

U.S. TOBACCO COOPERATIVE SCOOP...

A newsletter from
U.S. Tobacco Cooperative
www.ustobaccofarmer.com

U.S. TOBACCO COOPERATIVE HOLDS 2010 MARKETING AGREEMENT MEETINGS

On Monday, February 1, 2010, U.S. Tobacco Cooperative, Inc. held its Marketing Center Agreement meeting in Douglas, Georgia at the Holiday Inn Express. This was the first of six such meetings to discuss with its members and prospective members the upcoming 2010 tobacco season. USTC's CEO and President Tommy Bunn, welcomed the large crowd and began by addressing his message to the current Cooperative members. Mr. Bunn said, "Let's get the unpleasant part of my message out of the way. Some of our 2009 members will not be receiving a 2010 tobacco contract with the Cooperative. The reasons some 2009 growers will not be receiving a 2010 contract is because these growers have delivered low quality leaf to the Cooperative, had low volume deliveries, or NTRM (Non Tobacco Related Material) issues." Mr. Bunn said the Cooperative would be reducing the 2010 contract pounds from 50 million pounds to 45 million pounds. "This is due to prudent Board measures to reduce the Cooperative's inventories and to supply our customers with their desired volumes," he said.

Mr. Bunn turned his attention to the pending FDA regulations over tobacco. Mr. Bunn said that no matter what FDA regulations are finally approved, your Cooperative will adhere



President and CEO Tommy Bunn addresses Co-op members and non-members in Clinton, N.C.

to them. We will communicate what effect they will have on you, our grower-members. He stressed the importance for FDA to seat the non-voting members because the non-voting members are the ones who have worked in tobacco research and grown tobacco for years. They can work with the FDA voting committee to share their knowledge as to what is practical and not practical to achieve tolerance levels for sucker control, pesticides, and nitrosamine on the farm. Again, this is another challenge for the Cooperative and its grower-members, and we will adapt and meet this challenge.

At the Market Agreement meetings in Clinton, N.C. and Williamston, N.C., Mr. Bunn announced that the two marketing centers in Clinton and Williamston would be closed for the 2010 tobacco season. The Cooperative would open a new Marketing Center in Wilson, N.C. at the Big Star

Warehouse located on Black Creek Road. The Wilson facility is large and will easily accommodate our member-growers. Mr. Bunn stressed the consolidation of the two marketing centers into one marketing center would improve efficiency and would be a cost saving measure for the Cooperative. Mr. Bunn turned the meeting over to U.S. Tobacco Cooperative Senior Vice President of Leaf Operations, Wayne Crawford, to discuss the 2010 objectives.

Wayne gave a PowerPoint presentation and began with 2010 Cooperative objectives as set forth by the Board of Directors. The Cooperative objectives are as follows:

- **Price structure with emphasis on high quality grades (desirable) and reduction of low quality grades (undesirable).**

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U. S. Tobacco Cooperative Inc. is the grower owned and supported cooperative that serves flue-cured tobacco growers in Virginia, North Carolina, South Carolina, Georgia, Alabama and Florida.

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- **Continue implementation of a crop throw to regulate pounds sold by stalk position.**
- **Bale Inspection Program (Non Tobacco Related Material).**
- **Contract for 45 million pounds.**
- **Produce light orange to orange tobacco that is clean and clear. The demand for lemon colored tobacco has declined for 2010.**
- **Reduction in chemical residues. We will test for MH levels for every grower.**
- **Cooperative will test for TSNA (nitrosamine) levels from each grower. You will be required to indicate the barn number on each bale sold.**

Wayne presented the grades which would be **reduced in price** for the 2010 season. The grades are: X2, X3, C3, C4, B4, B5, B1D, B2D, B3D, and B4D. The prices were reduced to emphasize growing top quality tobacco. Next, he presented 2010 maximum inclusive **grade crop throw** limits. Those grades are: X2, X3, X4, and X5 - 15 percent; C3, C4, and C5 - 7 percent; B4, B5, and B6 - 5 percent; and B2D, B3D, B4D, and B5D - 11 percent. Wayne emphasized these grades are more difficult to sell under today's international sales environment. The **stalk position crop throw** caps are lugs at 20 percent and tips at 15 percent.

“The Moisture Incentive Program has been a success and the program will continue for the 2010 season.” Wayne said. The Moisture Incentive Program is a 5 cent per pound incentive payment on all grades and would be paid if each individual bale met the following criteria. Each bale's average Malcam moisture must be between 11 percent and 16 percent and each bale's weight must be 500 pounds and 750 pounds. Note the minimum weight has been changed from 550 pounds to 500 pounds. Also, the Cooperative's acceptable tolerance weight range for the 2010 season will



Wayne Crawford dicusses the 2010 Cooperative's objectives and program.

be 500 pounds to 800 pounds. The Cooperative's maximum moisture percent limit remains at 18 percent for the 2010 season.

The Cooperative will have Malcam moisture units in all Marketing Centers. Prior to the Marketing Center openings, every Malcam will be set to factory specifications. Every Malcam will be serviced by factory technicians. Cooperative staff does **not** have the ability to change measurement parameters. Each Malcam will be checked daily to ensure proper settings and will be periodically checked by the manufacturer. The acceptable maximum Malcam average moisture per bale is 18 percent. There will be no runaround bales or excessive squeezing of the bales accepted at the receiving line.

The Cooperative will continue with their Bale Inspection Program for NTRM (Non Tobacco Related Material). Wayne discussed the two types of NTRM as being organic (weeds, grass, suckers, stalks, paper, etc.) and non organic (plastics, insulation, Styrofoam, rubber, etc.). In 2010, your Cooperative will aggressively address the NTRM issues. Marketing centers will again randomly select and inspect bales. If NTRM is detected, then the entire load will be rejected. If factory detection of excessive NTRM is found in a grower's bale, then the bale will invoke a three step procedure.

At this point, Wayne defined a NTRM "strike" as any bale which is intentionally nested or which contains (continued on page 3)

excessive organic or non organic NTRM requiring “hand picking” at the factory to “clean up” the bale to conform to a customer’s product standard. Furthermore, any intentional nesting of a bale of tobacco shall terminate the grower’s marketing agreement. This past season your factory had to employ 16 additional pickers to clean up NTRM infested bales.

The three step NTRM process is as follows:

- First offense (strike) is a warning letter. A digital picture of the offensive bale and bale tag can be reviewed at your marketing center. The grower will be advised of the consequences of additional strikes.
- Second offense (strike) is another warning letter. A digital picture of the offensive bale and bale tag can be viewed at your marketing center. The grower will be advised of the consequences of third offense, which includes financial penalties and future sales of tobacco being suspended.
- Third offense (strike) is a \$200.00 penalty per bale including bales from the first and second offense (\$600.00). A digital picture of the offensive bale and bale tag can be viewed at the marketing center.
- A Third offense (strike) will suspend the grower from selling his or her tobacco. The grower will meet with Cooperative management and pay the penalty in order to be reinstated to sell his or her tobacco.
- After being reinstated, if additional “strikes” are incurred, then the grower will be suspended again from selling tobacco, but shall remain liable for payment of \$200.00 for each additional “strike”.
- The Cooperative reserves the right to terminate the grower’s marketing agreement.

Wayne discussed the 2010 form changes. First, he discussed the USDA / FSA Form 578. The purpose of this form is to verify that the person or authorized representative of a corporation or partnership that has signed a Cooperative marketing

agreement is a bona fide grower of tobacco. This form must be provided by the grower prior to selling his or her tobacco at the marketing center. The grower will be blocked in the system until the FSA Form 578 is delivered to our Raleigh office. Until then, the grower will not be allowed to sell his or her tobacco. The grower’s FSA Form 578 must have the same name as the grower’s name on the 2010 marketing agreement. The tobacco marketed by a grower under this marketing agreement must be grown only on the farms identified on the FSA Form 578. Tobacco sold and not produced by the authorized grower will result in termination of his or her marketing agreement. If the tobacco acreage that is certified on the FSA Form 578 is deemed insufficient to produce the required marketing agreement, then the marketing agreement pounds will be adjusted in accordance with the certified FSA Form 578 acreage. The adjustment will be calculated by the certified acreage on FSA Form 578 multiplied by 3000 pounds per acre. The calculated poundage will become the grower’s adjusted marketing agreement pounds to be sold in 2010.



Large crowds in attendance at all the Cooperative’s Marketing Agreement meetings

Second, for the 2010 marketing season, all growers that sign a Cooperative marketing agreement will sign a Grower’s Acknowledgement Agreement. This is an addendum to the marketing agreement. The grower shall provide a Social Security or Federal Tax I.D. number, whichever is

applicable. The Cooperative will issue an IRS Form 1099 to all member growers that had a 2009 marketing agreement on all contract proceeds sold to the Cooperative.

Wayne concluded his presentation by listing the marketing agreement sign up dates for each of the marketing centers.

At the conclusion of each meeting, Board members, Mr. Bunn, and Wayne Crawford fielded questions from the attending members and non-members. The Cooperative and your Board members takes this time to thank each of you for attending and participating at each of the marketing agreement meetings.

USTC RECEIVES EXPORTER OF THE YEAR AWARD FROM NCDA & CS

On February 4, 2010, the N.C. Department of Agriculture and Consumer Services named U.S. Tobacco Cooperative its 2010 Exporter of the Year. N.C. Commissioner of Agriculture, Steve Troxler, presented the award to USTC Chairman of the Board Albert Johnson and Senior Vice President of Global Sales and Marketing, Mike Lynch. The award was created by the department to honor agriculture businesses that export North Carolina products internationally. Commissioner Troxler said USTC had successfully increased North Carolina tobacco to other countries, in particular to China. He continued, “U.S. Tobacco has been instrumental in helping build a stronger relationship between North Carolina and China’s tobacco company. Mike Lynch and the staff of the cooperative recognize the growing importance of international markets and will continue to expand opportunities for our growers.”
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Formed in 1946 as Flue Cured Stabilization Cooperative, USTC served as administrator of the federal tobacco program. When the tobacco program ended after the 2004 growing season, the cooperative began evolving into a sales, marketing, processing, and manufacturing company. Our facility in Timberlake, N.C. processes and markets tobacco strips, cut-rag blends, expanded stems, and cigarettes worldwide. The cooperative's

approximately one-thousand members are flue cured tobacco growers in North Carolina, Virginia, South Carolina, Georgia, and Florida.



Sales and Marketing Senior Vice President Mike Lynch and USTC Board member Jimmy Crews accepts North Carolina's Exporter of the Year Award from North Carolina's Commissioner Of Agriculture Steve Troxler.

DISTRICT 3 ELECTION RESULTS

District 3 members voted for their Board representative on Friday, October 30, 2009 at the Big L Warehouse in Mullins, South Carolina. Mr. Albert Johnson was unanimously elected to serve for another three year term beginning May 1, 2010.

DISTRICT 8 ELECTION RESULTS

District 8 members held their Board representative election on January 11, 2010 at the Martin Building located on the N.C. State Fairgrounds in Raleigh, North Carolina. Mr. Jimmy Crews ran unopposed and was re-elected to serve a three year term beginning May 1, 2010.

DISTRICT 2 ELECTION RESULTS

District 2 members held their Board representative election on Monday, February 1, 2010 at the Holiday Inn Express in Douglas, Georgia. Mr. Kenneth Dasher was re-elected to serve a three year term beginning May 1, 2010. Mr. Dasher was unopposed in the election.