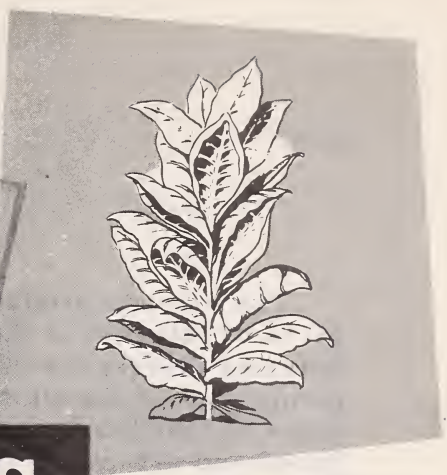


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U. S. DEPARTMENT OF AGRICULTURE



BRAZIL'S



TOBACCO PRODUCTION AND TRADE



Foreign Agriculture Report No. 82

U. S. DEPARTMENT OF AGRICULTURE
Foreign Agricultural Service

The tobacco production and trade of Brazil is of interest to the United States tobacco industry chiefly insofar as Brazil is (1) a competitor of the United States in foreign sales of leaf tobacco, particularly the flue-cured and air-cured types used in cigarettes, (2) an importer of United States cigar wrapper, and (3) a potential importer of cigarette tobaccos. Brazil's exports of Bahia cigars and cigar leaf have long been important, but they do not greatly influence the foreign outlets for United States tobaccos.

March 1955

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BRAZIL'S

TOBACCO PRODUCTION AND TRADE

By James W. Birkhead¹

In the 5-year period 1950-54, Brazil greatly expanded its production of flue-cured and air-cured cigarette tobaccos, and continued the rapid increase in its production and consumption of cigarettes. Its cigarette tobaccos are of fairly low quality, but are improving; and although its exports of these types are not large, they are tending to displace tobaccos from other sources, including the United States, especially in certain countries of Western Europe and perhaps in Uruguay.

There has been a long-term downward trend in Brazil's production and exports of Bahia cigar leaf, but both have been stimulated in the last few years by the recent decrease in Indonesia's output and exports of cigar tobaccos. Brazil's production and consumption of cigars are also on the increase. Both in Brazil and in the importing countries, some of the cigar-filler types of tobacco are used in cigarettes.

Brazilian imports of United States cigar wrapper are of some consequence, even though they are relatively small and on the decline. Brazil could use significant amounts of high-quality imported flue-cured and Burley to improve its blended cigarettes; but any increase in such imports would be hampered by the frequent changes in its multiple exchange rates and by the expansion planned for its own production of cigarette leaf.

Unmanufactured Tobacco

Production

Brazil is the world's fifth largest producer of tobacco, being surpassed only by the United States, China, the Soviet Union, and India. Total production in 1953 was approximately 291 million pounds (farm sales weight) from 416,000 acres, with both acreage and production exceeding previous records. According to current information, the upward trend continued in 1954, with an estimated production of 296 million pounds from 433,000 acres, exceeding the 1953 output by about 1.6 percent.

¹ Mr. Birkhead, of the Tobacco Division, FAS, returned recently after a survey of the tobacco industry in Brazil.



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U. S. DEPARTMENT OF AGRICULTURE

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TABLE 1.--Tobacco area in Brazil, by States or territories, averages 1940-44 and 1945-49, annual 1950-54
[In acres]

State or territory	Average		1950	1951	1952	1953	1954
	1940-44	1945-49					
Rio Grande do Sul.....	73,589	92,141	89,532	111,823	103,747	111,311	110,064
Pahia.....	89,623	111,570	85,366	95,324	79,865	92,180	92,532
Minas Gerais.....	28,930	56,882	69,623	78,946	77,404	74,323	77,584
Santa Catarina.....	15,496	24,624	37,942	44,050	51,990	67,567	74,656
Peraíba.....	7,052	9,222	11,105	10,665	13,101	11,759	12,241
Goias.....	4,786	6,051	9,999	8,228	8,463	8,642	8,803
Alagoas.....	5,046	9,177	8,453	8,367	7,734	9,931	10,059
Pernambuco.....	5,468	6,958	7,373	6,472	6,556	6,827	6,795
Pará.....	3,877	8,577	8,263	5,451	5,451	6,751	7,000
Sergipe.....	2,691	5,881	3,934	4,497	5,145	4,388	5,812
São Paulo.....	3,568	4,080	4,591	5,219	4,900	4,248	4,794
Maranhão.....	514	1,977	2,560	3,175	3,786	4,977	6,501
Ceará.....	4,282	3,669	4,712	3,684	3,879	3,412	4,433
Piauí.....	988	2,380	2,730	2,728	2,856	2,592	3,064
Paraná.....	1,357	1,263	1,253	1,935	2,108	2,807	2,940
Mato Grosso.....	316	329	340	408	890	767	956
Rio de Janeiro.....	929	524	432	581	751	684	838
Amazonas.....	326	376	524	667	699	684	702
Acre ¹	620	546	638	598	598	838	830
Espírito Santo.....	385	383	554	573	581	534	494
Rio Grande do Norte.....	642	751	415	637	502	558	618
Rio Branco ¹	(2)	264	284	74	222	173	173
Amapá ¹	(2)	62	69	84	220	138	141
Guaporé ¹	(2)	30	20	20	20	25	25
Total.....	250,485	347,717	350,712	394,893	381,468	416,116	433,055

¹ Territory.

² Not available. Area included in other States prior to September 1943.

Source: Anuário Estatístico do Brasil, and reports of agricultural attachés and other U. S. representatives abroad.

TABLE 2.--Tobacco production in Brazil, by States or territories, averages 1940-44 and 1945-49, annual 1950-54
 [In thousands of pounds, farm sales weight]

State or territory	Average		1950	1951	1952	1953	1954
	1940-44	1945-49					
Rio Grande do Sul.....	72,419	86,999	74,408	102,404	81,731	106,030	92,010
Bahia.....	71,661	83,861	60,569	59,218	43,558	59,917	64,718
Minas Gerais.....	24,353	29,384	37,051	32,899	38,618	35,424	37,092
Santa Catarina.....	11,300	15,305	20,547	23,027	27,035	44,958	51,297
Paraíba.....	4,101	4,671	9,685	6,475	7,264	7,079	7,791
Goiás.....	3,961	4,328	4,328	4,339	4,513	5,035	6,191
Alagoas.....	3,444	5,747	5,699	6,356	5,950	8,598	8,684
Pernambuco.....	6,478	4,360	3,270	3,510	2,261	3,422	3,424
Pará.....	2,778	5,267	8,296	5,414	4,577	4,279	4,378
Sergipe.....	1,847	3,208	2,829	4,370	5,340	3,713	4,694
São Paulo.....	1,700	2,261	2,546	3,157	3,102	1,455	2,097
Maranhão.....	283	822	1,141	1,367	1,949	2,712	3,814
Ceará.....	3,166	2,241	2,374	1,764	1,953	1,515	2,033
Piauí.....	748	1,085	1,625	1,321	1,413	1,206	1,517
Paraná.....	1,926	2,127	1,673	2,335	2,577	3,419	3,538
Mato Grosso.....	211	200	220	168	370	317	410
Rio de Janeiro.....	584	368	359	467	637	441	470
Amazonas.....	420	213	276	368	401	421	459
Acre ¹	295	233	271	267	280	494	487
Espirito Santo.....	358	308	421	457	401	403	368
Rio Grande do Norte.....	202	310	150	190	150	161	236
Rio Branco ¹	(2)	126	198	49	139	168	168
Amapá.....	(2)	52	31	46	123	112	115
Guaporé ¹	(2)	30	20	22	22	26	27
Total.....	212,235	253,541	237,987	259,990	234,364	291,305	296,018

¹ Territory. ² Not available. Area included in other States prior to September 1943.

Source: Anuário Estatístico do Brasil, and reports of agricultural attachés and other U. S. representatives abroad.

The kinds of tobacco produced in Brazil, and the major States and municipios (counties) producing each kind, are as follows:

1. Flue-cured, and cigarette types of air-cured: In Rio Grande do Sul, municipios of Santa Cruz do Sul, Santa Rosa, Sobrandinho, Três Passos, Venâncio Aires, Candelária, Cachoeira do Sul, Soledade, Canguçu, and Lajeado; in Santa Catarina, municipios of Xapacó, Rio do Sul, Concórdia, Timbó, Rodeio, Curitibanos, Ibirama, and Araranguá.

2. Cigar filler and binder: In Bahia, municipios of Cruz das Almas, Santo Antônio de Jesus, São Filipe, Irará, São Gonçalo dos Campos, Conceição do Almeida, Amargosa, Inhambupe, Alagoinhas, and Santo Estêvão; in Sergipe, municipios of Lagarto and Buquim; smaller amounts are also produced in Rio Grande do Sul.

3. Cigar wrapper: Municipio of Cruz das Almas in Bahia.

4. Twist: In Minas Gerais, municipios of Ubá, Guarani, São João da Ponte, Itamonte, Gimirim, Astolfo Dutra, Pomba, and Cambuí; in Alagôas, municipios of Arapiraca and Anadia; in Goiás, municipios of Piracanjuba, Goiatuba, Jaraguá, Suçupara, Anápolis, and Goiânia; in São Paulo, municipios of Itapira and Piracicaba; in Piauí, municipio of Oeiras; in Paraíba, municipios of Serraria and Esperança; in Pernambuco, municipios of Canhotinho and Caruaru.

Cigarette Types. --The most significant development in the Brazilian tobacco industry in recent years is the expansion in production of flue-cured tobacco and the rapid increase in output of cigarettes. Commercial production of flue-cured tobacco began in the State of Rio Grande do Sul in 1933 and in the State of Santa Catarina in 1946; by 1953 production had risen to 58.7 million pounds, or about 3-1/2 times average output in the 1940-44 period. Although in 1954 production was slightly smaller than in 1953 (largely because of unfavorable weather early in the 1953-54 season), it is estimated that 68 million pounds may be harvested in 1955. Further expansion in output is expected to keep pace with increasing domestic demand for cigarettes, and there may be some rise in production for export as quality improves.

The average size of the farms producing flue-cured tobacco is approximately 75 acres, of which about 3-1/2 to 4 acres is planted to tobacco. A major portion of the flue-cured is Amarello (Amarelinho), which appears to be crossed with air-cured varieties. This leaf is darker and heavier than United States flue-cured, although it is sweet and fairly neutral. Some varieties of Virginia-type flue-cured are grown, chiefly in Santa Catarina, and output of these is expected to increase. Most of the true Virginia-type flue-cured produced is currently used in one brand of high-quality cigarettes.

Much of the flue-cured leaf grown in Brazil would not meet the quality standards of a number of important consuming countries. In Rio Grande do Sul, flue-cured is produced on relatively heavy soils, rather than on sandy soils, where

the quality of the leaf would be better. Brazilian tobacco specialists state that yields of flue-cured grown on the sandy soils are low. Heretofore, the quality of leaf grown on heavy soils has been acceptable in cigarettes produced for domestic consumption, and the price spread between high-grade and low-grade leaf has not been wide enough to stimulate efforts to improve quality. However, the present price-quality relationship is encouraging such efforts. Fertilizer is now generally used for flue-cured, but hardly at all for other types.

In the States of São Paulo, Minas Gerais, and Bahia, the leading cigarette company in Brazil has recently made experimental plantings of flue-cured, but results have not so far been encouraging. This same company has been responsible for most of the credit extended to producers of these types of leaf. The company also grows seed for such tobaccos and distributes it to farmers, although apparently various departments of the State and Federal Governments are assuming increased responsibilities for these services.

Brazil produces small amounts of Burley. Approximately 3.5 million pounds was reported as produced in Santa Catarina and Rio Grande do Sul in 1954. Most Brazilian Burley is heavier and redder than the United States leaf, although small amounts of the lighter types are produced. Brazil also produces--largely in Rio Grande do Sul--a mild dark air-cured cigarette tobacco. Another kind of cigarette leaf, apparently developed locally, is similar in appearance to heavy red Burley, and should probably be classed as light air-cured.

Cigar and Twist Types.--Before World War II, most of the tobacco produced in Brazil was dark air-cured twist and cigar leaf, with only small amounts of flue-cured and light air-cured cigarette leaf. Cigar leaf is grown mostly in Bahia, although Sergipe and Rio Grande do Sul have some production. The major portion of this tobacco is used as filler and binder, but some is used as wrapper. Wrapper is grown chiefly in the Cruz das Almas municipio of Bahia, and output of this type is increasing.

Large amounts of dark air-cured leaf produced in Minas Gerais, and smaller amounts produced in numerous other States, are consumed principally as "twist," in the rural areas and small towns. This type of tobacco is delivered in long coils by producers to the local markets and is sold there by weight, to be used for hand-rolled cigarettes, for pipe smoking, and for chewing. As consumer preferences change, production of twist is expected to decline. According to representatives of the Brazilian cigarette industry, twist tobaccos can also be used in manufactured cigarettes, although at present they are more expensive than other types of dark leaf.

TABLE 3.--Tobacco production in Brazil, by kinds, averages
1935-39 and 1947-51, annual 1952-54

[In thousands of pounds, farm sales weight]

Kind	Average		1952	1953	1954
	1935-39	1947-51			
Flue-cured.....	12,549	45,498	27,778	58,697	56,217
Burley.....	(¹)	2,000	2,800	3,000	3,472
Bahia cigar.....	76,600	56,000	43,558	59,917	64,718
Other air-cured ²	25,600	41,131	48,000	63,800	67,783
Twist ³	87,954	88,491	112,228	105,891	103,828
Total.....	202,703	233,120	234,364	291,305	296,018

¹ If any, included in twist or other air-cured.

² This is chiefly dark air-cured tobacco used in cigarettes and does not include cigar or twist tobacco.

³ Includes some cigar tobacco in Sergipe, Rio Grande do Sul, and other States.

Source: Reports of agricultural attachés and other U. S. representatives abroad.

TABLE 4.--Flue-cured tobacco: Estimated production in Brazil, States of Rio Grande do Sul and Santa Catarina, average 1940-44, annual 1945-54

[In thousands of pounds, farm sales weight]

Period or year	Rio Grande do Sul	Santa Catarina	Total
Average 1940-44...	16,662	(¹)	16,662
Annual:			
1945.....	18,188	(¹)	18,188
1946.....	41,336	357	41,693
1947.....	31,482	1,234	32,716
1948.....	39,683	1,367	41,050
1949.....	41,336	2,205	43,541
1950.....	40,179	3,197	43,376
1951.....	40,565	4,409	44,974
1952.....	24,802	2,976	27,778
1953.....	53,737	4,960	58,697
1954 ²	49,603	6,614	56,217

¹ Commercial production started in 1946.

² Preliminary estimates.

Source: Reports of agricultural attachés and other U. S. representatives abroad.

Prices Paid to Farmers

There is no auction system for selling and purchasing tobacco in Brazil. One company purchases about two-thirds of all the flue-cured and air-cured types used in cigarettes. Before the harvest, this company publishes the prices it will pay for the various grades of flue-cured, Burley, and cigarette types of air-cured, and these largely become the prices paid by all buyers.

Cigarette Types.--In 1954, prices of flue-cured, in terms of Brazilian currency, were increased about 35 percent above the 1953 level, partly to encourage production, but partly also to offset increased costs due to inflation. As an incentive for improving quality, prices of the better grades were raised more than those of the lower grades. There is a difference of about 1 cent per pound in favor of "mild" flue-cured, as compared with "strong." For sorting the leaf, farmers are paid approximately 2 cents per pound in addition to the base price. There are two price schedules for flue-cured: one for Amarello, which includes quotations for 11 established grades, and another for Virginia, which covers quotations for 8 grades.

Burley is graded into eight classes, largely according to the position of the leaf on the stalk. Producers who sell their entire supply to the leading cigarette company are paid a premium of about 2.5 cents per pound (in addition to the base price) for "light" leaf, as compared with "strong." In 1954, producers who sold all their output to this company also received an additional 2 cents per pound if they built recommended types of curing barns, or an extra 1 cent per pound if they remodeled existing barns in accordance with the recommendations of the company specialists.

Prices paid in 1954 to producers of the cigarette type of air-cured grown in Rio Grande do Sul were 65 percent above those paid in 1953.

Cigar Leaf.--Prices paid to Bahia producers of cigar leaf in 1951 and 1952 were increased about 10 percent above 1950 levels for the lower grades and 35 percent for the high-quality grades. In 1953, these prices were again increased, to more than double the levels of 1952; but data on prices paid in 1954 are not yet readily available.

Prices of Brazilian cigarette tobacco are available in terms of local currency; however, because of the frequent changes in Brazil's multiple exchange rates, these prices cannot be converted into U. S. currency equivalents as a basis for valid comparisons of prices received in the two countries.

Foreign Trade

Exports.--Brazil was the sixth ranking country in total quantity of unmanufactured tobacco exported in the 1951-53 period. However, since 1950, Brazil's exports of leaf tobacco have shown a considerable decline, especially in 1953,

largely because of decreased production due to drought in northeastern Brazil. In 1953 exports were only three-fourths of those in 1952. In 1954, however, more cigar tobacco was available for export than in the previous 3-year period. Production in the 1953-54 crop year rose considerably because of larger planting and higher yields. The expansion in acreage was stimulated by the increased prices received for the crop harvested in 1953, and yields rose as a result of favorable weather.

Since 1950, European countries have taken most of Brazil's leaf exports, the largest shares going to Western Germany, the Netherlands, and Spain. However, to all the European countries except the Netherlands, France, and Sweden, Brazil exported considerably less leaf in 1953 than in 1952, and its exports to most of these countries have declined sharply since 1950. Even France and the Netherlands took less Brazilian tobacco in 1953 than in most postwar years.

Brazil's principal Latin American markets have been Uruguay and Argentina. In each of the years 1950-53 Uruguay took more Brazilian tobacco than in 1945-49. But Argentina, which in 1945-49 was Brazil's second most important market for the dark tobaccos used in strong cigarettes, has taken no tobacco from Brazil since 1951.

Brazilian exports of flue-cured could probably be increased substantially, although the quality of this and some cigarette types of air-cured must be much improved first. The average quality of Brazilian flue-cured is considerably lower than that of United States leaf, but it is primarily on a price basis that the importing countries purchase Brazil's flue-cured and certain types of its air-cured (used largely in cigarettes). Much of the leaf from Brazil is then blended with tobaccos from other areas or used in the manufacture of strong cigarettes. Nevertheless, Brazil is supplying tobacco to some countries (particularly certain ones in Western Europe) that could purchase from other suppliers, including the United States. Since Brazil's own consumption of cigarettes is increasing rapidly, however, larger amounts of its cigarette tobaccos are expected to be absorbed domestically.

A large share of Brazil's tobacco exports is comprised of Bahia cigar leaf. Limited amounts of some Brazilian cigar tobaccos (Bahia cigar filler and dark air-cured leaf from southern Brazil) are also used in the manufacture of strong cigarettes in some countries, especially France and Spain. Brazil ships small quantities of cigar filler (and of Latakia cigarette leaf) to the United States.

Although the export market for cigar leaf is relatively strong, Brazilian producers of cigar filler and binder for export are facing increasing competition from producing areas in the West Indies. A representative of the Brazilian tobacco industry has stated that if Brazil is to continue to enjoy its present share of the world trade in cigar leaf, it must improve its methods of production, handling, and packing and give greater emphasis to supplying a uniform product. Much re-

TABLE 5.--Unmanufactured tobacco: Exports from Brazil, by country of destination, averages 1940-44 and 1945-49, annual 1950-53 and January-June 1954

[In thousands of pounds]

Country of destination	Average		1950	1951	1952	1953	Jan.-June 1954
	1940-44	1945-49					
Germany.....	1 450	2 1,952	19,980	12,221	19,288	11,540	5,454
Spain.....	18,043	20,084	11,931	6,775	12,079	6,602	4,215
Netherlands.....	3 1,024	9,430	10,525	12,665	6,662	7,137	1,862
Switzerland.....	2 533	4,603	6,482	7,146	6,662	2,518	775
Denmark.....	4 36	4,130	4,467	3,499	4,740	3,404	700
Uruguay.....	3,226	2,300	4,572	2,835	3,466	2,826	1,042
Argentina.....	12,465	11,270	4,495	2,234	...	...	...
Belgium and Luxembourg.....	5 27	3,747	4,301	1,954	2,754	1,986	470
France.....	6 324	8,775	3,287	3,669	276	3,500	1,078
Algeria.....	1,884	1,333	2,252	3,070	2,714	2,230	565
Sweden.....	7 1,163	988	357	706	818	1,053	359
Morocco.....	7	1,857	884	633	421	633	165
United States.....	1,602	18	3	17	23	6	...
Other.....	1,602	6,183	5,400	6,273	6,552	8 6,906	1,018
Total.....	42,784	76,670	78,936	63,698	66,455	50,341	17,703

1 Includes 2,249,000 pounds in 1940.

2 Includes 9,760,000 pounds in 1949.

3 Includes 5,121,000 pounds in 1940.

4 Includes 181,000 pounds in 1940.

5 Includes 137,000 pounds in 1940.

6 Includes 1,620,000 pounds in 1940.

7 Includes 5,815,000 pounds in 1940.

8 Includes 1,909,000 pounds to French Indochina.

Source: Comércio Exterior do Brasil.

TABLE 6.--Twist: Exports from Brazil, average 1940-44, annual 1945-53 and January-June 1954

[In thousands of pounds]

Period or year	Quantity ¹	Period or year	Quantity ¹
Average 1940-44.	1,943	Annual--Con.	
Annual:			
1945.....	960	1950.....	1,915
1946.....	2,109	1951.....	2,028
1947.....	1,323	1952.....	622
1948.....	1,082	1953.....	2,291
1949.....	2,399	1954(Jan.-June)	193

¹ Over 93 percent was sent to Uruguay except in 1943.

Source: *Comércio Exterior do Brasil*, and reports of agricultural attachés and other U.S. representatives abroad.

search and improvement work is being done along these lines by the Tobacco Institute of Bahia and experiment stations in the area.

In 1953, Brazil exported approximately 2.3 million pounds of twist--a substantial increase over 1952, and the largest amount reported in the last 10-year period except for 1949. Uruguay has purchased over 90 percent of these exports in recent years, with Germany taking the remainder since 1949.

In general, Brazil's current system of foreign-exchange controls, as compared with a free market for foreign exchange, results in (1) an increase in the price paid by the importer of Brazilian tobacco, in terms of his own currency, and (2) an increase in the foreign currency or profits accruing to the Brazilian Government. However, the continuing inflation of Brazilian currency makes it practically impossible to calculate prices accurately in terms of foreign currencies on the basis of realistic foreign-exchange rates. Under the recent system of export bonuses, 80 percent of the value of the tobacco exported was converted from cruzeiros to the foreign currency on the basis of the "official" rate, and the remaining 20 percent on the basis of the average "free market" rate of the previous week. For example, in the first week of September 1954 the official rate was 18.36 cruzeiros per dollar, and the free-market rate approximately 65. On this basis, the average rate of conversion for tobacco exports was approximately 21.4 cruzeiros per dollar.

Imports.--Brazil's imports of unmanufactured tobacco, which have always been small, have become even smaller in recent years. Purchases from the United States have declined steadily from earlier levels: 156,000 pounds of United States leaf (all cigar wrapper) was imported during 1953, compared

TABLE 7.--Unmanufactured tobacco: Imports into Brazil, by country of origin, averages 1940-44 and 1945-49, annual 1950-53

[In thousands of pounds]

Country of origin	Average		1950	1951	1952	1953
	1940-44	1945-49				
United States.....	254	360	228	203	183	156
United Kingdom....	...	...	...	64	84	...
Netherlands.....	19	1	4	1	3	...
Other.....	28	46	...	¹ 51	...	...
Total.....	301	407	232	319	270	156

¹Wholly from Turkey.

Source: Comércio Exterior do Brasil.

with the average of 360,000 pounds a year for 1945-49. Imports of cigar wrapper are expected to continue declining as Bahia's output of this kind of leaf rises.

In September 1954 the import duty on leaf tobacco was 6.2 cruzeiros per pound, or about 9.6 United States cents at the "free-market official rate" of 65 cruzeiros per United States dollar. (In January 1955 it was decreased to 5.7 cruzeiros--about 7.5 cents at the January "free-market official rate" of 76.19 cruzeiros.) In terms of actual cost levels in the two countries, however, these figures should probably be increased by about 50 percent. While this tariff rate is an obstacle to the shipment of leaf tobacco to Brazil, it is not high enough to prohibit such imports entirely. The current system of purchasing foreign exchange is what virtually precludes the importation by Brazil of any tobaccos other than cigar wrapper. Under this system, all Brazilian imports are classified into five categories, based on their essentiality to the welfare of Brazil's economy. The effective exchange rates for each category are established by auction; would-be importers of the goods listed in the category submit bids, usually several times a week, for the privilege of purchasing foreign currency. The price resulting from each auction is effective until another auction is held. Purchases of cigar wrapper, in which Brazil is deficient, are made under import category II, which is reserved for the second most essential imports. During the first week of September 1954, the effective exchange rate for this category was approximately 70 cruzeiros per dollar (18.36 cruzeiros at the official rate plus 52 cruzeiros representing the average auction price for that week). On the assumption that cigar wrapper is selling for \$3.25 per

pound, the cost to the Brazilian importer would be 228 cruzeiros per pound. This is high, but not entirely prohibitive, either in terms of the prices paid for domestic cigar tobaccos or in terms of the price of a cigar made with a small amount of this imported wrapper.

However, unmanufactured tobacco other than cigar wrapper is imported under category V, that for the least essential imports. During the first week of September 1954, the effective exchange rate for this category averaged about 170 cruzeiros per dollar (the official rate of 18.36 cruzeiros plus an average auction price of 152 cruzeiros). Hence foreign exchange for the purchase of unmanufactured tobacco commands a very high price in terms of cruzeiro cost to the Brazilian importer, as compared with the prices paid for domestic leaf. For example, in 1954 the highest average price paid to the Brazilian farmer for the best grade "C" of Virginia-type flue-cured was approximately 8 cruzeiros per pound (farm sales weight), and the average price paid him for all Virginia-type flue-cured was probably between 5 and 6 cruzeiros per pound. In contrast, United States tobacco with a delivered price in Brazil of 70 United States cents per pound would actually cost the Brazilian importer nearly 120 cruzeiros per pound (exclusive of import duties, taxes, and the like), largely owing to this system of foreign-exchange control. On this basis, the cost of imported cigarette tobaccos is prohibitive; and even with a "free market" for foreign exchange, the prices of United States cigarette tobaccos might be high in relation to the cost of Brazilian leaf, at least for several years.

Brazilian cigarettes could be improved considerably by increasing the use of high-quality leaf with superior aroma and flavor. However, if Brazilian imports of cigarette tobacco should begin to rise significantly, it seems likely that import duties, currency allocations, and domestic production programs would be applied in such a manner as to discourage them.

Tobacco Products

Manufacturing

The population of Brazil has been growing rapidly; for 1952 it was estimated as 54.7 million. Brazil's consumption of tobacco products, especially cigarettes, is receiving great impetus from this continued high rate of population increase, as well as from a population shift to the urban areas.

Cigarettes.--Brazil has a modern cigarette-manufacturing industry, with factories in every State. Production is concentrated, however, in the Federal District of Rio de Janeiro and in São Paulo State. Though there are several producing companies, the industry is dominated by one, which accounts for 65 percent or more of total output.

TABLE 8.--Cigarettes: Commercial production in Brazil, averages 1935-39 and 1940-44, annual 1945-54

Period or year	Quantity
Average:	<i>Millions</i>
1935-39.....	13,411
1940-44.....	20,688
Annual:	
1945.....	21,637
1946.....	24,229
1947.....	27,360
1948.....	29,460
1949.....	32,500
1950.....	34,640
1951.....	36,500
1952.....	40,400
1953.....	41,600
1954 ¹	42,000

¹ Estimated on the basis of data through October.

Source: Reports of agricultural attachés and other U.S. representatives abroad.

Practically all the cigarettes produced in Brazil are made from blends of flue-cured and air-cured (both dark and light air-cured, including some Burley). Much of the dark tobacco used in cigarettes looks harsh and strong, but some is surprisingly mild, with a relatively good flavor.

Of the 3 most popular brands of cigarettes, 1 retails for 7.5 cruzeiros per pack of 20 and the others for 3.2 cruzeiros per pack (June 1954 prices). Taxes on tobacco products are relatively low. Some idea of cigarette prices relative to income can be gained by comparing the above prices with typical retail-store wages, which were mostly between 500 and 900 cruzeiros per week during June 1954.

Twist.--Large amounts of twist are used in Brazil; most is processed on the farm, but some in small factories. Every State in Brazil produces twist, but most of the output is in the State of Minas Gerais, with the industry concentrated in the Uba area. In making this type of product, thick strips of leaf are lapped, twisted into cords, and wound on windlass sticks. After the leaves have yellowed, they are dipped into tobacco extract (in Brazil, usually the only flavoring used for twist). Then they are dried in the sun and twisted again. The end product is a long, coiled rope of several strands, brought to the local market by the producer, to be cut and sold by weight.

Some twist is sold for hand-rolled cigarettes, on which regular wrapping paper or corn husks are frequently used as covers; corn husks are cut, packaged, and sold in grocery

TABLE 9.--Cigars: Production in Brazil (State of Bahia only), average 1941-45, annual 1946-53¹

Period or year	Quantity
	<i>Thousands</i>
Average 1941-45.....	157,743
Annual:	
1946.....	174,678
1947.....	158,661
1948.....	133,005
1949.....	130,321
1950.....	160,036
1951.....	224,744
1952.....	191,523
1953.....	200,054

¹ Data are not readily available for all of Brazil, but most commercial production is in Bahia.

Source: Reports of agricultural attachés and other U.S. representatives abroad.

stores for this purpose. The rest of the twist is sold for pipe smoking and for chewing. Since there is no tax on this product, there are no accurate estimates of the amounts produced or consumed, but much of the output is doubtless used by the processors themselves and never reaches the market.

Cigars.--The cigar industry is concentrated chiefly in Bahia, with limited production in Santa Catarina, Rio Grande do Sul, Sergipe, São Paulo, and a few other areas. Commercial output has increased in recent years along with domestic consumption, even though exports have declined.

Foreign Trade

Exports.--Brazil's exports of cigarettes, which attained some importance during World War II, have ceased entirely since 1948.

In recent years, exports of cigars and cigarillos ("little cigars") have declined substantially from the level that prevailed during and immediately after World War II. In 1953, about 1.3 million cigars and cigarillos were exported--only 60 percent of the number shipped in 1952 and 27 percent of the 1945-49 average. In 1953, more than three-fourths of Brazil's total exports of these products went to Germany and Portugal. However, shipments to Germany were only about half the amount sent the previous year, and Uruguay and Argentina, which previously took significant quantities from Brazil, imported practically none. Though Portugal and Switzerland increased their takings of Brazilian cigars and

TABLE 10.--Cigars and cigarillos:¹ Exports from Brazil, by country of destination, averages 1940-44 and 1945-49, annual 1950-53

[In thousands]

Country	Average		1950	1951 ²	1952	1953
	1940-44	1945-49				
Argentina.....	723	680	...	148	239	...
Great Britain..	338	720	...	...	...	...
Portugal.....	944	993	453	412	306	475
Switzerland....	250	740	326	925	58	98
Union of South Africa.....	152	191	...	29	7	14
Uruguay.....	275	224	8	...	298	1
Belgium-Luxem- bourg.....	8	17	40	21	90	74
Netherlands West Indies..	518	415	...	...	...	...
Sweden.....	(³)	425	480	...	...	...
Germany.....	...	...	...	1,212	1,040	502
Other.....	178	396	21	29	79	110
Total.....	3,442	4,731	1,328	2,514	2,117	1,274

¹ "Little cigars."

² Converted from given weight at 18.7 pounds per 1,000 cigars and 8.7 pounds per 1,000 cigarillos.

³ Included in "other."

Source: Comércio Exterior do Brasil.

cigarillos in 1953 as compared to the year before, this may have been partly due to the fact that smaller than normal quantities of cigar leaf were available to those countries for the manufacture of cigars.

Imports. -- During the 5 years immediately following World War II, Brazil imported about 6,080 pounds of cigarettes a year. About 90 percent of this was from the United States; most of the remainder, from Great Britain. During this period, small quantities of cigars were also taken, largely from Cuba and the United States. In the last 4 years, however, Brazil has imported no cigars or cigarettes. The only imports of manufactured tobacco products were 8,100 pounds (product not specified) from Great Britain in 1953.

TABLE 11.--Brazilian import duties¹ on manufactured tobacco products, September 1954 and January 1955

[In cruzeiros per pound, except as noted]

Commodity	Import duty ² in--	
	September 1954	January 1955
Twist.....	20.6	18.48
Pipe tobacco.....	24.7	22.48
Snuff.....	49.4	44.90
Cigarettes.....	42.5	38.61
Cigars.....	³ 134.6	³ 122.36

¹ Exclusive of a Social Security tax collected as an import duty, which amounts to 2 percent of the commercial value of the item.

² The average "free-market official" rate of exchange was 65 cruzeiros per U. S. dollar in September 1954 and 76 in January 1955.

³ Cruzeiros per hundred.

Source: Reports of agricultural attachés and other U. S. representatives abroad, and U. S. Department of Commerce.



