



CROP REPORT AUGUST 2018



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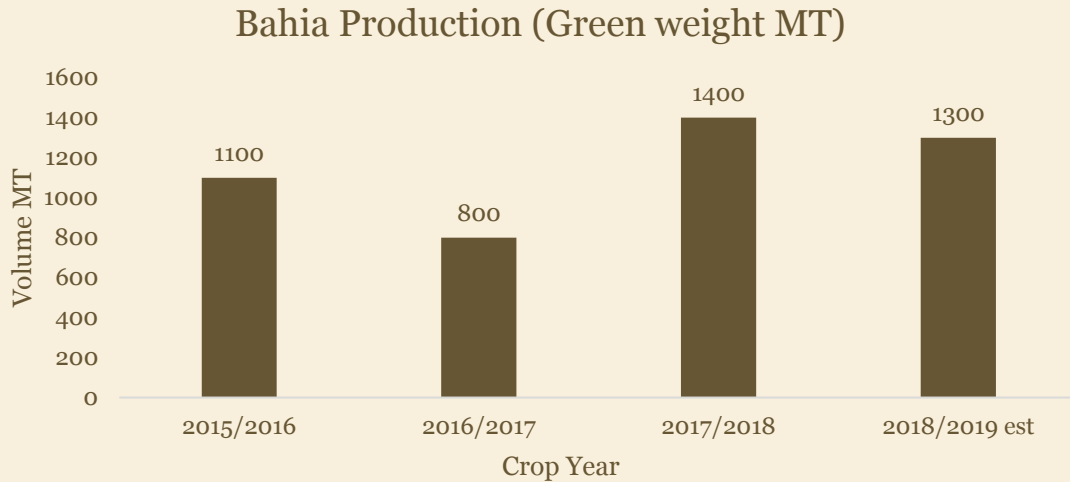
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BRAZIL BAHIA – FILLER

HISTORICAL PRODUCTION



2017/2018 CROP STATUS

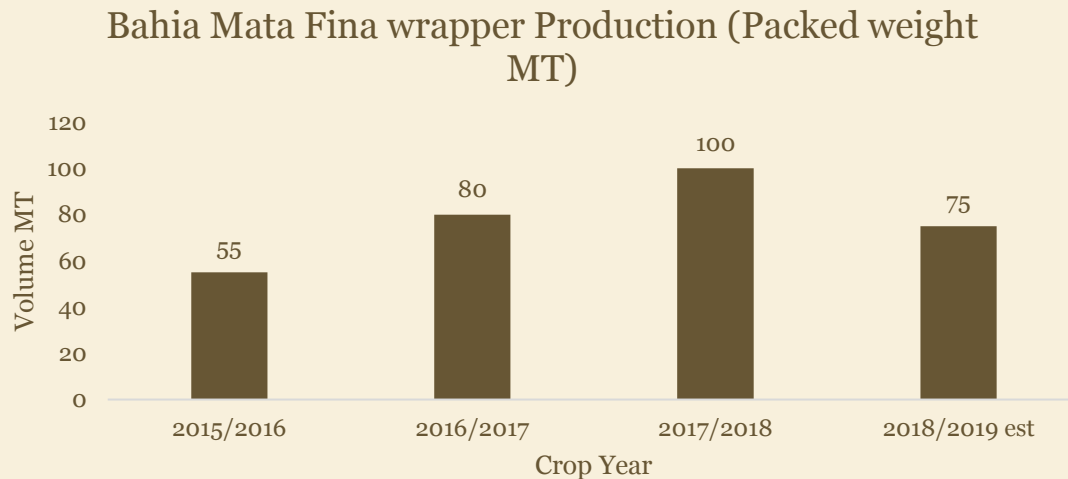
We started packing the crop in June. Quality has been slightly better than initially estimated.

2018/2019 CROP STATUS

We have finished new crop farmer contracting and delivery of fertilizers, PPEs and CPAs. Number of farmers is slightly lower than in previous years, partly due to delayed supply from fertilizer producers. To date it looks like the overall crop volume will be smaller than last year. It is, however, too early to make a precise estimate of the volume since that depends on the weather conditions going forward. So far, there have been sufficient rainfalls.

BRAZIL – BAHIA MATA FINA WRAPPER

HISTORICAL PRODUCTION



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:

We are in the middle of the grading process. Most of lower primings have been graded and soon higher primings will be processed. Wrapper yield is in line with our estimates.

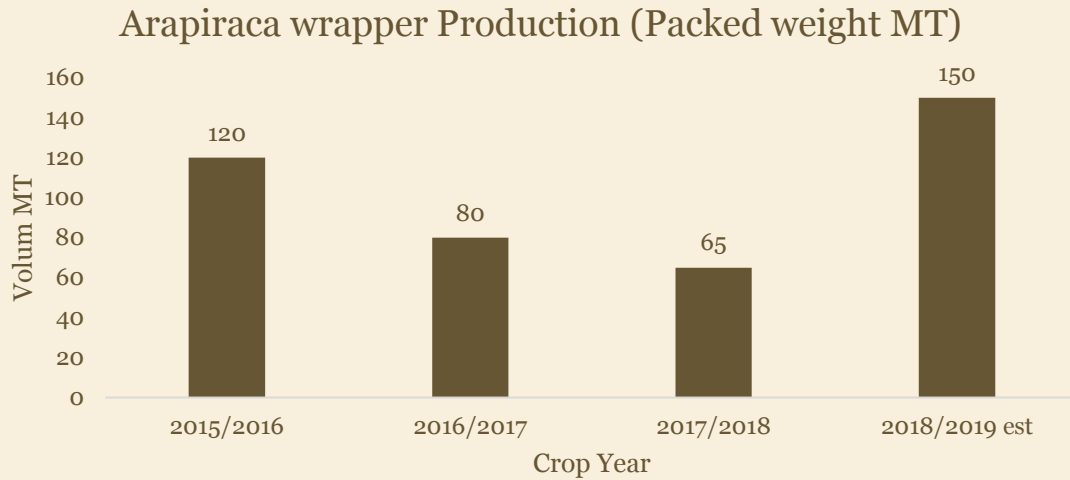
2018/2019 CROP STATUS

Current operational activity:

Our growing program started in April and has since been carried out according to plan. We have just finished transplanting the last areas, and after some initial challenges due to abundant rainfalls, weather conditions have been good during recent weeks. Tobaccos are curing well in the barns and the first primings have been transferred to our fermentation area.

BRAZIL – ARAPIRACA WRAPPER

HISTORICAL PRODUCTION



2017/2018 CROP STATUS

Tobaccos have been shipped to the DR and are being prepared for grading.

2018/2019 CROP STATUS

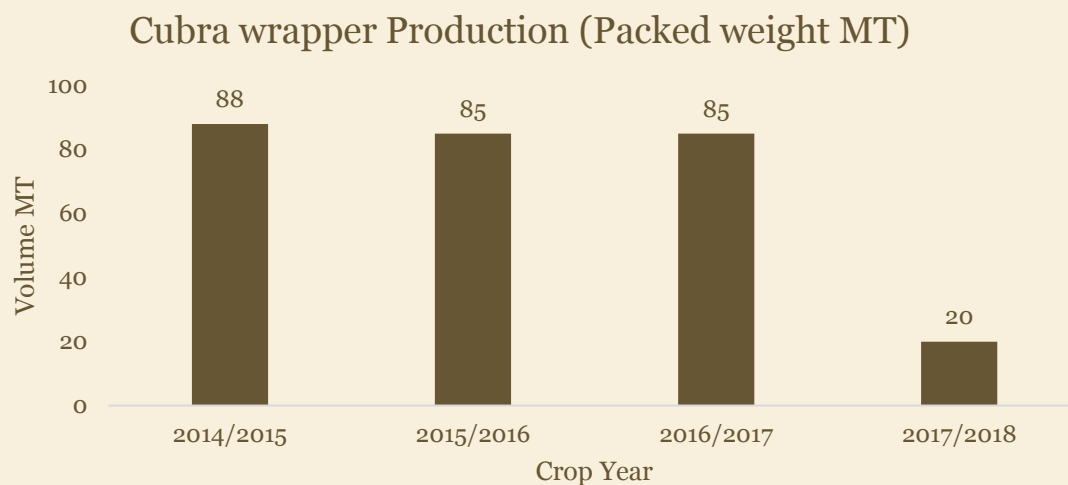
Current operational activity:

Growing conditions of the new crop have been good for most of the areas and overall crop volume is expected to be almost back to normal, if favorable conditions continue. Due to the smaller volume of the last crop, there is still some backlog demand for the local twist tobacco market.

Considering the number of contract farmers, we expect to produce a higher wrapper volume than last year.

BRAZIL – CUBRA WRAPPER

HISTORICAL PRODUCTION



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:

Fermentation process is close to be finished and tobaccos will be graded soon.

ECONOMIC DATA

Exchange Rate August 1:

USD 1,00 = 3,75475 BRL

Inflation July 2018:

4,48 %

BRAZIL – FLUE CURED

As of August 3rd,2018

Summary:

- In general the crop in Rio Grande do Sul showed good quality and yields, except late fields from the south suffered from lack of rain that affected volume, expected quality and yields
- In Santa Catarina very good quality in some regions with ripe, orange to deep orange tobaccos
- Paraná - good quality and yields due to normal weather conditions
- Purchasing has finished in all growing regions, except small volumes remain in Rio Grande do Sul which will complete early August. Estimated that approximately 98% of the tobaccos have been purchased.
- Transplanting for 2019 crop is ongoing in the coastal areas of Santa Catarina and Rio Grande do Sul; estimated 21% have been transplanted

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 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

2018 Crop Status

Region	Transplanting	Topping	Harvesting	Curing	Purchasing
Rio Grande do Sul	100%	100%	100%	100%	98%
Santa Catarina	100%	100%	100%	100%	100%
Parana	100%	100%	100%	100%	100%

2019 Crop Status: Estimate

Region	Transplanting	Topping	Harvesting	Curing	Purchasing
Rio Grande do Sul	9%	0%	0%	0%	0%
Santa Catarina	40%	0%	0%	0%	0%
Parana	1%	0%	0%	1%	0%

BRAZIL – BURLEY

As of August 3rd, 2018

Summary:

- At beginning, curing was affected by high temperatures but later weather conditions were more favourable in the Central Area of Rio Grande do Sul, showing quality improvements resulting in a good crop and levels of nicotine higher than the 2017 crop.
- Santa Catarina and Paraná tobaccos showed good quality and yield slightly below normal averages
- Purchasing finished end of May
- Transplanting is ongoing in Santa Catarina and Rio Grande do Sul

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

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	2%	0%	0%	0%	0%

CANADA - DARK FIRED AND DARK AIR CURED

As of August 1st, 2018

Summary:

- Transplanting of the 2018 crop is complete
- Temperatures are running slightly above normal. In general, rainfall has been adequate, but spotty in places. Some growers have been irrigating.
- No reports of any significant disease pressures
- We would rate this crop above average in both quality and yield potential
- Anticipate topping to begin in week 32.

Volumes: Total Canadian DFC and DAC

Type	Planted Area	Yield: Lbs./acre	Volume: Lbs.
2018 DFC Estimate Source H&C	500	3,300	1,650,000 (749 MT)
2017 DFC Final Source H&C	438	3,200	1,400,000 (635 MT)
2018 DAC Estimate Source H&C	179	2,877	515,000 (234 MT)
2017 DAC Final Source H&C	179	2,800	500,000 (226 MT)

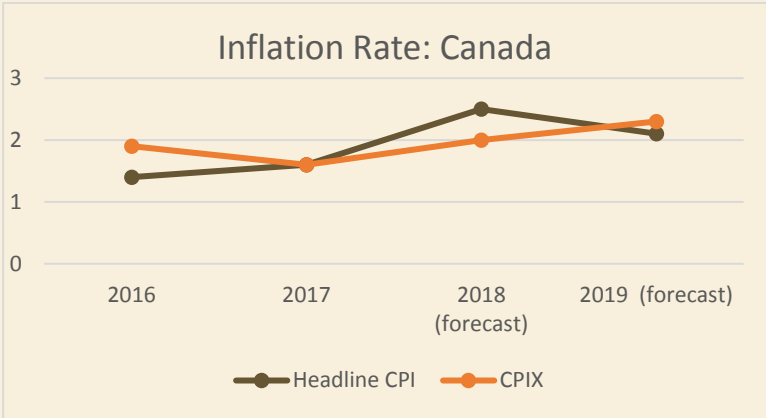
Crop Status: H&C Estimate

	Transplanting	Topping	Harvesting	Curing	Purchased
DFC	100%	0%	0%	0%	0%
DAC	100%	0%	0%	0%	0%

Canadian Economic Update August 2018:

- Forecasted growth of ~ 2.5% for 2018 vs 3.1% for 2017.
- Canadian Q1/18 GDP rose 1.3% less than the 1.9% expected by markets but with a more solid composition
- Canadian inflation for all items edged back down to 2.2% year-over-year in April. Market expectations were for headline inflation to hold steady at 2.3%.
- If NAFTA negotiations fall through, the CAD could depreciate by as much as 5% against the USD.
- Minimum wage is slated to increase to CAD\$ 15 / hour on January 1 2019. (Ontario Province)
- Despite declining employment, the unemployment rate has remained low averaging 5.8% to date this year.

Inflation rate forecast:



Exchange Rate: USD/CAD

2015 (Average)	1.38
2016 (Average)	1.37
2017 (Average)	1.28
2018 (July)	1.32

Exchange Rate EUR/CAD

2015 (Average)	1.41
2016 (Average)	1.45
2017 (Average)	1.45
2018 (July)	1.54

Real GDP:

2015	0.9%
2016	1.4%
2017	3.0%
2018 (Q1)	1.3%
2019 (Forecast)	1.6%

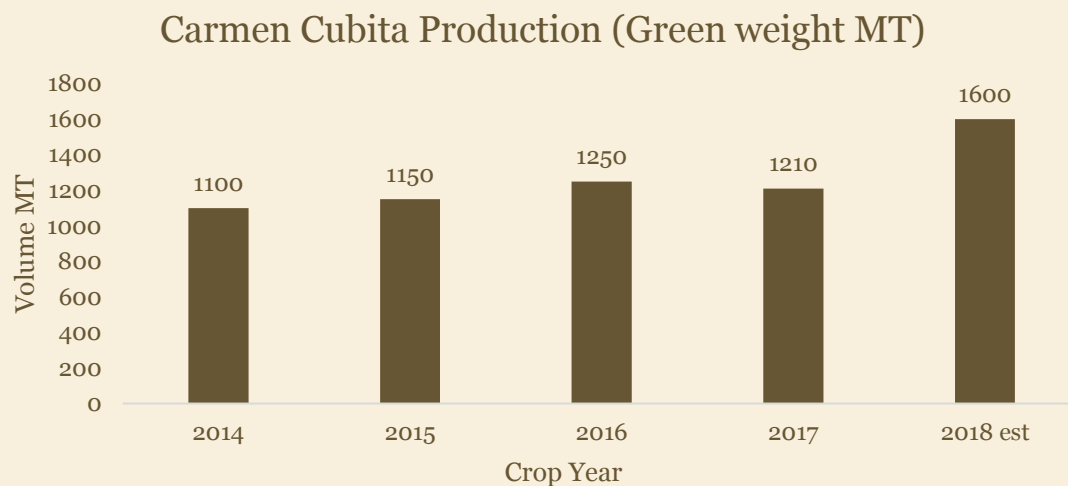
Unemployment:

2015	6.9%
2016	7.0%
2017	6.3%
2018 (June)	6.0%

Source: Royal Bank of Canada, Department of Statistics Canada

COLOMBIA – CARMEN CUBITA

HISTORICAL PRODUCTION



2018/2019 CROP STATUS

Growing conditions:

The crop in general has developed well. In a few zones we experienced less rains than normal but in general the tobacco plants are in good condition, showing good development and quality.

Current operational activity:

We continue visiting farmers daily with our agronomists and technicians, discussing and educating in relation to good agricultural practices, especially in the use of CPA's but also focusing on NTRM program in the field, GTS and biodiversity.

We will start green tobacco purchases in the second week of August.

ECONOMIC DATA

Exchange Rate August 1:

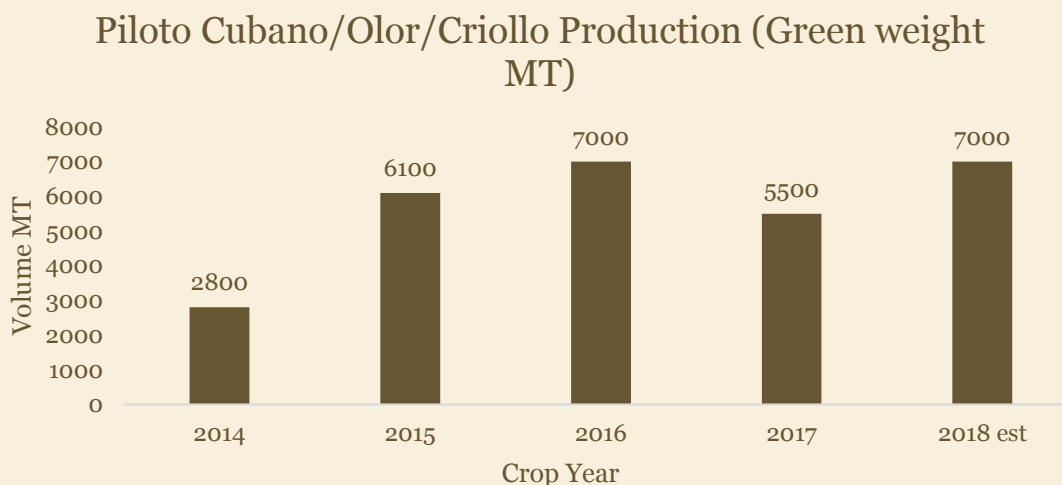
USD 1,00 = 2.890 COP

Inflation July 2018:

3,12%

DOMINICAN REPUBLIC

HISTORICAL PRODUCTION



2018 CROP STATUS

Growing conditions:

Started well with normal weather conditions during seed bedding, transplanting and the early part of the crop. The month of January was dry and did not receive the normal rainfall needed for the crop to develop well, resulting in lower yields than normally expected.

General comments:

Packing of Burley 2018 Crop is now in progress and the Criollo packing will soon follow once fermentation is completed.

Buying is now in its final stage and most tobaccos are now under fermentation.

Overall quality has been good. The lower yields have created a shortage of tobacco and have had a negative effect on the buying prices which increased.

ECONOMIC DATA

Exchange Rate August 1:

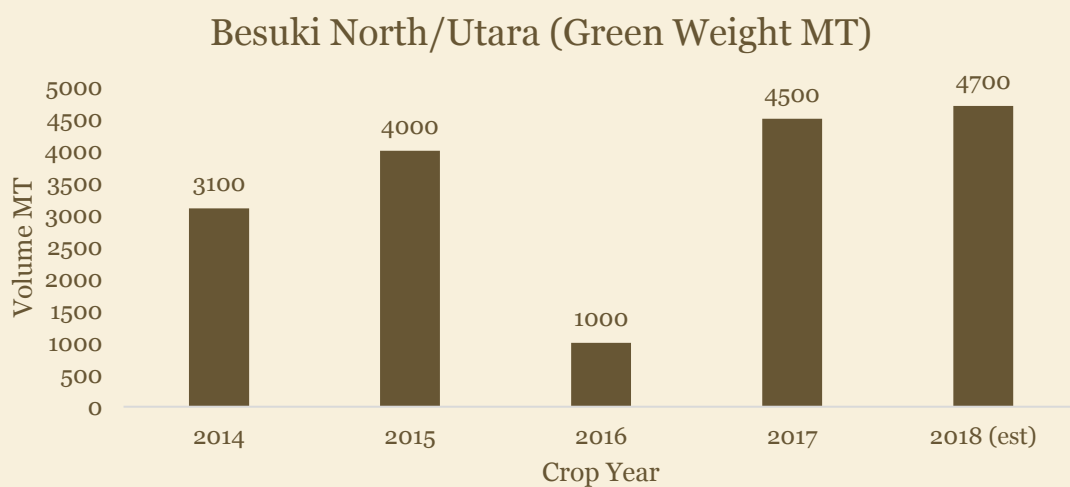
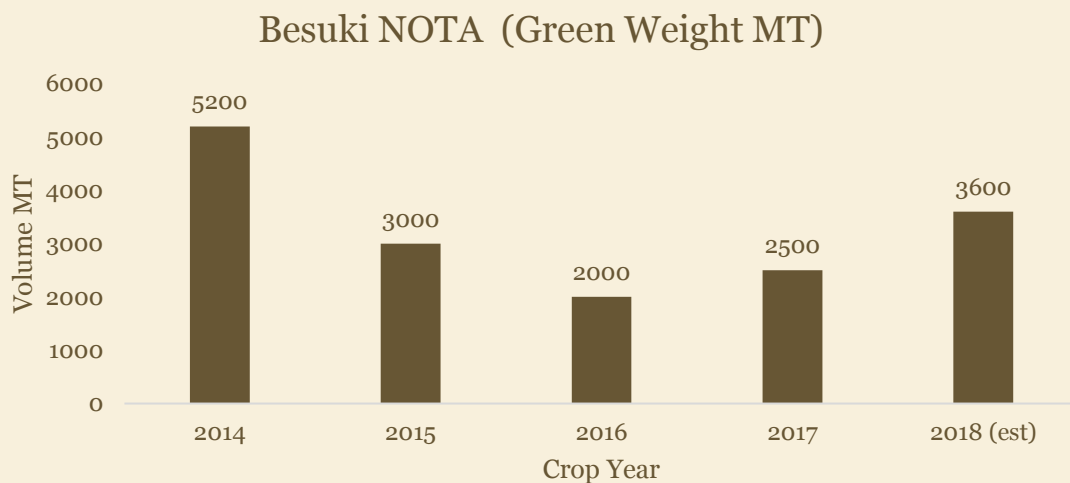
USD 1,00 = 49,9329 DOP

Inflation June 2018:

4,63%

INDONESIA – BESUKI/NOTA – NORTH UTARA

HISTORICAL PRODUCTION



2017 CROP STATUS

Crop activities NOTA:

All tobacco from crop 2017 has been packed.

2018 CROP STATUS

Crop activities NOTA:

Early during the planting season there was increased enthusiasm from farmers to grow the NOTA crop. Farmers have seen the benefits of planting in a contract farming system. Additionally the weather forecast was reasonable and therefore we estimate the total NOTA crop at around 3600 MT.

Growing conditions:

Weather has been mostly favourable with the exception of the end of May 2018 that caused some damage in a few growing areas.

PTM has started receiving tobaccos from mid-July and progress is as projected. Leaf quality is lower than expected in some areas. Glassy and papery material are the main causes of concern; we expect to receive better material in the coming weeks.

NOTA purchasing is expected to continue until the end of September and will quickly be followed by the Utara crop.

North/Utara Forecast

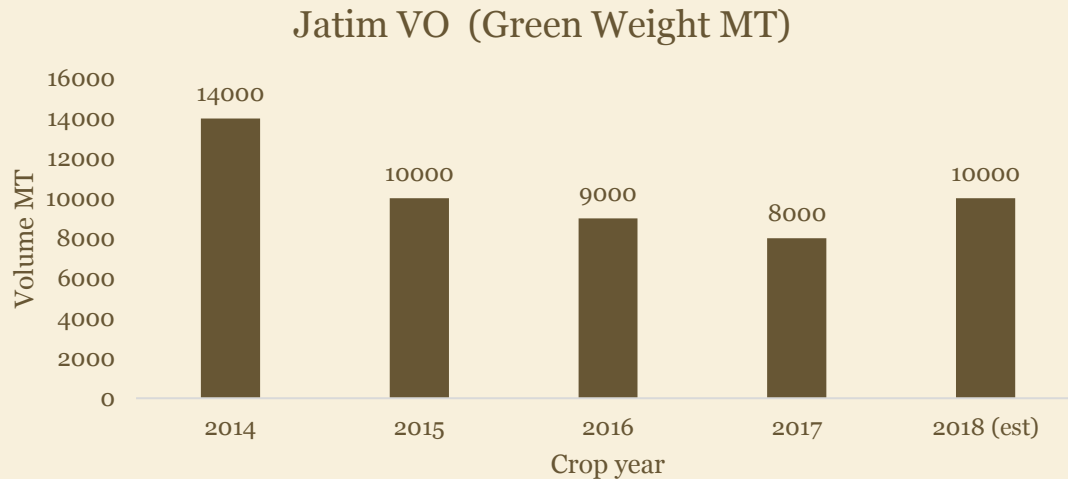
Due to the high prices paid last year for the Utara crop, there is a lot of desire amongst farmers to grow the Na-Oogst and Utara Crop. There will probably be an increased interest from farmers to plant the second crop if NOTA crop is successful. Latest estimates show that this could total 4,700 MT. Weather forecasts show there is a risk of early rainfall which could cause damage to a part of the crop.

North/Utara Activities

Contracting for the Na-Oogst has finished. Distribution of agronomy supplies is complete, 15% of total farmers in the traditional Utara area have started transplanting.

INDONESIA – JATIM/VO

HISTORICAL PRODUCTION



2018 CROP STATUS

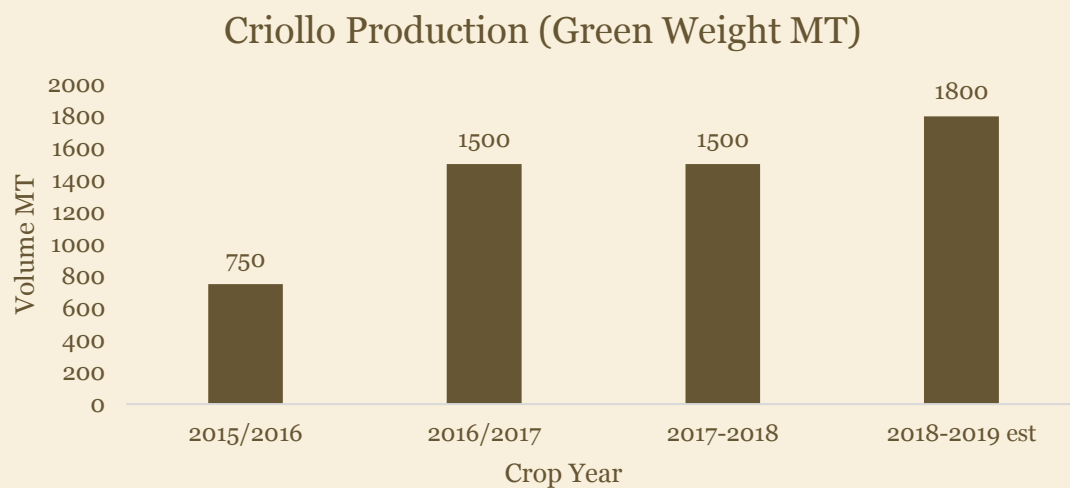
Estimation of planted area is almost the same as last year. Due to a better weather forecast, it is expected that overall quality of the coming crop will be good (AC/BC styles). With the local manufacturers, beside exporters, buying lower plant positions, less Jatim will be left in the market. Prices are expected to be at least 15-20% higher than last year. In the next crop report update, we will have a better idea of how this crop will turn out.

ECONOMIC DATA

Exchange Rate August 1: USD 1, 00 = 14.444 IDR
Inflation July 2018: 3,18 %

PARAGUAY – CRIOLLO

HISTORICAL PRODUCTION



2018 CROP STATUS

We are in the final part of the seedbed stage and farmers started transplanting in July. They slightly delayed it on purpose fearing cold weather and drought. We expect to have the whole crop in the field by end of August.

General comments:

Farmers are still willing to grow tobacco mainly because other cultivars are not economically attractive.

ECONOMIC DATA

Exchange Rate August 1:

USD 1,00 = 5.738 PYG

Inflation July 2018:

4,00 %

US - FLUE CURED

As of August 1st, 2018

Summary:

- Topping is ongoing and harvest has begun across all portions of the growing region.
- Harvested/cured tobacco appears average to below average to date in quality and maturity
- Farmers throughout Eastern North Carolina are dry and need rain. If they have the ability to irrigate, they are doing so.
- Disease, especially in the lower stalk, is present across the growing region and has negatively affected yields. Much of the lug crop is expected to be knocked off and left in the field due to stress from disease. Diseases present include Target Spot, Tomato Spotted Wilt Virus, Granville Wilt, Mosaic and Black Shank.
- Above average temperatures two weeks ago have also hurt the crop's yield, but temperatures have returned to normal the last few days and the forecast is better for the next two weeks.
- Purchase of the crop will begin on the 13th August.

Volumes: Total US Flue-Cured

	Planted area: Acres	Yield: lbs./acre	Volume: lbs.
2018 Estimated Source: H&C	200,000	2,075	415,000,000 (188,200 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
100%	50%	10%	5%	0%

US BURLEY

As of August 1st, 2018

Summary:

- Transplanting concluded across the entire growing region last week
- Topping began on the earliest transplanted tobacco last week
- Early wet weather has caused the crop to be behind schedule. All portions of the growing region are between 10-20 days later than normal.
- Tobacco continues to show good signs of growth and maturity in the field. No major disease issues are present.
- A small portion of growers lost some tobacco due to localized heavy rains in the Owensboro, KY. and Danville, KY. areas but many of them were able to find transplants to reset their losses.

Volumes: Total US Burley

	Planted area: Acres	Yield: lbs./acre	Volume: lbs.
2018 Estimated Source: H&C	60,000	1,920	115,200,000 (52,250 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
100%	25%	0%	0%	0%

US DARK FIRED AND DARK AIR CURED

As of August 1st, 2018

Summary:

- Transplanting of the 2018 crop is complete
- Temperatures have been slightly above average to date. The majority of the tobacco growing belt has been receiving sufficient rainfall; however, there are areas that have missed these rains and growers are irrigating
- We rate the crop as above average in both quality and yield potential. There are incidences of disease such as angular leaf spot and target spot, but we feel that the hotter and dryer weather conditions in combination with application of crop protectants seem to have these diseases in check.
- This crop is currently in all stages of growth, with the harvest just beginning on some of the earliest planted tobaccos and the final plantings just completed two weeks ago.

Volumes: Total US DFC and DAC

	Planted area: Acres	Yield: lbs./acre	Volume: lbs.
2018 DFC Estimated Source: H&C	15,625	3,296	51,500,000 (23,360 MT)
2017 DFC Final Source: H&C	16,693	3,085	51,500,000 (23,360 MT)
2018 DAC Estimated Source: H&C	5,714	2,888	16,500,000 (7,484 MT)
2017 DAC Final Source: H&C	5,718	2,668	15,200,000 (6,900 MT)

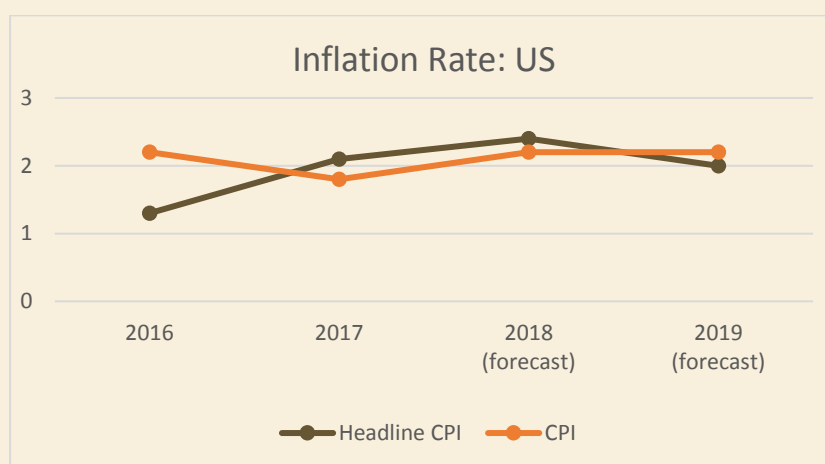
Crop Status: H&C Estimate

	Transplanting	Topping	Harvesting	Curing	Purchasing
DFC	100%	45%	1%	0%	0%
DAC	100%	40%	0%	0%	0%

United States Economic Update August 2018

- All items CPI rose 0,2% month-over-month in May with the year-over-year rate rising to 2,8%. Both were broadly in line with the market expectations
- Gasoline prices rose 1,7% on a month-over-month basis but were up a significant 22% from a year ago
- Continued depreciation of the USD against major and emerging currencies
- The US decision to impose tariffs on its closest allies puts the anticipated rise in business investment at risk. These tariffs not only mean more expensive inputs that will translate into higher consumer prices but an elevated level of uncertainty about future demand and concerns about the prospect of import tariffs being levied on other goods. The tariffs also put at risk US export and import growth.
- The US economy expanded an annualized 2,2% on quarter in the first quarter of 2018, below the advance estimate and market expectations of 2,3%

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 (July)	1.16	4.50	3.88

Real GDP:

2015	2.60%
2016	1.50%
2017	2.30%
2018 (Q1)	2.20%
2019 (Forecast)	2.20%

Unemployment:

2014	6.16%
2015	5.25%
2016	4.90%
2017	4.40%
2018 (Jun)	4.00%

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