

The logo features a stylized blue cotton plant icon with three red dots above it, followed by the text 'HAIL & COTTON' in a large, blue, serif font, and 'INTERNATIONAL GROUP' in a smaller, red, sans-serif font below it.

**HAIL &
COTTON**
INTERNATIONAL GROUP

CROP REPORT
APRIL 2018



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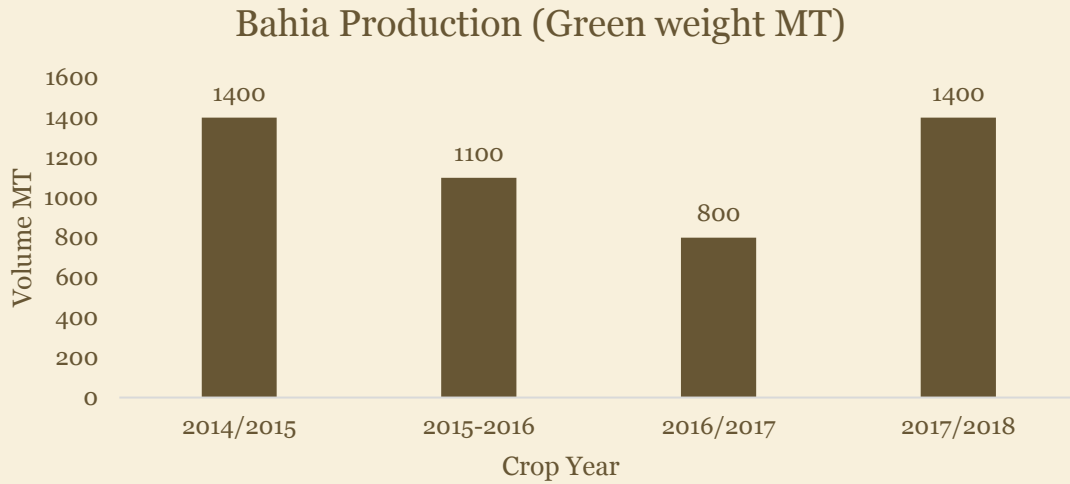
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BRAZIL BAHIA – FILLER

HISTORICAL PRODUCTION



2016/2017 CROP STATUS

Current operational activity:

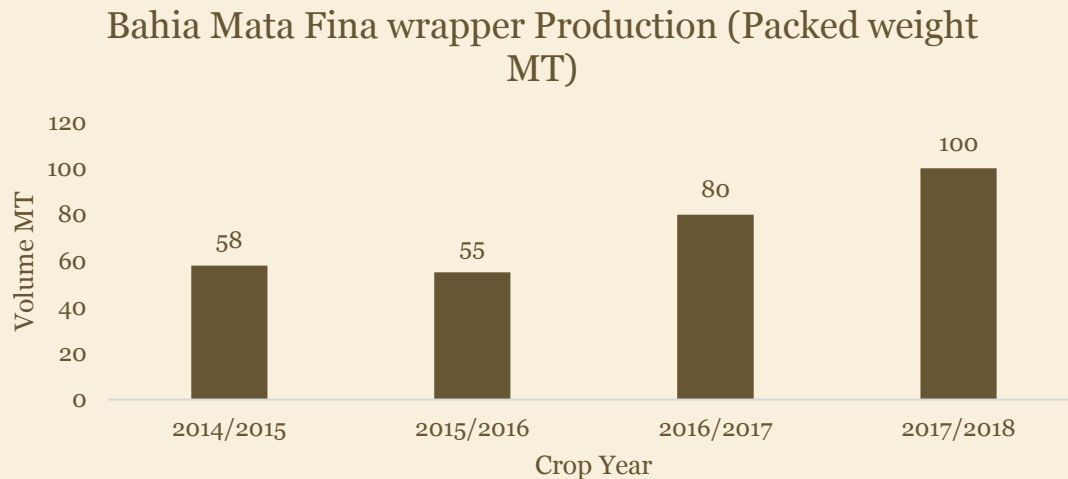
All tobaccos have been packed and shipped to customers for the most part. There are almost no stocks available.

2017/2018 CROP STATUS

After difficult initial crop conditions, due to above average rainfalls, the situation improved during the remaining part of the crop season. Buying was completed early, with a total crop volume of 1.400 to 1.500 tons (green weight).

BRAZIL – BAHIA MATA FINA WRAPPER

HISTORICAL PRODUCTION



2016/2017 CROP STATUS

Current operational activity:

All Mata Fina wrappers have been sorted and packed and most have been shipped to customers, leaving only a small stock volume.

2017/2018 CROP STATUS

We finished harvesting the crop in early October and curing was completed mid-November. Overall production yield of the crop was good, however with a slightly lower wrapper yield than last crop.

Current operational activity:

Most of the wrappers and binders are still in the fermentation process. We have started grading the first tobaccos, from the early primings.

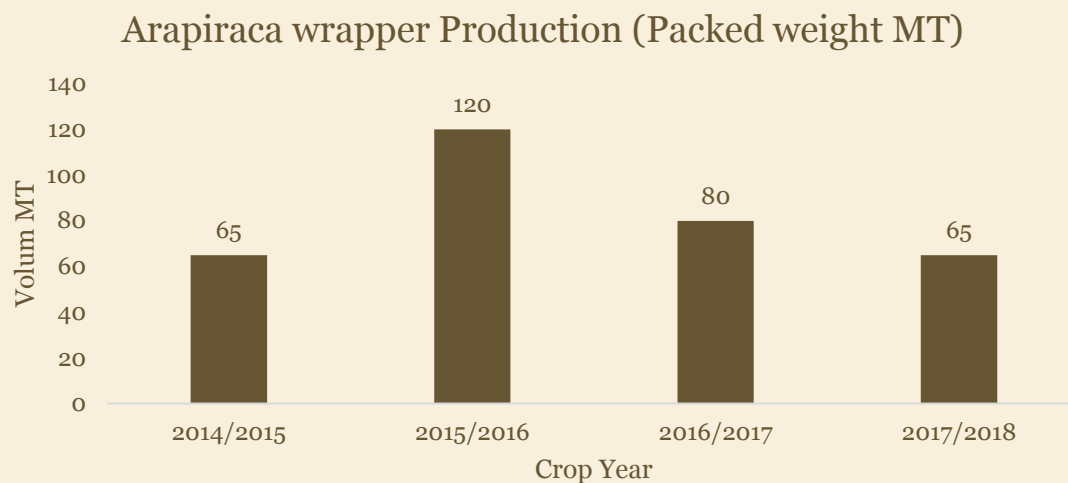
2018/2019 CROP STATUS

Current operational activity:

At the moment we are preparing our farms and buying fertilizers for the new crop. We had some good rainfalls in the last weeks which helped us with soil preparation.

BRAZIL – ARAPIRACA WRAPPER

HISTORICAL PRODUCTION



2016/2017 CROP STATUS

Current operational activity:

All wrapper material has been shipped to our operation in the DR and is undergoing final sorting at the moment.

2017/2018 CROP STATUS

As expected our overall wrapper volume fell somewhat behind the initially projected number. However quality is better than we had predicted, considering that the crop conditions were difficult, as explained in our previous report. All in all we expect decent quality and good wrapper yield.

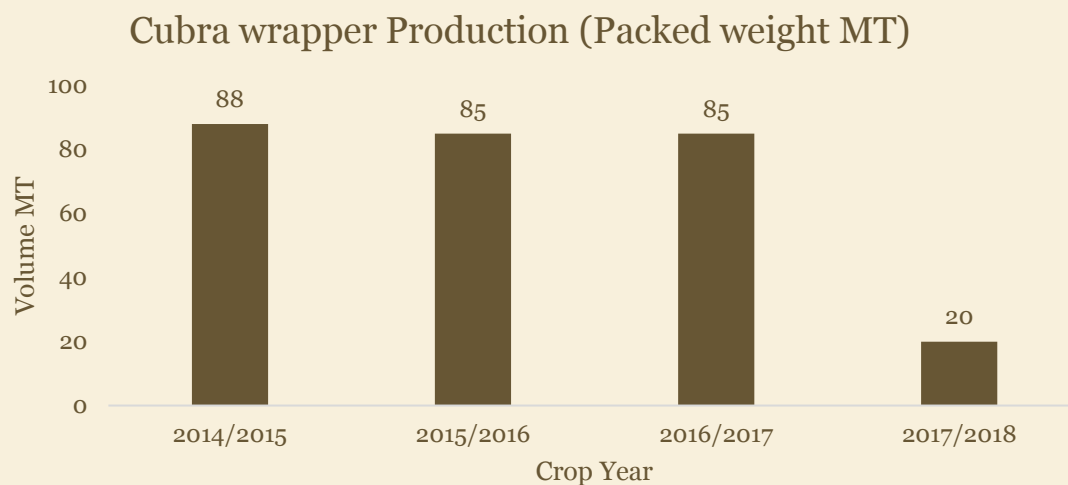
Current operational activity:

Tobacco has developed well during fermentation.

Meanwhile all tobaccos have been packed and soon will be shipped to our operation in the DR.

BRAZIL – CUBRA WRAPPER

HISTORICAL PRODUCTION



2016/2017 CROP STATUS

Current operational activity:

We have finished sorting and packing. Part of the tobaccos have been shipped to customers.

2017/2018 CROP STATUS

We finished harvesting the crop in September and curing was completed in October. Overall production yield of the crop was very good and we expect good wrapper yield.

Current operational activity:

All tobaccos are still undergoing fermentation at the moment and are developing well.

ECONOMIC DATA

Exchange Rate April 6:

USD 1,00 = 3,34305 BRL

Inflation March 2018:

2,68 %

BRAZIL – FLUE CURED

As of April 4th, 2018

Summary:

- Rio Grande do Sul is showing fair to good quality and yields; however, late crops in the south are still reliant on good rainfall in order to achieve the expected quality and yields.
- Santa Catarina can be considered an average crop, with early fields from the Coastal Area affecting the quality and yield.
- Paraná is showing good quality and yields, having experienced normal weather conditions.
- 100% of tobaccos harvested.

Rio Grande do Sul

Central Area - Old Belt

- Lower stalk position light orange to orange color and good quality
- Upper stalk position orange color and average quality

Highlands

- Lower stalk position orange color with good quality
- Upper stalk position orange to deep orange color and good ripeness

South

- Lower stalk position light orange to orange color with fair to good quality
- Upper stalk position orange color with average quality

Santa Catarina

Coastal Area

- Lower stalk position orange to deep orange color with good quality
- Upper stalk position orange to deep orange color with good ripeness

Itajai Valley

- Lower stalk position orange to deep orange color with good quality
- Upper stalk position orange to deep orange color and good ripeness/spotty

Highlands North

- Lower stalk position orange to deep orange color with good quality
- Upper stalk position orange to deep orange color and good ripeness/spotty

Paraná

Irati Area

- Lower stalk position orange to deep orange color with good quality
- Upper stalk position orange to deep orange color and good ripeness/spotty

Volumes: Total Brazil Flue-Cured

	Planted area: Hectares	Yield: Kgs/Hectare	Volume: Kgs
2018 (Estimated)	260,000	2,230	580,000,000
2017 (Final)	271,000	2,270	615,000,000
2016 (Final)	252,000	1,826	460,000,000
2015 (Final)	263,620	2,257	595,000,000

Crop Status: Estimate

Region	Transplanting	Topping	Harvesting	Curing	Purchasing
Rio Grande do Sul	100%	100%	100%	100%	25%
Santa Catarina	100%	100%	100%	100%	30%
Parana	100%	100%	100%	100%	20%

BRAZIL – BURLEY

As of April 4th, 2018

Summary:

- Burley from the Central Area of Rio Grande do Sul is showing good quality and yields.
- Tobaccos from the west of Santa Catarina and Paraná are showing fair to good quality, but yields slightly below normal averages.
- Galpão Comum - expecting a below average quality crop, notably lower yields due to adverse weather conditions during tobacco growing.

Rio Grande do Sul

Highlands

- Good quality and light tan color

Santa Catarina and Parana

West SC/PR

- Fair to good quality and tan color

AIR CURED GALPÃO

West SC/PR

- Quality above normal averages and tan to reddish tan color

Volumes: Total BRL Burley

	Planted area: Hectares	Yield: Kgs/Hectare	Volume: Kgs
2018 (Estimated)	35,000	2,000	70,000,000
2017 (Final)	35,120	2,305	81,000,000
2016 (Final)	28,572	1,924	55,000,000
2015 (Final)	40,090	2,070	83,000,000

Crop Status: Estimate

Region	Transplanting	Topping	Harvesting	Curing	Purchased
Rio Grande do Sul	100%	100%	100%	100%	75%
Santa Catarina/Parana	100%	100%	100%	100%	75%

CANADA - DARK FIRED AND DARK AIR CURED

As of April 3rd, 2018

Summary:

- Contracting for the 2018 season is complete
- Please see our estimated contract volumes for 2018 below
- Greenhouse seeding will begin in April

Volumes: Total Canadian DFC and DAC

Type	Planted Area	Yield: Lbs./acre	Volume: Lbs.
2018 DFC Estimate Source H&C	500	3,200	1,600,000 (726 MT)
2017 DFC Final Source H&C	438	3,200	1,400,000 (635 MT)
2018 DAC Estimate Source H&C	178	2,800	500,000 (226 MT)
2017 DAC Final Source H&C	179	2,800	500,000 (226 MT)

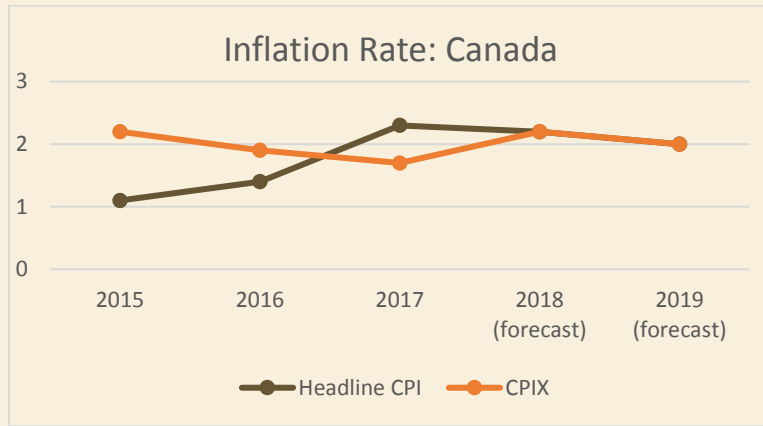
Crop Status: H&C Estimate

	Transplanting	Topping	Harvesting	Curing	Purchased
DFC	0%	0%	0%	0%	0%
DAC	0%	0%	0%	0%	0%

Canadian Economic Update April 2018:

- Forecasted growth of ~ 2.5% for 2018 vs 3.1% for 2018.
- Canadian inflation is not an issue at the moment: ~ 1.6% below the Bank of Canada's estimate of 2%.
- If NAFTA negotiations fall through, the CAD could depreciate by as much as 5% against the USD.
- Minimum wage rose to CAD\$ 14 / hour on January 1 2018. (Ontario Province)
- Minimum wage is slated to increase to CAD\$ 15 / hour on January 1 2019. (Ontario Province)

Inflation rate forecast:



Exchange Rate: USD/CAD

2015 (Average)	1.38
2016 (Average)	1.37
2017 (Average)	1.28
2018 (April)	1.28

Exchange Rate EUR/CAD

2015 (Average)	1.41
2016 (Average)	1.45
2017 (Average)	1.45
2018 (April)	1.57

Real GDP:

2015	0.9%
2016	1.4%
2017	3.0%
2018 (Forecast)	2.1%
2019 (Forecast)	1.6%

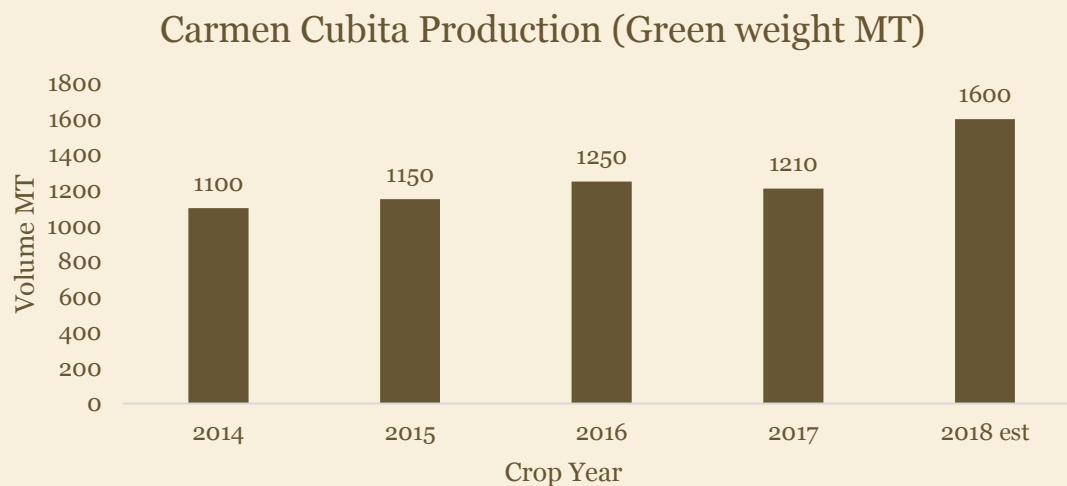
Unemployment:

2015	6.9%
2016	7.0%
2017	5.7%
2018 (Feb)	5.8%

Source: Royal Bank of Canada, Department of Statistics Canada

COLOMBIA – CARMEN CUBITA

HISTORICAL PRODUCTION



2017/2018 CROP STATUS

Current operational activity:

Final crop volume ended at 1.210 tons green weight. Although a heavy rain period during the growing season reduced the crop size by 25%, the remaining quality of tobaccos received showed in general good quality. We are currently packing the last part of the crop and shipments have started.

2018/2019 CROP STATUS

Growing conditions:

We are waiting for the first rains of the year, which should accommodate a smooth transplanting stage.

Current operational activity:

We are in land preparation for the new crop and preparing seeds with a target of 1.600 tons. Visiting farmers daily with our agronomists and technicians, discussing and educating in relation to good agricultural practices especially in the use of CPAs but also focussing on the NTRM program in the field, GTS, Biodiversity among others. We are carrying out machinery maintenance and general cleaning of all warehouses.

ECONOMIC DATA

Exchange Rate April 6:

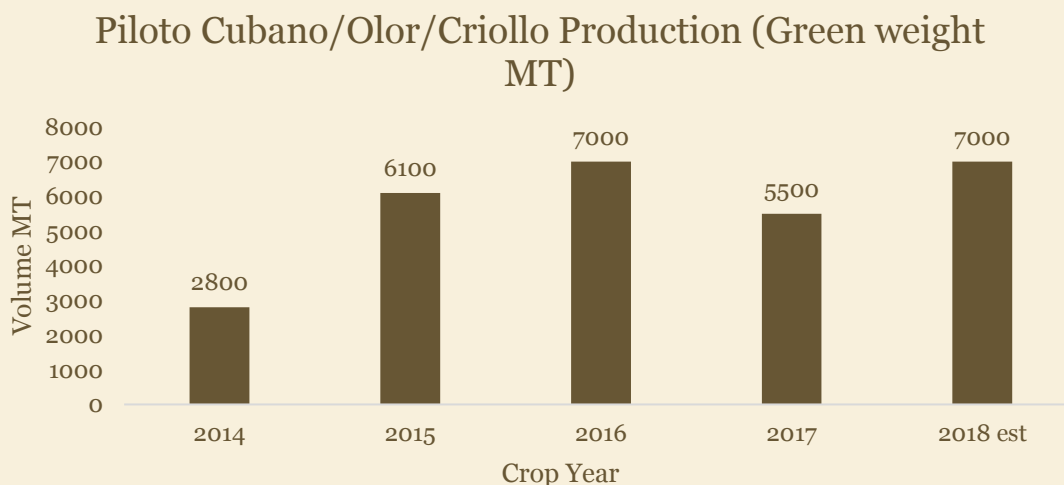
USD 1,00 = 2789 COP

Inflation March 2018:

3,14%

DOMINICAN REPUBLIC

HISTORICAL PRODUCTION



2018 CROP STATUS

Growing conditions:

In general crops have increased in volume - more acreage for PC and Criollo, whereas Olor is up fractionally and Burley growth is stable. The adverse weather will decrease yield p/hectare, as winter was colder and wetter than normal. In the first weeks of March a lot of crops improved with sunny weather, but certain areas like San Victor and Jacagua will be difficult. Some dealers have started to receive but the bulk should be bought during April thru June .

General comments:

Both Premium and mass market cigars are doing well here. There seems to be an increasing market for natural wrapped on the lower price bracket cigars, which is resulting in a tight wrapper market.

ECONOMIC DATA

Exchange Rate April 6:

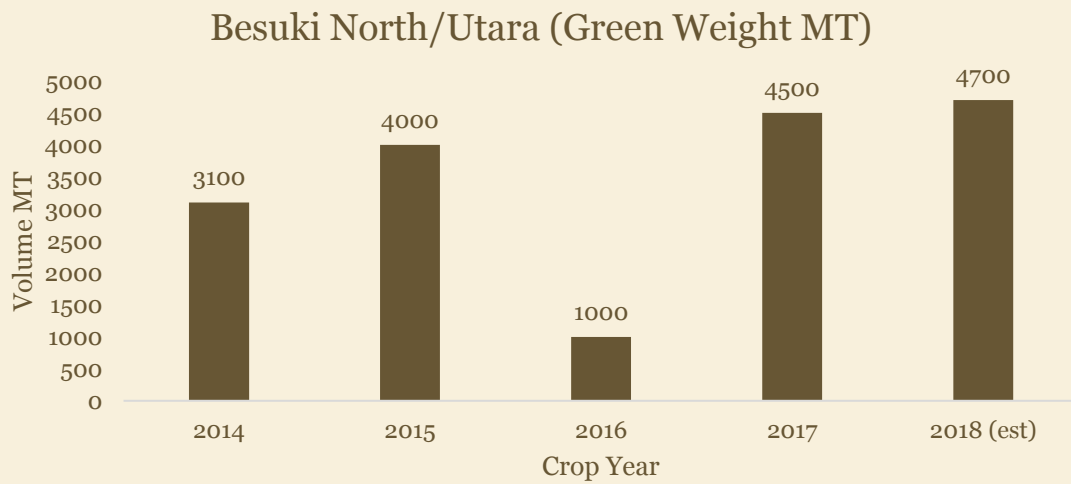
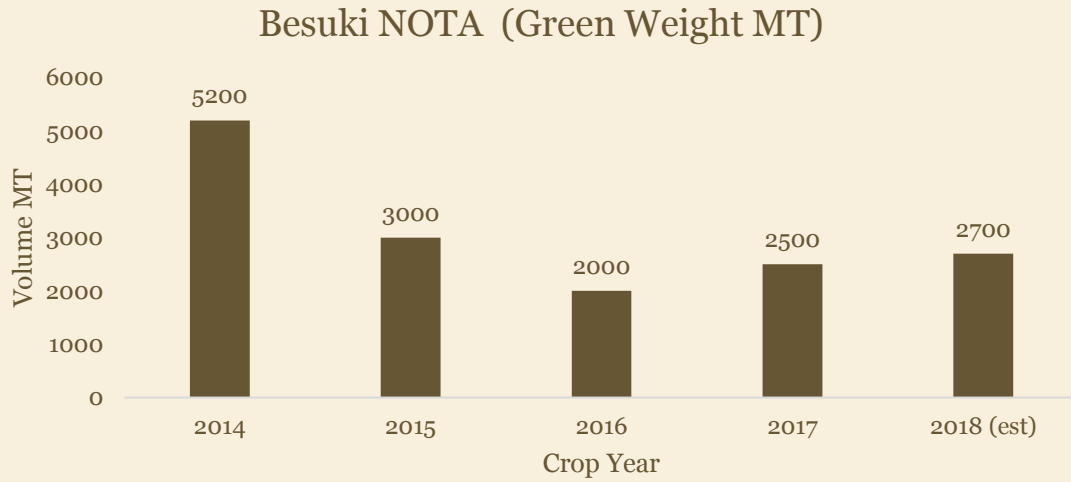
USD 1,00 = 49,5501 DOP

Inflation March 2018:

3,91%

INDONESIA – BESUKI/NOTA – NORTH UTARA

HISTORICAL PRODUCTION



2017 CROP STATUS

Crop activities NOTA:

The NOTA crop 2017 has been packed and all tobaccos are ready for shipment.

Crop activities Utara:

All North/UTARA tobaccos are fully fermented and we are approximately 25% into sortation. We will start packing these tobaccos from early April onward expecting to complete packing in May.

2018 CROP STATUS

Crop activities NOTA:

Contracting for the NOTA has almost finished and PTM will soon start distribution of agronomy supplies.

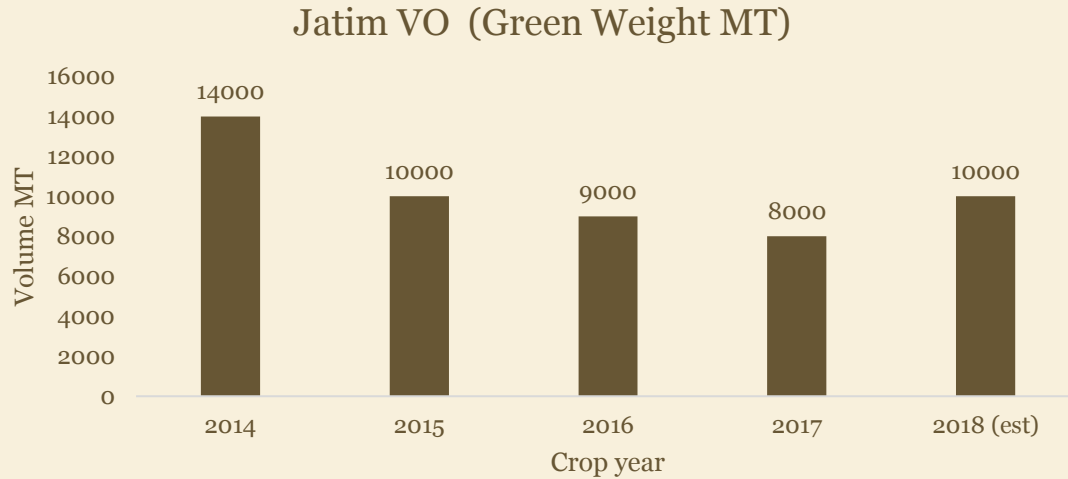
Weather has been mostly favorable; currently the first farmers have finished preparing and have sown their seedbeds. Most farmers are expected to transplant at the end of April, early May. This would mean we should be able to start receiving the first primings around mid-July. NOTA volume is expected to be 2,700 MT. Our direct contracted farmers made a stable income over the past 5 years and therefore we can increase our area again since there is a lot of enthusiasm for contract growing. Farmer contracted volume for the NOTA is expected to increase this year by 10-15%. Weather forecast models have not shown any significant issues for the coming season.

North/Utara:

It is still too early to speculate what will happen for the second crop. There will probably be an increased interest from farmers to plant the second crop if NOTA crop is successful.

INDONESIA – JATIM/VO

HISTORICAL PRODUCTION



2017 CROP STATUS

We have finished packing about 70% of our tobacco and expect to finish the crop at the end of April 2018. No unsold stocks available and market also does not show much availability.

2018 CROP STATUS

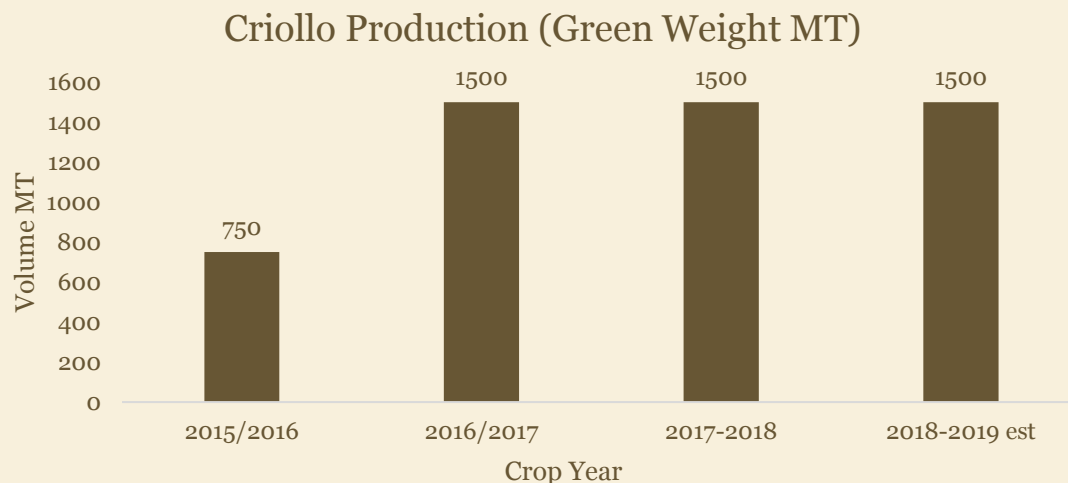
Estimation of planted area is almost the same as last year. Due to better weather forecast, it is expected that overall quality of the coming crop will be good AC/BC styles. In the next crop report update we will have a better idea of how this crop will turn out.

ECONOMIC DATA

Exchange Rate April 6:	USD 1, 00 = 13768 IDR
Inflation March 2018:	3,40 %

PARAGUAY – CRIOLLO

HISTORICAL PRODUCTION



2018 CROP STATUS

We are in the final part of the buying season which will go until middle of April. Total production will be similar to last year, representing (+/-) 1,500 tons. Tobacco growers planted more area compared to the previous crop, but during the growing season, we had a severe drought, followed by too much rainfall. These factors altered the normal process and reduced yields per ha. Quality of the crop is normal for Paraguayan standards and we are confident that the whole production will be commercialized.

General comments:

Farmers are pleased to see that good farm management produces multiple benefits in their tobacco crops. Our agronomy team develops an excellent job broadcasting knowledge, closely monitoring our tobacco growers and assisting them in their needs or queries.

ECONOMIC DATA

Exchange Rate April 6:

USD 1,00 = 5556 PYG

Inflation March 2018:

4,10 %

US - FLUE CURED

As of April 3rd, 2018

Summary:

- Contracting for the 2018 crop is finished
- Greenhouses have been seeded throughout the entire belt. Germination has been average to above average for all regions of the belt as well.
- Transplanting has begun in Florida and Georgia and will begin in South Carolina and North Carolina by the middle of April.

Volumes: Total US Flue-Cured

	Planted area: Acres	Yield: lbs./acre	Volume: lbs.
2018 Estimated Source: H&C	200,000	2,200	440,000,000 (199,600 MT)
2017 Final Source: USDA	207,000	2,050	424,350,000 (192,500 MT)

2018 Crop Status: H&C Estimate

Transplanting	Topping	Harvesting	Curing	Purchasing
< 1%	0%	0%	0%	0%

US BURLEY

As of April 3rd, 2018

Summary:

- Purchase of the 2017 crop was completed in early March.
- Contracting for the 2018 crop is ongoing and will be completed within the next two weeks
- Transplanting will begin in earnest in mid-to-late May.

Volumes: Total US Burley

	Planted area: Acres	Yield: lbs./acre	Volume: lbs.
2018 Estimated Source: H&C	65,000	1,950	126,750,00 (57,500 MT)
2017 Final Source: H&C	75,000	1,750	131,250,000 (59,500 MT)

Crop Status: H&C Estimate

Transplanting	Topping	Harvesting	Curing	Purchasing
0%	0%	0%	0%	0%

** - The 2016 crop volume listed above reflects what has been reported by the United States Department of Agriculture. Hail & Cotton, Inc. estimates final volume for the 2016 crop to be approximately 110,000,000 pounds (49,900 MT)*

US DARK FIRED AND DARK AIR CURED

As of April 3rd, 2018

Summary:

- Processing of 2017 Dark fire and Dark air cured crop is complete. Very few stocks of either type are available.
- Contracting for the 2018 growing season is complete. Please see our estimated volumes below.
- Greenhouse seeding is well underway

Volumes: Total US DFC and DAC

	Planted area: Acres	Yield: lbs./acre	Volume: lbs.
2018 DFC Estimated Source: H&C	15,625	3,200	50,000,000 (22,680 MT)
2017 DFC Final Source: H&C	16,693	3,085	51,500,000 (23,360 MT)
2018 DAC Estimated Source: H&C	5,000	2,800	14,000,000 (6,350 MT)
2017 DAC Final Source: H&C	5,714	2,660	15,200,000 (6,900 MT)

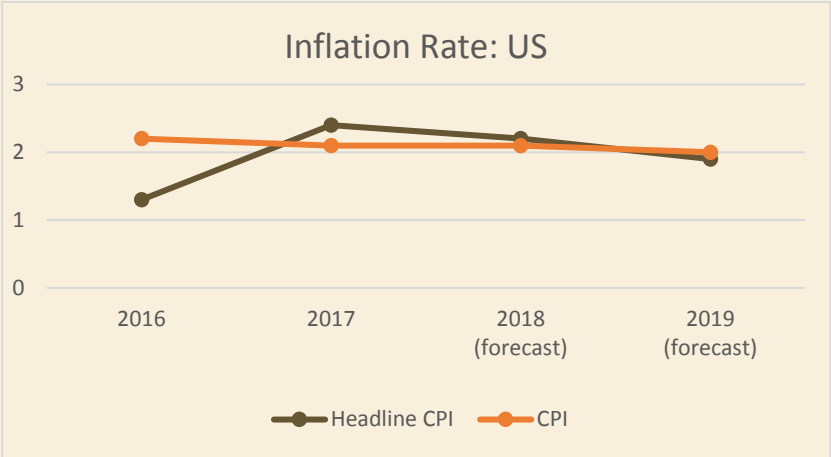
Crop Status: H&C Estimate

	Transplanting	Topping	Harvesting	Curing	Purchasing
DFC	0%	0%	0%	0%	0%
DAC	0%	0%	0%	0%	0%

United States Economic Update April 2018

- Inflation is expected to edge up in Q1, 3 interest rate increases are expected over the course of 2018. If the Fed attempts to be more pre-emptive in it reaction then rates could rise more.
- Continued depreciation of the USD against major and emerging currencies.
- In February, the unemployment rate was 4.1% for the fifth consecutive month.
- Forecasted growth of ~ 2.5% for 2018, based on solid economic fundamentals.

Inflation Rate Forecast



Exchange Rates			
	USD/EUR	EUR/BRL	USD/BRL
2015 (Avg)	1.10	3.69	3.32
2016 (Avg)	1.10	3.85	3.48
2017 (Avg)	1.12	3.60	3.19
2018 (April)	1.22	4.09	3.34

Real GDP:

2015	2.60%
2016	1.60%
2017	23.0%
2018 (Forecast)	2.50%
2019 (Forecast)	1.90%

Unemployment:

2014	6.16%
2015	5.25%
2016	4.85%
2017	4.10%
2018 (Feb)	4.10%

Sources: Royal Bank of Canada (RBC), Bureau of Labor Statistics, Bureau of Economic Analyses, Federal Reserve