

U.S. TOBACCO COOPERATIVE SCOOP...

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

COOPERATIVE HOLDS SIXTY-SECOND ANNUAL MEETING

The sixty-second Flue Cured Tobacco Cooperative Stabilization Corporation Annual Meeting was held on Friday, November 14, 2008 at the Holshouser Building on the N.C. State Fair Grounds. The date of the annual meeting was moved from the second week in June to the second week in November to better accommodate our members' farming schedules. The Board's decision to move the date for the meeting was apparent as approximately 275 people were in attendance.

The meeting began promptly at 10:00 am with the invocation given by Board member Mr. Jimmy Hill. Following an introduction by President of the Board Albert Johnson, the N.C. Commissioner of Agriculture, Mr. Steve Troxler addressed the audience. He began by addressing the rising input costs associated with growing the 2008 tobacco crop and that his department had aided the Cooperative by providing tobacco input cost data. He noted since the change to the tobacco program in 2004, North Carolina tobacco volumes had increased and that the N.C. tobacco industry represented a \$70 billion industry. Commissioner Troxler spoke of his Department's 2009 budget related issues. Also, he said a delegation from his Department might visit China and Japan to increase N.C. agriculture products including tobacco and food. In conclusion, Commissioner Troxler told the audience to remain

positive, to stand together and stand strong for the tobacco industry.

Chairman Johnson introduced Mr. Calvin Covington. Mr. Covington is the Chief Executive Officer for Southeast Milk, Inc., a milk cooperative located in Belview, Florida. Mr. Covington began by stating the milk and tobacco industries, although different, are similar in their business model. He said their milk cooperative had changed its business model due to market place changes and transformation of the milk industry.



President Albert Johnson addresses members at the 2008 Annual Meeting

He discussed the challenges and decisions his cooperative had faced since 2001.

Mr. Covington left our members with four points he felt would benefit our cooperative. One: "Focus on long term; to be willing to sacrifice short term gains for long term benefits. Two: Members have to become financially involved in their market; they have to make investment into their market. Three: Become closer to your customers / consumers. Focus on quality. Four: Increase the co-op bargaining power. After five years

into the transition process, Southeast Milk, Inc. is still here, maintaining stability and viability for our members."

The next item on the agenda was 'a vote' by the membership on amendments to the Cooperative's Article of Incorporation and By-Laws, as recommended by the Board of Directors. Each cooperative member was asked to sign in and was given a voting card upon arrival at the annual meeting. Cooperative attorney, Marks Arnold began by having the attending members counted. Sixty-eight members were present which meant thirty-five votes were needed to pass either item. Mr. Arnold described the first item being the the approval of the amendments to Stabilization's Articles of Incorporation which have been recommended by the Board of Directors and submitted to the members with the notice of this meeting, and asked if there were any questions? There were none. The vote was taken and the amendments to the Articles of Incorporation were approved.

The second item, approval of the amendments to Stabilization's by-laws which have been recommended by the Board of Directors and submitted to the members with notice of this meeting, was announced and Mr. Arnold asked if there were any questions from the members?" asked Mr. Arnold. After a brief question and answer period the vote was taken and passed by majority. Mr. Parrish requested a recount. The membership's recount votes were counted and the amendments to the by-laws were approved.

President Johnson next introduced Mr. Clay Worden. Clay Worden is an auditor partner for the Orlando McGladrey-Pullen office. He is director of the National Society of Cooperative (continued on page 2)

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.

Chairman of the Board

Albert Johnson

Vice Chairmans

Kenneth Dasher

Brian Howell

Andrew Q. Shepherd

Jimmy Pate

President

Tommy Bunn

DIRECTORS

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 Live Oak,
 Florida

District 2 Brian Howell
 Register,
 Georgia

District 3 Albert M. Johnson
 Galivants Ferry,
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District 4 James C. Pate
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 North Carolina

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District 6 Blythe H. Casey
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District 7 Charlie Batten, Jr.
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 Oxford,
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District 9 Richard Renegar
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District 10 Andrew Q. Shepherd
 Blackstone,
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Director Kinston,
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Accountants, a member of the American Institute of CPAs, a member of the Florida Institute of CPAs, and treasurer of the Golden Rule Foundation. Clay is recognized as one of the most capable auditors in the United States and his team is our cooperative's auditor. Clay's firm serves as the Cooperative's certified public accountants. Mr. Worden discussed key cooperative accounting concepts and highlighted pertinent portions of the Cooperative's audited financial statements.

In conclusion, Mr. Worden stated, "I also encourage you to stay united, staying united will be your best chance for survival; staying united and having a strong cooperative will ensure that the market treats the farmer fairly."



N. C. Commissioner of Agriculture speaks to Members

Albert Johnson addressed the members with his President's Report. He began by discussing the board's decision to move the date of the annual meeting from June to November to better accommodate our member's farming schedule. He spoke about the 2007 crop conditions and noted in some areas drought was the worst in recorded history. "We received 37 million pounds from the growers at an average price of \$1.46 per pound. The total 2007 green weight sales were 52.8 million pounds which included tobacco from crop years 2001 through 2007. Our 2007 crop had numerous challenges in addition to the extreme drought. There were problems encountered during processing. The problems including grass, suckers, stalks and NTRM (Non Tobacco Related Material) were so great that our processing rates were diminished



Co-op Members voting for amendments to Articles of Incorporation

drastically. One customer was very critical as it watched our crop being processed. It threatened not to return in 2008 unless this Co-op improved the quality of the tobacco. I am glad to say that you, ladies and gentlemen, made this 2008 crop successful."

The Board approved in December of 2007 and January of 2008 new policies including:

- Reduced the number of Marketing Centers from 9 to 6.
- Installed Malcams for all marketing Centers.
- Increased the green price to growers.
- Established the weight and moisture parameters.
- Added price incentives for weight and moisture compliance.
- Required opening of bales for inspection.
- Established contracting priorities.
- Scheduled member meetings to explain policy changes.

Mr. Johnson turned his attention to the 2008 green price issue. He began, "In the first quarter of 2008, members saw an unprecedented price increases in fuel, fertilizers, agrichemicals, and cost of living expenses. In March, members began contacting our Board and staff to cancel contracts that had been signed in January and February because their input costs to grow tobacco had increased to such a level that they were seeing all profits from tobacco evaporate. Immediately, the Board raised member average prices to (continued on page 3)

\$1.80 per pound which was 34 cents per pound increase from the 2007 price. The price increase was unprecedented in the industry; however, the Board had to act in order to keep our members growing tobacco.

There were some questions raised by our members concerning the Malcams and moisture in our Marketing Centers. The staff responded with frequent Malcam calibrations checks and analysis of moisture data by the manufacturer's engineers to ensure Malcam accuracy. Additionally, core samples were drilled from randomly selected bales and sent to our moisture lab in Timberlake, N.C. to compare Malcam moisture readings. Our Malcams were found to be accurate.

On October 16, 2008, U.S. Flue Cured Tobacco Growers, Inc. representatives were present at the Golden Leaf Awards ceremony



Mr. Bill Harris receives his 25 year service award

sponsored by Tobacco Reporter Magazine and BMJ. Our representatives accepted the prestigious award "Most Promising New Product Introduction" award. Tobacco companies from around the world submitted nominations. This award represents the growing accomplishments of your **1839** products and sales staff. The initial launch of the 1839 products was in four flue cured tobacco production states of Virginia, North Carolina, South Carolina, and Georgia. Presently, our 1839 products are available in retail outlets in eighteen states."



General Manager Tommy Bunn addresses Co-op members

In closing President Johnson stated, "The members of the Flue Cured Tobacco Cooperative are producing some of the best tobacco in the world and you have good reasons to be proud of your organization. Another season is in front of us and we are preparing to address the challenges. Your Board will be vigilant in trying to keep our member's tobacco competitive in the world's market place. The Board may have to make unprecedented decisions again this year because the dynamics of tobacco production costs are still very unpredictable. However, the Board's actions will be based on keeping the cooperative members in business growing U.S. flue cured tobacco and supplying premium tobacco to the world market."

President Johnson proceeded to hand out service awards to three recipients. Mrs. Gloria Murray received her 43 year service award.



Ms. Robin Poole receives her 25 year service award

Mr. Bill Harris and Ms. Robin Poole each received their 25 year service awards. President Johnson thanked each of them for their dedicated service with the Co-op.

General Manager Tommy Bunn concluded the sixty second annual meeting. He reviewed the highlight events of the 2008 flue cured season. He began with the contract sales agreement pounds and average price paid for these pounds. They were 33 million pounds with an average price of \$1.77. (Not all the marketing centers were closed at the time of Mr. Bunn's address to the members.) He announced the dominant stalk position



Mrs. Gloria Murray receives her 43 year service award

grades were B2, C2 and X2. The number of opened bales at the Marketing Centers was 1082. One hundred seventy-two growers delivered above one hundred percent of their contracted pounds. Also, he added the cooperative had several farmers who delivered zero percent of their contracted pounds. It was undetermined as to the reason(s) for the undelivered pounds at the time of his speech. Mr. Bunn announced the closing dates for Williamston, Rural Hall and Chase City. He assessed the overall quality of the 2008 crop to have been very good. Our customers were pleased at the high quality and the integrity of the 2008 crop.

Tommy Bunn turned his attention to the 2009 season and the challenges the cooperative will face. He noted the value of the U.S. dollar has increased (continued on page 4)

in value as compared to 2007 and early 2008. Some crop production costs items have declined. All customers are closely monitoring world prices. Mr. Bunn said all of these challenges needed close scrutiny and evaluation during the 2009 season.

Tommy Bunn reviewed the Cooperative's 2008 cost cutting actions:

- 1.) Reduced Marketing Centers from 9 to 6.
 - 2.) Reduced consulting contracts
 - 3.) Eliminated positions
 - 4.) Consolidated storages
 - 5.) Reduced number of company vehicles and vehicle use
 - 6.) Implemented employee service ceiling on retirement benefits
 - 7.) Reduced employee dependent health coverage and required employee contributions
 - 8.) Implemented additional accountability measures in processing
 - 9.) Implemented moisture and weight parameters on delivered tobacco.
- In conclusion, Mr. Bunn wished the members a great 2009 tobacco growing season and with that the sixty-second annual meeting came to a close.



Co-op members and guests listen intently to Speaker at 62nd Annual Meeting