Universal, for example, saw its profits jump 23 percent in 1998, to \$258 million.⁹ Even as their share prices plummet, tobacco company executives have seen their salaries soar. In 1999, Philip Morris Chairman Geoffrey Bible collected \$20.6 million in salary, bonuses and stock options.¹⁰ Meanwhile, the companies have been pressuring farmers to sell their tobacco at lower and lower prices. In 1998, the average U.S. tobacco farm had a net income of only \$19,597.¹¹

The disparity between the earnings of the farmers and the industry is clearly illustrated in the United States. Between 1980 and 1998, the inflation-adjusted cost of growing tobacco increased by nearly 200 percent. Yet during the same period, the average price per pound that tobacco companies paid for flue-cured tobacco leaf rose just 19 percent, while the price they paid for burley increased by only 14 percent. At the same time, these companies raised the price of cigarettes by over 250 percent. Accordingly, from 1980 to 1998, the tobacco growers’ share of each dollar spent in the United States on a pack of cigarettes dropped from seven cents to about two cents, while the cigarette companies’ share increased from 37 to 49 cents. Since then, the tobacco growers’ share has shrunk even further, while the cigarette companies’ share continues to grow.¹²

Tobacco Cultivation: Other Issues to Consider

The tobacco industry likes to boast that tobacco is one of the most lucrative crops on a per-hectare basis. What it fails to mention is that tobacco is also extremely labor and input intensive. Preparing tobacco seedlings for transplant requires weeks of watering and frequent applications of fertilizers and pesticides. Once transplanted, the plants require yet more applications of pesticides and fertilizers, and frequent weeding. Then the plants must be harvested and cured. In many countries, this process requires the construction of special curing barns that use large amounts of fuel, usually coal or firewood. After subtracting the cost of inputs (not to mention the value of all of the family labor which is required to cultivate, harvest and cure the crop), the net economic benefits of growing tobacco are far less than the tobacco industry would have people believe.

Nevertheless, many farmers remain stuck in the tobacco trap. In many developing countries, this is due to the fact that the companies provide loans, inputs and technical assistance which are not available for other crops. Often, farmers under this type of contracting system find themselves heavily in debt to the companies and, since the companies control the prices paid to them, are unable to extricate themselves from tobacco cultivation. In Brazil for example, officials predicted in 1998 that approximately 35 percent of the tobacco growers would finish the harvest owing more money to the companies than they earned. The companies are “strangling the growers,” according to a local official. “Each year they come up with a new way to squeeze the growers tighter.”¹³

The Case of Brazil:

Although Brazil is the world’s largest exporter of tobacco, it is the multinational companies that make the majority of the profit. Two U.S.-based companies, Universal Corporation and Dimon Inc., have contracts with nearly half of Brazil's tobacco farmers, while Souza Cruz, a subsidiary of British American Tobacco (BAT), contracts with most of the rest.¹⁴ Farmers must sign a contract in advance promising to only sell their crop to one company and then are legally bound to purchase seeds, fertilizers and pesticides from that same company.¹⁵ The companies determine how much land will be cultivated and how much of each type of fertilizer and pesticide must be used. Company inspectors make regular visits to the farms to make sure their guidelines are being followed. Even though Brazilian leaf sells for about half the price of U.S.-grown leaf, apparently it is still not cheap enough for the companies.¹⁶ In the past, 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. In an effort to keep production costs even lower, the tobacco companies now “decide prices among themselves, and punish growers heavily should they decide to sell elsewhere....the 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.” Farmers who try to withhold their crops over grading disputes often have their crops seized by police acting on behalf of the companies.¹⁷

Tobacco Agriculture & Children

The use of child laborers in tobacco production is widespread in the major tobacco producing countries including Argentina, Brazil, China, India, Indonesia, Malawi, the United States and Zimbabwe.¹⁸ In Brazil, for example, some 520,000 children under the age of 18 work on tobacco farms, 32 per cent of whom are younger than 14.¹⁹ Those companies (mostly foreign) that purchase Brazil's tobacco have reportedly asked that school schedules be rearranged so that children would be available to work in the fields.²⁰

Although the tobacco sector is not unique in its use of child labor, the rigors of working the tobacco crop places the health and physical development of the children at risk and demands urgent attention. The hazards to children begin during the preparation of the soil, where highly toxic fumigants such as methyl bromide are often used to kill nematodes and other soil organisms. During the course of cultivating the crop, children working in the tobacco fields are directly exposed to a cocktail of highly toxic agro-chemicals. These chemicals -- which include aldicarb, butralin, and endosulfan -- cause damage to eyes, skin, internal organs, and are potentially carcinogenic and mutagenic. Exposure to these chemicals poses a considerably higher risk to children than adults since exposure in the early years can lead to a greater risk of cancer, damage to the child's developing nervous system and cause immune system dysfunction.²¹

In addition, children picking tobacco have been reported to experience green tobacco sickness (GTS), a type of nicotine poisoning which is caused by the absorption of nicotine through the skin.²² GTS is characterized by symptoms that may include nausea, vomiting, weakness, headache, dizziness, abdominal cramps, difficulty in breathing, as well as fluctuations in blood pressure and heart rates. Researchers in the United States have found that moisture on tobacco leaves greatly increases the severity of GTS because it enhances the absorption of nicotine, a toxin, by the skin. Since harvesting often occurs under wet conditions, including morning dew, avoiding exposure is difficult.²³

Conclusion

Despite tobacco industry arguments, the FCTC will not be an economic disaster for the farmer or for countries whose economies depend on tobacco. It will, however, be the responsibility of the delegates to the FCTC to find answers to hard questions:

- Given that under the most optimistic tobacco control scenarios, global tobacco consumption is projected to increase over the next three decades, how can the FCTC assist tobacco-producing countries in using this time to plan an orderly and just transition out of tobacco?
- Are there alternative uses for tobacco (i.e. medical and biotech) and is there sufficient justification to support increased research and development into these areas?
- Are there viable alternative crops that, given sufficient economic, operational and administrative support, can help reduce tobacco-growing communities' dependence on tobacco?

Clearly, delegates to the FCTC, along with the WHO, have a much greater incentive to find answers to these questions than do the tobacco companies, which are only concerned about short-term profits.

-
- ¹ World Bank, *Curbing the Epidemic: Governments and the Economics of Tobacco Control*, 1999.
- ² Tobacco export data from FAO statistical database (<http://apps.fao.org>) for 1997; total export earnings data from the World Bank, *Entering the 21st Century: World Development Report 1999/2000* (<http://www.worldbank.org/html/dec/wdr/2000/fullreport.html>)
- ³ Ross Hammond, *Addicted to Profit: Big Tobacco's Expanding Global Reach* (San Francisco: Essential Action/San Francisco Tobacco Free Coalition, 1998).
- ⁴ "International Leaf Merchants," *Tobacco Reporter*, September 1998.
- ⁵ Philip Morris International, "The Perspective of PM International on Smoking and Health Issues," March 29, 1985 [PM Document No. 2023268329 et seq. at 202326845-46, www.pmdocs.com]. See, also, John Bloxcidge, INFOTAB FAX to Board Members, October 11, 1988 [BAT Document No. 502555416 et seq., www.bw.aalatg.com].
- ⁶ Philip Morris, <http://www.pmdocs.com/getallimg.asp?DOCID=2501045258/5268>
- ⁷ World Bank, *Curbing the Epidemic: Governments and the Economics of Tobacco Control*, 1999.
- ⁸ Philip Morris, SEC Form 10K-405, 11 March 1997 and Annual Reports.
- ⁹ Universal Corporation, SEC Form 10K-405, 25 September 1998.
- ¹⁰ Cathleen Egan, "Philip Morris Paid Special Cash Bonuses In '99," Dow Jones Newswires, 10 March 2000.
- ¹¹ U.S. Department of Agriculture, "Agricultural Income and Finance Situation and Outlook," December 1999; <http://usda.mannlib.cornell.edu/reports/erssor/economics/ais-bb/1999/ais73.pdf>
- ¹² Sources: Tom Capehart, USDA Economic Research Service, "The Changing Tobacco User's Dollar," *Tobacco Situation and Outlook* (December 1999); Verner N. Grise, USDA Economic Research Service, "The Changing Tobacco User's Dollar," *Tobacco Situation & Outlook* (June 1992).
- ¹³ Diana Jean Schemo, "In Brazil Tobacco Country, Conglomerates Rule," *New York Times*, 2 April 1998.
- ¹⁴ Chip Jones, A Virginia Grower Sees Offshore Battle Brewing, *Richmond Times-Dispatch*, 28 June 1998.
- ¹⁵ Katherine Ellison, "Threat to U.S. Markets isn't in Courtroom – it's in Brazil," *Miami Herald*, 29 June 1997.
- ¹⁶ Chip Jones, "Brazilian Leaf is Smoked Around the World -- Even in American-made Cigarettes," *Richmond Times-Dispatch*, 29 June 1998.
- ¹⁷ Diana Jean Schemo, "In Brazil Tobacco Country, Conglomerates Rule," *New York Times*, 2 April 1998 cited in Ross Hammond, "Focus on Brazil: Big Tobacco's Overseas Expansion," San Francisco Department of Public Health/San Francisco Tobacco Free Coalition, 1998.
- ¹⁸ UNICEF, *The State of the World's Children 1997* (Oxford, 1997) and U.S. Department of Labor, *By the Sweat and Toil of Children Volume II: The Use of Child Labor in U.S. Agricultural Imports & Forced and Bonded Child Labor* (Washington, 1995).
- ¹⁹ Inter Press Service, "Child Labor Rampant In Tobacco Industry," 4 February 1999.
- ²⁰ Angela Cordeiro, Francisco Marochi and Jose Maria Tardin, "A Poison Crop – Tobacco in Brazil," Pesticide Action Network Briefing Paper, June 1998: http://www.igc.org/panna/resources/_pestis/PESTIS980622.2.html.
- ²¹ Inter Press Service, "Health-Brazil: Kids at Risk from Agrochemicals on Tobacco Farms" 17 February 1999; A. Cordeiro, F. Marochi and J.M. Tardin, "A Poison Crop—Tobacco in Brazil," Global Pesticide Campaigner, June 1998.
- ²² Florida Agricultural Information Retrieval System, "Nicotine Toxicosis," <http://www.hammock.ifas.ufl.edu/txt/fairs/52842>.
- ²³ "Southeast Center Studies Ways to Prevent Green Tobacco Sickness," *NIOSH Agricultural Health & Safety Center News*, 4 August 1996.