



Dear: Mr. Heng Zhang
General Manager, CTI-NA

November 14, 2018

VIA Email: zhang@cti-na.com

We are writing to you today to share a follow-up to our previous letter on April 14, 2018. We thank you for your courteous reply to that letter. We also thank you for honoring your CTI direct contracts with growers.

It has remained our hope that the tariff negotiations between our two nations would reach a quick resolution. Unfortunately, that has not yet occurred. As we described to you in April, the political process associated with the tariff is far beyond our control or influence.

You may have noticed that on September 6th the United States government announced an agricultural tariff aid program for many commodities and food items in our country. Tobacco was NOT Included in the aid program! In addition, tobacco as a commodity is not included in any of the ongoing tariff negotiations. Simply put; There is more anti-tobacco sentiment in our nation than there is support for tobacco farmers and the tobacco dependent communities in which they reside. As we suggested to you last Spring, many politicians from non-tobacco producing states were delighted to learn of your intentions to suspend purchases from the U.S.

Sadly, the only consequence of all this situation is the United States tobacco farmer is in economic peril from the loss of marketing opportunities. We regard China as one of the most important export customers we have. We greatly value the business relationship that has been established and enjoyed with CTI. We continue to desire to supply your factories and your Chinese consumers with high quality, premium flavored leaf.

In September and again in October our farmers suffered catastrophic impacts from Hurricane Florence and Hurricane Michael. The first storm made landfall in south eastern North Carolina with high winds and record rainfall that was more than two feet in many locations. We estimate the loss to tobacco at 100-120 million pounds or greater. This means that opportunities for success for our farmers has been further reduced. The second storm made landfall in the Gulf Coast region of the country and crossed the central region of our state with winds still reaching 60 mph. We estimate it damaged another 5-8 million pounds of quality leaf.

We hope you will give your fullest consideration to the serious risks that exists today for a massive reduction in the number of family farms that may remain to grow tobacco in 2019 and beyond. The combination of soft stability of demand with the economic peril of two hurricanes will mean that many farms will be lost. History has proven that once a multi-generation family farm expires there isn't one waiting to assume its place.

As we bring the 2018 marketing to a close, please be assured that we have worked to deliver excellent quality, albeit now in short supply. We sincerely hope you can determine a way to resume some increased volume of purchases for the future. And, we very much hope you can issue purchase orders for 2019 and beyond. These two actions would be tremendous good news to offer our farmers hope and opportunity. Ultimately your actions will be helping to save the American family tobacco farm.

Thank you for your time and attention. Please call if we can be of any assistance.

Very sincerely,

Steve Griffin, President

Graham Boyd, CEO/Executive Vice President