

U.S. TOBACCO COOPERATIVE SCOOP...

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

USTC SALES TEAM VISITS CHINA FACILITIES

The CO-OP sales and marketing staff continues to improve and enhance its relationship with China Tobacco International. During the last week in March, a delegation led by Albert Johnson, Mike Lynch, and Bobby Elkins made a return trip to China. The delegation was specifically invited to visit processing plants in China. CTI

equipment. The moisture and degradation labs of both factories are very modern and efficient. The most glaring difference in the two factories was how they stored the green tobacco. One factory stored its tobacco



Green tobacco awaiting classification



Evaluating tobacco samples at the customer's viewing area



Classified green tobacco awaiting blending process



Joint planning session between U.S. CO-OP staff and Chinese Officials

hosted meetings in Beijing to discuss supply and quality issues for the upcoming 2009 tobacco season. The ground work for purchasing and processing this year's crop is being established.

The CO-OP staff took a three hour plane trip to the city of Kunming, China. The translation means "Spring City". We visited two processing plants in Kunming. The plants are owned and operated by the China Tobacco Yunnan Industrial Corp. and the Yunnan Leaf Tobacco Corp. Both factories had state of the art threshing and packing



Open air storages



Tobacco pre-conditioned before being processed



Chinese Farm bales in Green storage

in the mountains where the humidity rarely exceeds 50% moisture. Tobacco is shipped to this facility as needed. The other factory stored its unprocessed tobacco outside on six inch concrete (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

Andrew Q. Shepherd

Jimmy Pate

President

Tommy Bunn

DIRECTORS

District 2 Kenneth Dasher
Live Oak,
Florida

District 3 Albert M. Johnson
Galivants Ferry,
South Carolina

District 4 James C. Pate
Rowland,
North Carolina

District 5 Keith Beavers
Mt. Olive,
North Carolina

District 6 Blythe H. Casey
Kinston,
North Carolina

District 7 Charlie S. Batten
Four Oaks,
North Carolina

District 8 Jimmy Crews
Oxford,
North Carolina

District 9 Richard Renegar
Harmony,
North Carolina

District 10 Andrew Q. Shepherd
Blackstone,
Virginia

Public James T. Hill, Jr.
Director Kinston,
North Carolina

Telephone: (919) 821-4560

Fax: (919) 821-4564

dunnage and covered by tarps. Both of these factories were still processing the 2008 Chinese flue-cured tobacco crop. The projected finish time for both factories was sometime in June.

The most notable difference in our operation and the ones in China was the amount of labor being used by them to grade and classify the tobacco being processed. One of the companies had over 1400 people to do these jobs. We now have a much better understanding of their requirements for elimination of NTRM and waste from our tobacco being supplied to them.



NTRM (Non Tobacco Related Material) descriptive sign for Chinese staff



Chinese Blending Room staff



Chinese Picking Room staff



Chinese Threshing Line

Our staff's goals were to have a better understanding and to see what improvements should be implemented at our factory to improve the quality of US tobacco supplied to CTI. We feel we have obtained valuable knowledge and gained additional respect from our largest customer. With continued grower support and plant improvements the CO-OP will see greater success in our relationship with CTI.

KEY INFORMATION FOR OUR 2009 USTC MEMBERS

It is U.S. Tobacco Cooperative's desire that all our 2009 members are aware of the following procedures. These Board approved procedures are in place to better serve you and our / your customers. Please note the following:

- **FSA Form 578** - the grower **must** provide this form prior to the first delivery of tobacco at the marketing center. The grower can fax the form to the Raleigh office at 919-821-3691 or mail the form to U.S. Tobacco Cooperative Inc., P.O. Box 12300, Raleigh, NC 27605 to the attention of. Robin Poole **OR** the grower can contact or bring the form to your assigned (continued on page 3)

marketing center **prior** to delivery of your tobacco.

- **Bright orange to orange colored tobacco and clean tobacco free of brown pickings** is desired by your co-op and your customers. The dark tobaccos will be subject to crop throw and lower prices.

- **Moisture Incentive** – The grower can receive a \$0.05 per pound incentive if the bale Malcam Moisture Unit reading is between 11 percent and 16 percent **and** the weight is between 500 pounds and 750 pounds. Keep in mind, your co-op’s maximum allowed moisture is 18 percent and the maximum weight is 850 pounds.

- **Slip Sheets and Wire** – Co-op uses a 250 pound “burst strength” slip sheet. Slip sheets and wire are available at your assigned marketing center if you are interested in purchasing these items.

- **Marketing Center Scheduling** – **Growers must contact** their marketing center to let them know the **day, time** and **number of bales** for the day’s delivery.

- **NTRM (Non-Tobacco Related Material)** – Co-op demands your bales be kept clean of all organic (grasses, weeds, paper, stalks, suckers, etc.) and non organic (plastics, metals, etc.) materials.

- **MH and Pesticide Residues** – Co-op will be testing for residues. Be mindful and adhere to the label instructions for these products, because it is very important that your tobacco will be below or meet the recommended tolerance levels of these products.

NTRM BALE INSPECTION PROGRAM

PROCEDURE AT THE MARKETING CENTER:

A random bale will be selected from a load delivered to the marketing center.

The bale will be graded and weighed as usual.

The bale will be taken to the marketing center’s baler; the wire will be removed and the bale will be opened, inspected, and determined as acceptable or unacceptable.

Unacceptable Bale: A bale is deemed unacceptable when excessive amounts of grasses, weeds, stalks, suckers, dirt, etc. are found inside the selected bale. The entire load could be rejected if warranted. If the bale is deemed to be intentionally “nested,” the bale and the entire load will be rejected and the grower’s next delivery will be inspected.

Acceptable Bale: If no NTRM is found in the bale or an item or object found in the bale is deemed to be accidental, then the bale will be accepted at the marketing center.

Frequency for season – 4 times per season; unless an unacceptable bale is found and then a random bale from the next load will be checked.

PROCEDURE AT THE FACTORY:

If NTRM is discovered in a bale of tobacco at the factory during processing, there are a series of events that will occur.

This is a three step process:

- 1.) The **first offense** is a **warning letter** that is given to the grower at the marketing center. (Next load to the marketing center will be inspected.)
- 2.) The **second offense** will be a letter to the grower stating the grower has incurred a **\$100.00 penalty**. (Next load to the marketing center will be inspected.)
- 3.) The **third offense** will be a letter (**Contract Suspension Letter**) given to the grower stating that his or her contract has been suspended. No

remaining contract pounds will be purchased until the matter is resolved between the grower and the Cooperative.

If a bale is discovered in the factory during processing that is considered to be an **intentional “nest”** (misrepresentation of the bale by means of inferior type tobacco unlike the outer contents, inferior objects, excessive placing of dirt and grasses, etc...), this will be an **automatic third offense** (Automatic Contract Suspension Letter). The grower’s contract will be suspended until the matter is resolved.

If a bale is discovered in the factory to have an object or item inside the bale (screwdriver, hammer, cell phone, tie down strap, etc...), this is an **accidental offense** and the grower will be notified by letter at the marketing center.

CONGRESS EMPOWERS FDA TO REGULATE TOBACCO AND THE TOBACCO INDUSTRY

On June 22, 2009, President Obama signed the *Family Smoking Prevention and Tobacco Control Act* into law. The signing ceremony was held in the Rose Garden and will now give the Food and Drug Administration unprecedented regulatory authority over the manufacture, marketing, and distribution of tobacco products. The FDA will have the oversight authority for manufacturers’ efforts to develop, introduce, and promote less harmful tobacco products.

The U.S. Senate approved the bill on Thursday, June 11, 2009 by a vote of 79 to 17. The U.S. House of (continued on page 4)

Representatives took little time to pass the bill on the following day. The House vote was 307 to 97 and the bill was sent to the President. There were opposition bills in the House (McIntyre-Buyer) and the Senate (Burr-Hagan). Their point of view was that the tobacco industry should not be regulated under the FDA, but under the Human Health Services department. However, both amendments were defeated.

It is too early to know the full effects of this law for the tobacco industry because staffs have not been hired nor have the regulations been written. However, on June 16, 2009, after becoming commissioner of the FDA, Dr. Margaret A. Hamburg said she will toughen enforcement efforts, hire new leaders for the agency, and improve its standing within the scientific community, adding that the FDA was "eager" to begin regulating the tobacco industry once President Barack Obama signs the Congress-approved bill into law. (Source: New York Times 6/16/2009)

The tobacco division of the FDA will be funded by a ten year graduated tobacco industry users' fee. The user fee begins in 2009 on the day the president signs the bill into law and the user fee is \$85 million. In the tenth year and each subsequent year, the user fee will be \$712 million. The tobacco industry will pay the FDA on a quarterly basis formatted on each individual company's percentage of

sale for the following products: cigarettes, cigars, snuff, chewing tobacco, pipe tobacco and roll your own products. The warning labels on packs of cigarettes will increase to fifty percent of the area and will be placed on the upper front and back of the cigarette pack. The word warning will be in all capital letters. (Source: Bill1256 Sec.919. User Fees Ref. THOMAS (Library of Congress))

The state of North Carolina is the largest producer of tobacco in our nation and represented approximately \$686 million dollars for the growers in 2008 and the North Carolina tobacco industry employed approximately 10,000 workers. It is anticipated that the law will reduce the number of employees in the tobacco industry.

DISTRICT 2 ELECTION RESULTS

A special election was called by the Board of Directors for District 2. The Board took action in December, 2008 to redraw certain districts in order to have a more equitable representation of the membership in

each district. This action included combining Districts 1 and 2 and redrawing all six districts in North Carolina. On Wednesday, April 15, 2009, at 2:00 pm, the U.S. Tobacco Cooperative's District 2 Board representative election was held at the Holiday Inn Express in Douglas, Georgia. Mr. Kenneth Dasher, who previously represented District 1 for sixteen years, from Live Oak, Florida was elected by acclamation.

DISTRICT 9 ELECTION RESULTS

On Monday April 20, 2009, at 2:00 pm, the U.S. Tobacco Cooperative's District 9 Board representative election was held at the Iredell Rescue Squad in Harmony, North Carolina. Mr. Richard Renegar from Harmony, North Carolina was re-elected.
