



Summary of Hurricane Florence Impact on Tobacco

For: Secretary Perdue Visit to NC – September 24, 2018

Many questions are developing about the size of crop loss and how the markets may react following the impact of the storm.

Early Impact Estimates:

At least 50 counties in the state have been majorly affected. Impacts reached into SC and VA as well.

In a survey of about 60 growers from those heaviest impacted areas, we calculate that approximately 40% of the crop remained in the field. It's unknown how much may have been lost in the barns due to power outage and how much may have been flooded in storage buildings.

Areas where rainfall exceeded 10 inches, it's realistic to anticipate that farmers will not be able to return to the field because of wet conditions for at least five more days. It is a fair expectation that all that remains in the field in severely affected areas may be a total quality loss by the end of the week.

That would suggest the tobacco damage may total 100-120 million pounds or perhaps greater.

How Will This Influence Marketings?

We have received numerous calls from growers curious if the market might react the way it did following Hurricane Fran in 1996. As reminder, that was the year when anything delivered post storm was graded very generously due to the short supply and strong demand.

Remember that in 1996 we still had a tobacco program administered by Stabilization Cooperative and crop size at about 800 million pounds

WE DO NOT expect 2018 to function in a similar fashion as 1996. As a point of awareness - this year we are already coping with an over supply in the global market. In addition, we have the pending outcome of the Tariff situation and how much reduction in demand could be associated with that.

In Brazil, we anticipate a record crop to begin being planted this month and the Brazilian REAL currency is 4:1 against the US dollar.

High quality U.S. leaf will continue to be in strong demand for 2018. But, growers should not expect inferior tobacco and storm impacted tobacco to fetch superficial prices. Do not expect any "hurricane grades" for this remaining and unharvested crop. Growers must make marketing decisions based on fair value to quality.

Mitigation and Disaster Relief:

TGANC is already advocating to government officials on behalf of farmers about the serious economic peril of the storm impact. Who knows if there will be a disaster package as in times past. And when there is it often takes months or years to implement.

The need is urgent! We are suggesting that the government develop immediate assistance programs that translates to real dollars on the farm. No disrespect, but farmers don't need low interest loans. They need cash flow assistance to manage a catastrophic disaster like Hurricane Florence.

This requires creative thinking. We are suggesting for example:

1. That the government authorize RMA to issue full credit on MPCI premiums.
2. Another idea is to apply coverage levels to 100% of the historical production guarantee following the claims.
3. Yet another idea is for Commodity Credit Corporation to work with the agricultural lenders in development of a zero percent operating loan forgiveness program.
4. Ask congress to authorize farms and small business to eligible for investment tax credits for purchases of equipment and infrastructure replacements.
5. Ask congress to authorize relief from capitol gains tax in situations where farmers find themselves liquidating such eligible assets to generate cash flow for repairs and debt service payments created in the aftermath of the storm.
6. Exempt the depreciation schedule (about 30%) for any equipment sold to generate cash flow as part of the farm debt service.

All these examples translate in to real money to meet serious loss and debt obligations in the near term. It is important that elected officials understand that farmers will not keep any of this assistance funding. Reality is that it passes through in the farming operation and in to the local economy.

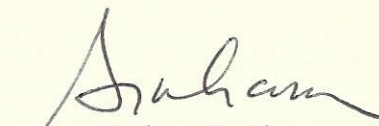
Please share your thoughts and ideas with us. If you have questions, please call Executive Vice President Graham Boyd at 919-614-0099.

TGANC wishes everyone a safe a speedy recovery and we are grateful for your leadership and support.

Sincerely,



Steve Griffin
President



Graham Boyd
Executive Vice President