



TOBACCO DELIVERY AND PURCHASE AGREEMENT 2017/2018

for

Flue Cured Tobacco

between:

TOBACCO PRODUCER DEVELOPMENT (PTY) LTD

Registration number: 2015/441055/07

represented herein by Z.P. Motsumi

in his capacity as Executive Director

67, Molenstreet, Rustenburg, 0299

PO Box 69, Rustenburg, 0300

("TPD")

and

Individual:

Name: _____

Identity number: _____

Address: _____

E-mail: _____

("Producer")

or Juristic Person:

Name: _____

Registration Number: _____

Address: _____

E-mail: _____

1. PREAMBLE

The essence of this contract is as follows:

- 1.1. TPD is willing to take delivery of flue-cured Virginia tobacco produced by the Producer as per his Delivery Quota as stated in paragraph 2.3, and to on-sell it for processing and marketing;
- 1.2. the Producer undertakes to deliver tobacco to TPD and to sell the delivered tobacco to TPD;
- 1.3. TPD is the main supplier of tobacco to Limpopo Tobacco Processors Proprietary Limited (“LTP”) and shall on-sell the tobacco procured from the Producers to LTP which will pool the tobacco and manage the tobacco pool and therefore the tobacco must comply with the requirements and standards of LTP; and
- 1.4. the parties wish to record herein the terms and conditions that will apply to the delivery and sale of tobacco by the Producers and the acceptance of delivery and purchase of the tobacco by TPD.

2. DELIVERY AND MARKETING OF TOBACCO

- 2.1. The Producer agrees and undertakes to deliver and sell to TPD flue-cured Virginia tobacco as per paragraph 2.3 underneath during the 2017/2018 harvesting season, which tobacco shall comply with:
 - 2.1.1. the preliminary grade description in **Annexure "A"**;
 - 2.1.2. the quality specifications contained in **Annexure "B"** ; and
 - 2.1.3. the Pest and Disease Management and Agronomy Guidelines in **Annexure "C"**,
and delivered, at the cost of the Producer, to one of its receiving depots situated at Rustenburg, Groblersdal, Nelspruit or Vaalwater, whichever is the nearest to the Producer’s farm and/or is the most convenient, as agreed with TPD.
- 2.2. The Producer takes note of the Chemical Residue Analysis Protocol in **Annexure “D”** and undertakes to adhere thereto.
- 2.3. The parties agree that the Delivery Quota for the 2017/2018 harvesting season will be as follows:
 - 2.3.1. number of hectares of tobacco to be planted: [_____] hectares; and
 - 2.3.2. total kilograms of tobacco to be delivered: [_____] kilograms,
("Delivery Quota").

- 2.4. TPD hereby agrees and undertakes to receive delivery of tobacco in terms of the Delivery Quota and on-sell it for processing and marketing to LTP on the terms and conditions set out below.

3. ALLOCATION OF DELIVERY QUOTA

- 3.1. The Delivery Quota shall only be binding on the Producer and TPD after this contract has been signed by both the parties, and shall apply only to the relevant harvesting season.
- 3.2. In the event of the Producer failing to comply with any material term or condition of this contract, TPD reserves the right to summarily cancel the contract in accordance with paragraph 12 and to withdraw the Delivery Quota.
- 3.3. The Producer must notify TPD of any changes to his Delivery Quota he incurs in the course of the harvesting season, for whatsoever reason, or if he will be incapable of delivering his allotted Delivery Quota of tobacco to TPD, within 3 (three) business days of the Producer becoming aware of any such changes or incapability.

4. ACCEPTANCE OF TOBACCO

- 4.1. Unless specifically agreed otherwise, TPD shall only accept delivery of tobacco from the Producer as provided in the Delivery Quota.
- 4.2. If the tobacco is delivered to a receiving depot, a valuation of the delivered tobacco will be completed by TPD where after a label which indicates the Producer's name, the grade, net weight, moisture (where available), and date of delivery will be attached to the consignment of delivered tobacco ("**Label/ling**").
- 4.3. The Producer will receive an advance payment based on the valuation in paragraph 4.2 made on delivery of his tobacco to the extent of the Delivery Quote, and the tax invoice, which is referred to in paragraph 4.4. Tobacco that does not comply with TPD specifications will not be included.
- 4.4. The Producer will be provided with a delivery note containing the particulars referred to in paragraph 4.2. TPD will issue a tax invoice on behalf of the Producer after signing **Annexure "E"** (Approved by SARS). The Producer is therefore not allowed to issue a tax invoice, debit note or credit note in respect of the delivered tobacco and TPD undertakes to file all copies of tax invoices, issued by TPD on behalf of the Producer, for record purposes.
- 4.5. For the purposes of this agreement, a further contract of sale is concluded between TPD and the Producer in respect of every consignment of tobacco delivered by the Producer to TPD at one of TPD's receiving depots ("**Contract of Sale**"). By agreement between the parties, each individual Contract of Sale will be subject to the general terms and conditions set out herein and it will not be expected of the parties to conclude individual, written Contracts of Sale. Accordingly, ownership of the tobacco will be transferred from

the Producer to TPD upon delivery and Labelling of each consignment tobacco by the Producer to TPD at one of TPD's receiving depots, notwithstanding the fact that payment of remuneration in terms of paragraph 9 may only occur at a later stage. For purposes of the transfer of ownership, the Label referred to in paragraph 4.2 will be *prima facie* evidence of the grade and net weight of the delivered tobacco, as well as of the date upon which ownership of the delivered tobacco was transferred to TPD.

- 4.6. Notwithstanding the date of transfer of ownership from the Producer to TPD, the risk and any cost, loss and/or damage in respect of each consignment of tobacco shall remain with the Producer until the date and time at which each the consignment of tobacco is on-sold and delivered by TPD and delivery confirmed by the tobacco purchaser, LTP, in writing at the central buying station (“**CBS**”) in Rustenburg in respect to that portion of consignment of tobacco purchased from TPD.

5. CLASSIFICATION OF TOBACCO

- 5.1. The Producer must properly classify and pack all tobacco according to requirements set out in **Annexure “A”**.
- 5.2. In the event of any dispute arising concerning the mass, quality or grade of any delivered tobacco, an arbitration process, will apply. The Producer shall be entitled to the return of the tobacco in dispute at his own cost.
- 5.3. TPD retains the exclusive right to refuse acceptance or reject any tobacco delivered or part of any delivery of tobacco if it fails to comply with TPD's requirements or quality specifications, contained in **Annexure "B"** and “**C**”.
- 5.4. After completion of the valuation of the delivered tobacco it will be transferred to TPD's central depot where the final inspection thereof will take place, whereupon the tobacco will be on-sold to LTP and pooled by LTP on the basis as set out in paragraph 7.1.

6. HANDLING OF TOBACCO

After the delivery, acceptance and classification of any tobacco, TPD will in its exclusive discretion, deal with the delivered tobacco in any one or more of the following manners:

- 6.1. the tobacco will be pooled on the basis set out in paragraph 7.1;
- 6.2. the tobacco will be on-sold to be wholly or partially processed and marketed by LTP;
- 6.3. the tobacco will be on-sold to be marketed in unprocessed form by LTP.

7. POOLING OF TOBACCO

- 7.1. All tobacco leaves accepted by TPD, shall be pooled together according to plant position and colour, together with tobacco leaves with the same plant position and colour delivered by other Producers. Tobacco can also be pooled separately if quality specifications are not met.

- 7.2. The time period during which delivered tobacco is kept in individual tobacco pools shall be decided upon by TPD's directors in their exclusive discretion. Normally, delivered tobacco is pooled, processed, or marketed within 14 (fourteen) months after delivery thereof to the receiving depot.
- 7.3. At the end of a pooling period (normally at 28 February of the following year), TPD and LTP calculates all expenses incurred by TPD and LTP in respect of the acceptance, processing, handling and marketing of the tobacco of each individual Producer, including interest on loans and debentures to fund the aforesaid activities. Price adjustment will be done between LTP and TPD in order for TPD to pay the Deferred Payment (as defined below).
- 7.4. All expenses and provisions of the tobacco pool will be determined and deducted from the sale value of the tobacco contained in the pool.
- 7.5. The entire annual surplus after creating reserves in LTP and TPD of the tobacco pool, calculated at the end of the harvesting season, after deduction of expenses as set out in paragraph 7.4 of the tobacco pool for the relevant season, is allocated to the Producers concerned and paid out by way of a deferred payment (or "agterskot"), as determined by TPD, on a *pro rata* basis ("**Deferred Payment/s**") to qualifying pools.

8. QUALIFYING POOLS

Qualifying pools will be defined in the sole and exclusive discretion of TPD Management. Qualifying pools are pools that comply with the grade description and quality specifications set out in **Annexures "A", "B" and "C"**.

9. REMUNERATION

- 9.1. All delivered tobacco that complies with the grade description and quality specifications set out in **Annexures "A", "B" and "C"**, qualify for the making of advance payments (or "voorskotte") ("**Advance Payment/s**"). The current Advance Payment is determined by TPD in its exclusive discretion taking into account the current market conditions, the Rand/US Dollar exchange rate and other relevant factors in its sole and exclusive discretion, and may be adjusted at any time.
- 9.2. The Producer hereby authorises TPD to issue a tax invoice in terms of **Annexure "E"** (as approved by SARS) which is signed and filed in favour of the Producer, which will then be utilised to compensate the Producer.
- 9.3. Advance Payments will be made by TPD to the Producer by means of electronic bank transfers. Advance Payments and Advance Payment percentages will be paid in accordance with the financial status of TPD after delivery of any tobacco at any one of TPD's receiving depots.
- 9.4. The Producer hereby gives permission that TPD may make payments from their bank account directly into the Producer's bank account per electronic bank transfer. The Producer's bank details are as per the last FICA update done by TPD. The Producer

accepts the responsibility to ensure that his bank details are kept up to date at all times and indemnify TPD against any liability of any nature, whether contractual, or by way of delict, or otherwise for any loss or damage that the Producer may suffer, if it can be proved that the transfer of funds was made to the Producer's bank account as in the Producer's confirmation of bank details in his last FICA update. The Producer further indemnifies TPD against any loss or damages or liability incurred by TPD and/or the Producer as a result of any mistake in any payment made or that was supposed to be made by TPD, whether as a loan or otherwise, due to the negligence or intent of the Producer.

- 9.5. Deferred Payments take place at the end of the harvesting season after all expenses referred to above have been settled and only if a tobacco pool surplus exists and cash (in the sole and exclusive discretion of TPD) is available, and only after all deficits in repayment of amounts owing under the production and term loans to emerging farmers and any shortfalls have been settled. The said surplus is calculated by means of the following formula:

$$A = (B - C) - D - E - F$$

Where:

- A = the Deferred Payments to all the Producers;
- B = total sale value of the tobacco pool in LTP;
- C = total expenses of the tobacco pool (calculated by both TPD and LTP) and reserves created in LTP and TPD; and
- D = cost of sales (calculated for both TPD and LTP);
- E = deficits in the repayment of amounts owing under the production and term loans provided to the Producer and any shortfalls in respect thereto; and
- F = Advance Payment(s) previously made by TPD.

- 9.6. Deferred Payments are determined for every individual Producer taking into consideration the volume and quality of tobacco delivered by him.
- 9.7. The Producer hereby authorises TPD, before TPD makes payment of any Deferred Payment to the Producer, to deduct any amount owing to TPD by the Producer at that time, according to TPD's accounting records, from the amount to be paid out as Deferred Payment by applying set off. TPD shall be entitled, and not obliged, to apply any such set off.
- 9.8. The Producer hereby authorises TPD to, before pay-out of any Advance Payments ("voorskotte") or Deferred Payments ("agterskotte") be made, to settle any outstanding account with any session holder.

10. ADVANCE PAYMENTS

- 10.1. The Producer agrees and contracts that the determination and notification of Advance Payments will take place in the exclusive discretion of the board of directors of TPD, which, in the exercise of its discretion, will, *inter alia*, take certain factors into account, for example a prescribed percentage of the projected net surplus of the tobacco pool, current demand and current marketing conditions.
- 10.2. If the Advance Payments made by TPD to Producers exceed the expenses of the individual tobacco pool, the Producer shall remain liable for the refunding of the shortfall and TPD shall be entitled to recover same from the Producer.
- 10.3. Subject to the general provisions in paragraph 9.1, TPD reserves the right to adjust the Advance Payments and Advance Payment percentages from time to time.

11. INFORMATION

The Producer undertakes upon request to provide TPD with all the information TPD may reasonably require concerning product plantings, expected crop yield, crop content, crop quality or quantity, in such form and at such intervals as TPD may in its sole and exclusive discretion deem fit.

12. BREACH OF CONTRACT

- 12.1. Should the Producer breach any material term or provision contained in this contract, TPD retains the right in its exclusive discretion to:
- 12.1.1. claim specific performance/compliance; or
 - 12.1.2. to cancel the contract; and/or
 - 12.1.3. to recover from the Producer, any loss or damage suffered by TPD due to such breach.
- 12.2. Each party hereto respectively chooses as its *domicilium citandi et executandi* the address set out on page 1 of this contract for the service of any pleading or notice, any form of communication and for all legal proceedings arising out of this contract.

13. GENERAL

- 13.1. The Producer is not entitled to delegate or otherwise cede, pledge or assign any right or liability in terms of this contract to a third party, unless the prior written consent of TPD has been obtained. TPD, however, retains the right to cede or pledge any of its rights and delegate or assign any of its liabilities in terms of this contract provided that the Producer is notified of such cession, pledge, assignment or delegation.

- 13.2. This contract represents the entire agreement between the parties regarding the subject matter thereof.
- 13.3. No amendment or cancellation of this contract, including this clause, shall be of any force or effect unless it has been reduced to writing and signed by both parties.
- 13.4. The Producer indemnifies TPD against any claims, actions, judgements or damages that arise due to advice to the Producer by any person not in the service of TPD or due to the breach by the Producer of this agreement or the gross negligence of the Producer.
- 13.5. Should TPD grant the Producer any indulgence, or at any stage does not enforce the provisions of this agreement strictly or waives any right in terms of this agreement, it does not create new rights in favour of the Producer and it does not prevent TPD from thereafter requiring or enforcing specific performance of such terms or conditions or constitute an indulgence or waiver of any other rights of TPD in terms of this agreement.
- 13.6. The Producer hereby consents to the jurisdiction of the Magistrates Court in the district in which TPD conducts business in respect of any legal action that may be instituted by TPD against the Producer in terms of this agreement.
- 13.7. Nothing in this agreement shall be construed or interpreted in such a way so as to create or deem to create an employment relationship between TPD and the Producer and no provision of this agreement shall create an expectation of employment or a loan in favour of the Producer whatsoever.

SIGNED at _____ on _____ 20_____

PRODUCER

Signatory:

Capacity:

Authority:

PRODUCER

Signatory:

Capacity:

Authority:

Initial: _____

SIGNED at _____ on _____ 20_____

for: **Tobacco Producer Development (Pty) Ltd**

Signatory:
Capacity:
Authority:

Signatory:
Capacity:
Authority:

NB: ALL PRICES/AMOUNTS MENTIONED IN THIS CONTRACT ARE EXCLUDING VAT. IF NOT REGISTERED FOR VAT, THE ADVANCE PAYMENT AMOUNT WILL BE THE FINAL AMOUNT ON THE RECIPIENT-CREATED INVOICE.

Initial: _____

ANNEXURE “A”

Grade	Price	Stalk Position	Quality	Colour	Maturity	Grain	Body	Oiliness	Colour Intensity	Permissible Deviations
X2L	R 40.00	Lug	Good	Lemon	Ripe	Open	Thin	Oily	Moderate	Clean, slightly rim burn
X3L	R 39.00	Lug	Good	Lemon	Ripe	Open	Thin	Oily	Moderate	Slightly damaged and weathered tobacco
X3LN	R 29.00	Lug	Good	Lemon	Ripe	Open	Thin	Oily	Moderate	Slightly scorched or slightly fermented
X3LV	R 29.00	Lug	Good	Lemon	Ripe	Open	Thin	Oily	Moderate	Greenish tobacco (running green)
X3LZ	R 20.00	Lug	Good	Lemon	Immature	Close	Thin	Oily	Moderate - Weak	Blemished with noticeable sponge
X4L	R 31.00	Lug	Good	Lemon	Ripe	Open	Thin	Lean	Weak	Slightly perished or damaged
X4LS	R 30.00	Lug	Good	Lemon	Ripe	Open	Thin	Lean	Weak	Strips over 25.4 mm sieve
X5L	R 17.00	Lug	Low	Lemon	Ripe	Open	Thin	Lean	Weak	Serious perished or damaged
X5LS	R 15.00	Lug	Low	Lemon	Ripe - Immature	Open - Close	Thin	Lean	Weak	Low quality strips over 25.4 mm sieve
X5LZ	R 15.00	Lug	Low	Lemon	Immature	Close	Thin	Lean	Weak	Severe blemished with heavy sponge
X5LG	R 15.00	Lug	Low	Lemon	Ripe - Immature	Open - Close	Thin	Lean	Weak	Fixed green
MFx	R 3.50	Lug	Weak	Lemon - Light Orange	Ripe - Immature	Open - Close	Thin	Lean	Weak	Mould
X2O	R 41.00	Lug	Good	Light Orange	Ripe	Open	Thin	Oily	Moderate	Clean, slightly rim burn
X3O	R 40.00	Lug	Good	Light Orange	Ripe	Open	Thin	Oily	Moderate	Slightly damaged and weathered tobacco
X3ON	R 30.00	Lug	Good	Light Orange	Ripe	Open	Thin	Oily	Moderate	Slightly scorched or slightly fermented
X3OV	R 30.00	Lug	Good	Light Orange	Ripe	Open	Thin	Oily	Moderate	Greenish tobacco (running green)
X3OZ	R 21.00	Lug	Good	Light Orange	Immature	Close	Thin	Oily	Moderate - Weak	Blemished with noticeable sponge
X4O	R 32.00	Lug	Good	Light Orange	Ripe	Open	Thin	Lean	Weak	Slightly perished or damaged
X4OS	R 30.00	Lug	Good	Light Orange	Ripe	Open	Thin	Lean	Weak	Strips over 25.4 mm sieve
X5O	R 17.00	Lug	Low	Light Orange	Ripe	Open	Thin	Lean	Weak	Serious perished or damaged
X5OS	R 15.00	Lug	Low	Light Orange	Ripe - Immature	Open - Close	Thin	Lean	Weak	Low quality strips over 25.4 mm sieve
X5OZ	R 15.00	Lug	Low	Light Orange	Immature	Close	Thin	Lean	Weak	Severe blemished with heavy sponge
X5OG	R 15.00	Lug	Low	Light Orange	Ripe - Immature	Open - Close	Thin	Lean	Weak	Fixed green
C2L	R 45.50	Cutter	Good	Lemon	Ripe	Open	Thin - Medium	Oily	Moderate	Clean, slightly rim burn
C3L	R 44.50	Cutter	Good	Lemon	Ripe	Open	Thin - Medium	Oily	Moderate	Slightly damaged and weathered tobacco
C3LN	R 35.00	Cutter	Good	Lemon	Ripe	Open	Thin - Medium	Oily	Moderate	Slightly scorched or slightly fermented
C3LV	R 35.00	Cutter	Good	Lemon	Ripe	Open	Thin-Medium	Oily	Moderate	Greenish tobacco (running green)
C3LZ	R 24.00	Cutter	Good	Lemon	Immature	Close	Thin-Medium	Oily	Moderate - Weak	Blemished with noticeable sponge
C4L	R 36.00	Cutter	Good	Lemon	Ripe	Open	Thin-Medium	Oily	Moderate	Damaged and weathered tobacco
C5L	R 19.00	Cutter	Low	Lemon	Ripe	Open	Thin-Medium	Lean	Weak	Severe damaged and weathered tobacco

C20	R 46.50	Cutter	Good	Light Orange	Ripe	Open	Thin-Medium	Oily	Moderate	Clean, slightly rim burn
C30	R 45.50	Cutter	Good	Light Orange	Ripe	Open	Thin-Medium	Oily	Moderate	Slightly damaged and weathered tobacco
C30N	R 36.00	Cutter	Good	Light Orange	Ripe	Open	Thin-Medium	Oily	Moderate	Slightly scorched or slightly fermented
C30V	R 36.00	Cutter	Good	Light Orange	Ripe	Open	Thin-Medium	Oily	Moderate	Greenish tobacco (running green)
C30Z	R 24.00	Cutter	Good	Light Orange	Immature	Close	Thin-Medium	Oily	Moderate - Weak	Blemished with noticeable sponge
C40	R 37.00	Cutter	Good	Light Orange	Ripe	Open	Thin-Medium	Oily	Moderate	Damaged and weathered tobacco
C50	R 19.00	Cutter	Low	Light Orange	Ripe	Open	Thin-Medium	Lean	Weak	Severe damaged and weathered tobacco
L2LB	R 56.50	Leaf	Fine	Lemon	Ripe - Full Ripe	Open	Thin-Medium	Rich	Deep	Clean, slightly rim burn
L2LA	R 55.00	Leaf	Good	Lemon	Ripe	Open	Medium - Bodied	Oily	Moderate	Clean, slightly rim burn
L3LB	R 55.50	Leaf	Fine	Lemon	Ripe - Full Ripe	Open	Thin-Medium	Rich	Deep	Slightly damaged and weathered tobacco
L3LA	R 54.00	Leaf	Good	Lemon	Ripe	Open	Medium - Bodied	Oily	Moderate	Slightly damaged and weathered tobacco
L3LS	R 38.00	Leaf	Good	Lemon	Ripe	Open	Medium - Bodied	Oily	Moderate	Strips over 25.4 mm sieve
L3LN	R 40.00	Leaf	Good	Lemon	Ripe	Open	Medium - Bodied	Oily	Moderate	Slightly scorched or slightly fermented
L3LV	R 40.00	Leaf	Good	Lemon	Ripe	Open	Medium - Bodied	Oily	Moderate	Greenish tobacco (running green)
L3LZ	R 36.00	Leaf	Good	Lemon	Immature	Close	Medium - Bodied	Oily	Moderate	Blemished with noticeable sponge
L3LZS	R 25.00	Leaf	Good	Lemon	Immature	Close	Medium - Bodied	Oily	Moderate	Noticeable sponge strips over 25.4 mm sieve
L4LB	R 49.50	Leaf	Good	Lemon	Ripe - Full Ripe	Open	Medium - Bodied	Oily	Moderate	Damaged and weathered tobacco
L4LA	R 48.00	Leaf	Good	Lemon	Ripe	Open	Medium - Bodied	Oily	Moderate	Damaged and weathered tobacco
L4LN	R 25.00	Leaf	Good	Lemon	Ripe - Immature	Open - Close	Medium - Bodied	Oily	Moderate	Scorched or fermented
L4LZ	R 25.00	Leaf	Good	Lemon	Immature	Close	Medium - Bodied	Oily	Moderate	Blemished with sponge
L5L	R 24.00	Leaf	Low	Lemon	Ripe	Open	Medium - Bodied	Lean	Weak	Severe damaged and weathered tobacco
L5LS	R 17.00	Leaf	Low	Lemon	Ripe - Immature	Open - Close	Medium - Bodied	Lean	Weak	Low quality strips over 25.4 mm sieve
L5LN	R 15.00	Leaf	Low	Lemon	Ripe - Immature	Open - Close	Medium - Bodied	Lean	Weak	Severe scorched or severe fermented
L5LZ	R 15.00	Leaf	Low	Lemon	Immature	Close	Medium - Bodied	Lean	Weak	Severe blemished with heavy sponge
L5LG	R 15.00	Leaf	Low	Lemon	Ripe - Immature	Open - Close	Medium - Bodied	Lean	Weak	Fixed green
MFL	R 3.50	Leaf	Low	Lemon	Ripe - Immature	Open - Close	Medium - Bodied	Lean	Weak	Mould
LST	R 3.50	Lug - Leaf	Good							Stripped stem
L2OB	R 58.50	Leaf	Fine	Light Orange	Ripe - Full Ripe	Open	Thin-Medium	Rich	Deep	Clean, slightly rim burn
L2OA	R 57.00	Leaf	Good	Light Orange	Ripe	Open	Medium - Bodied	Oily	Moderate	Clean, slightly rim burn
L3OB	R 57.50	Leaf	Fine	Light Orange	Ripe - Full Ripe	Open	Thin-Medium	Rich	Deep	Slightly damaged and weathered tobacco
L3OA	R 56.00	Leaf	Good	Light Orange	Ripe	Open	Medium - Bodied	Oily	Moderate	Slightly damaged and weathered tobacco
L3OS	R 42.00	Leaf	Good	Light Orange	Ripe	Open	Thin - Bodied	Oily	Moderate	Strips over 25.4 mm sieve

L3ON	R 44.00	Leaf	Good	Light Orange	Ripe	Open	Thin - Bodied	Oily	Moderate	Slightly scorched or slightly fermented
L3OV	R 44.00	Leaf	Good	Light Orange	Ripe	Open	Thin - Bodied	Oily	Moderate	Greenish tobacco (running green)
L3OZ	R 40.00	Leaf	Good	Light Orange	Immature	Close	Medium - Bodied	Oily	Moderate	Blemished with noticeable sponge
L3OZS	R 29.00	Leaf	Good	Light Orange	Immature	Close	Medium - Bodied	Oily	Moderate	Noticeable sponge strips over 25.4 mm sieve
L4OB	R 51.50	Leaf	Good	Light Orange	Ripe - Full Ripe	Open	Thin - Medium	Oily	Moderate	Damaged and weathered tobacco
L4OA	R 50.00	Leaf	Good	Light Orange	Ripe	Open	Medium - Bodied	Oily	Moderate	Damaged and weathered tobacco
L4ON	R 29.00	Leaf	Good	Light Orange	Ripe - Immature	Open - Close	Medium - Bodied	Oily	Moderate	Scorched or fermented
L4OZ	R 29.00	Leaf	Good	Light Orange	Immature	Close	Medium - Bodied	Oily	Moderate	Blemished with sponge
L5O	R 26.00	Leaf	Low	Light Orange	Ripe	Open	Thin - Bodied	Lean	Weak	Severe damaged and weathered tobacco
L5OS	R 18.00	Leaf	Low	Light Orange	Ripe - Immature	Open - Close	Thin - Bodied	Lean	Weak	Low quality strips over 25.4 mm sieve
L5ON	R 15.00	Leaf	Low	Light Orange	Ripe - Immature	Open - Close	Medium - Bodied	Lean	Weak	Severe scorched or severe fermented
L5OZ	R 15.00	Leaf	Low	Light Orange	Immature	Close	Medium - Bodied	Lean	Weak	Severe blemished with heavy sponge
L5OG	R 15.00	Leaf	Low	Light Orange	Ripe - Immature	Open - Close	Medium - Bodied	Lean	Weak	Fixed green
MFO	R 3.50	Leaf	Low	Light Orange	Ripe - Immature	Open - Close	Medium - Bodied	Lean	Weak	Mould
L2RB	R 60.50	Leaf	Fine	Orange - Light Mahogany	Ripe - Full Ripe	Open	Thin-Medium	Rich	Deep	Clean, slightly rim burn
L2RA	R 59.00	Leaf	Good	Orange - Light Mahogany	Ripe	Open	Medium - Bodied	Oily	Moderate	Clean, slightly rim burn
L3RB	R 59.50	Leaf	Fine	Orange - Light Mahogany	Ripe - Full Ripe	Open	Thin-Medium	Rich	Deep	Slightly damaged and weathered tobacco
L3RA	R 58.00	Leaf	Good	Orange - Light Mahogany	Ripe	Open	Medium - Bodied	Oily	Moderate	Slightly damaged and weathered tobacco
L3RS	R 43.00	Leaf	Good	Orange - Light Mahogany	Ripe	Open	Thin - Bodied	Oily	Moderate	Strips over 25.4 mm sieve
L3RN	R 45.00	Leaf	Good	Orange - Light Mahogany	Ripe	Open	Thin - Bodied	Oily	Moderate	Slightly scorched or slightly fermented
L3RV	R 45.00	Leaf	Good	Orange - Light Mahogany	Ripe	Open	Thin - Bodied	Oily	Moderate	Greenish tobacco (running green)
L3RZ	R 41.00	Leaf	Good	Orange - Light Mahogany	Immature	Close	Medium - Bodied	Oily	Moderate	Blemished with noticeable sponge
L3RZS	R 30.00	Leaf	Good	Orange - Light Mahogany	Immature	Close	Medium - Bodied	Oily	Moderate	Noticeable sponge strips over 25.4 mm sieve
L4RB	R 53.50	Leaf	Good	Orange - Light Mahogany	Ripe - Full Ripe	Open	Thin-Medium	Oily	Moderate	Damaged and weathered tobacco
L4RA	R 52.00	Leaf	Good	Orange - Light Mahogany	Ripe	Open	Medium - Bodied	Oily	Moderate	Damaged and weathered tobacco
L4RN	R 30.00	Leaf	Good	Orange - Light Mahogany	Ripe - Immature	Open - Close	Medium - Bodied	Oily	Moderate	Scorched or fermented
L4RZ	R 30.00	Leaf	Good	Orange - Light Mahogany	Immature	Close	Medium - Bodied	Oily	Moderate	Blemished with sponge
L5R	R 27.00	Leaf	Low	Orange - Light Mahogany	Ripe	Open	Thin - Bodied	Lean	Weak	Severe damaged and weathered tobacco
L5RS	R 19.00	Leaf	Low	Orange - Light Mahogany	Ripe - Immature	Open - Close	Thin - Bodied	Lean	Weak	Low quality strips over 25.4 mm sieve
L5RN	R 15.00	Leaf	Low	Orange - Light Mahogany	Ripe - Immature	Open - Close	Medium - Bodied	Lean	Weak	Severe scorched or severe fermented
L5RZ	R 15.00	Leaf	Low	Orange - Light Mahogany	Immature	Close	Medium - Bodied	Lean	Weak	Severe blemished with heavy sponge

L5RG	R 15.00	Leaf	Low	Orange - Light Mahogany	Ripe - Immature	Open - Close	Medium - Bodied	Lean	Weak	Fixed green
MFR	R 3.50	Leaf	Low	Orange - Light Mahogany	Ripe - Immature	Open - Close	Medium - Bodied	Lean	Weak	Mould
XD	R 11.50	Lug	Poor	Lemon - Light Orange	Ripe - Immature	Open - Close	Thin	Lean	Weak	Severe damaged and decomposed with dead black tobacco
XDS	R 7.50	Lug	Poor	Lemon - Light Orange	Ripe - Immature	Open - Close	Thin	Lean	Weak	Severe damaged and decomposed with dead black pieces
XG	R 8.50	Lug	Poor	Lemon - Light Orange	Ripe - Immature	Open - Close	Thin	Lean	Weak	Heavy fixed green
XMD	R 3.00	Lug	Poor	Lemon - Light Orange	Ripe - Immature	Open - Close	Thin	Lean	Weak	Severe mould
LLD	R 11.50	Leaf	Poor	Lemon	Ripe - Immature	Open - Close	Medium - Bodied	Lean	Weak	Severe damaged and decomposed with dead black tobacco
LLDS	R 8.00	Leaf	Poor	Lemon	Ripe - Immature	Open - Close	Medium - Bodied	Lean	Weak	Severe damaged and decomposed with dead black pieces
LLG	R 9.00	Leaf	Poor	Lemon	Ripe - Immature	Open - Close	Medium - Bodied	Lean	Weak	Heavy fixed green
LLMD	R 3.00	Leaf	Poor	Lemon	Ripe - Immature	Open - Close	Medium - Bodied	Lean	Weak	Severe mould
LOD	R 11.50	Leaf	Poor	Light Orange - Orange	Ripe - Immature	Open - Close	Medium - Bodied	Lean	Weak	Severe damaged and decomposed with dead black tobacco
LODS	R 8.00	Leaf	Poor	Light Orange - Orange	Ripe - Immature	Open - Close	Medium - Bodied	Lean	Weak	Severe damaged and decomposed with dead black pieces
LOG	R 9.00	Leaf	Poor	Light Orange - Orange	Ripe - Immature	Open - Close	Medium - Bodied	Lean	Weak	Heavy fixed green
LOMD	R 3.00	Leaf	Poor	Light Orange - Orange	Ripe - Immature	Open - Close	Medium - Bodied	Lean	Weak	Severe mould
FMS	R 4.00	Lug - Leaf	Poor	Lemon - Orange	Ripe - Immature	Open - Close	Thin - Bodied	Lean	Weak	Tobacco with foreign matter
FB8	R 4.00	Lug - Leaf	Poor	Lemon - Orange	Ripe - Immature	Open - Close	Thin - Bodied	Lean	Weak	Fine sieving pieces out of scrap <25.4mm
LLST	R 3.00	Lug - Leaf	Poor							Low quality stem

QUALITY SPECIFICATIONS**1. CHLORINE POLICY**

Tobacco lamina with chlorine content of 2% (two percent) and higher is outside the marketable specifications of TPD and will only be handled in the exclusive discretion of the management of TPD if a market is found and then only subject to the following conditions:

- 1.1. a Producer that delivers tobacco with a lamina chlorine content of 2% (two percent) and higher, will receive the full Advance Payment after the first delivery and this tobacco will be handled and placed in a separate pool; and
- 1.2. if the tobacco is marketed successfully, the value of the sold product will determine whether there is an additional payment (Deferred Payment), which will then be paid to the Producer accordingly, at a time that will be determined by the management of TPD.

2. NICOTINE POLICY

- 2.1. Tobacco lamina with nicotine levels outside the marketable specifications of TPD will only be handled in the exclusive discretion of the management of TPD if a market is found and then only subject to the following conditions:

- 2.1.1. a Producer that delivers flue-cured Virginia tobacco with a nicotine level outside the specifications, will receive the full Advance Payment after the first delivery and this tobacco will be handled in a separate pool; and
- 2.1.2. if the tobacco with nicotine levels outside the specifications is marketed successfully, the value of the sold product will determine whether there is an additional payment, a Deferred Payment, which will then be paid to the Producer accordingly, at a time that will be determined by the management of TPD within their sole discretion.

- 2.2. Nicotine limits for 2017/2018:

Plant Position	Target	UCL	Cut off
Lugs	1.7	1.9	2.1
Cutters	2.2	2.4	2.6
Leaf - L	2.7	2.9	3.1
- O	3.2	3.4	3.6
- R	3.7	3.9	4.1

3. TOBACCO BEETLE INFESTATION

- 3.1. Any flue-cured Virginia tobacco received at the buying station (“**BS**”) indicating a presence of live tobacco beetle will be returned to the Producer at the exclusive cost of the Producer, and no tobacco from that Producer will be received until a thorough investigation was carried out by a TPD official or someone appointed by TPD to carry out such a task on its behalf.
- 3.2. Any tobacco received at the CBS indicating a presence of live tobacco beetle will be isolated from the rest of the green stock and properly fumigated at the cost of the Producer at a **Tariff of R2.00/kg** plus VAT of tobacco.

4. NON TOBACCO RELATED MATERIAL (NTRM) POLICY

- 4.1. Any tobacco received by TPD at the CBS that contains any form of NTRM, will be sent for a “cleaning” process for the account of the Producer at a **Tariff of R5.50/kg plus VAT** of tobacco.
- 4.2. Any tobacco received at any of the BS that contains any form of plastic, will be returned to the farmer at his cost and no tobacco will be accepted from this Producer for a minimum period of 7 (seven) days and until a thorough investigation was carried out on his farm by a senior officer from TPD’s head office.
- 4.3. A cost of **R4 500** (four thousand five hundred Rand) plus VAT per incident will be billed to the Producer for NTRM found at the CBS or the BS, which will be recovered via a session from the next delivery.
- 4.4. NTRM includes: Plastic, PVC, PTFE, rubber, polyurethane, polystyrene, synthetic string, nylon, metal, glass, stone, concrete, bricks, feathers, insects, whole animals, other animal parts, etc.

5. MIXED GRADING & SORTING

Any tobacco found at the CBS containing mixed grading or nesting will either be cleaned by TPD's internal process or sent back to the Producer, in both instances at the cost of the Producer at a **Tariff of R5.50/kg plus VAT** of tobacco.

6. STP, PEST AND DISEASE MANAGEMENT AND AGRONOMY GUIDELINES

- 6.1. The Producer undertakes to:
 - 6.1.1. strictly comply with the usage policy of agricultural chemical products and Good Agricultural Practice and to only use products contained in **Annexure "C"** on tobacco;
 - 6.1.2. strictly comply with LTP’s and TPD’s STP Production Policy, as made available by a agronomist from time to time; and

- 6.1.3. supply TPD with all the necessary STP documentation before delivery can commence.
- 6.2. Tobacco samples of the Producer will be analysed for full chemical residue at least once per year. If any of the results of the analysis indicates that undesired products were used on the tobacco, the total harvest of that Producer will be withdrawn and will not be purchased any further. All tobacco that has already been delivered by the same Producer, but which remains unprocessed, will be returned to the Producer at his cost, and all funds that were paid out for tobacco delivered by the same Producer, will be recovered from the Producer.
- 6.3. See **Annexure “D”** for the sample protocol.

ANNEXURE "C"

In order to comply with LTP's and TPD's STP guidelines, it is advised that Producers do not plant after 20 November and that all tobacco stalks, regrowth and rests be destroyed by 15 June.

ACCEPTABLE PESTICIDES REGISTERED ON TOBACCO 2017/2018

PEST / PESTICIDE	RECOMMENDATION	DOSAGE/HA	WAITING PERIOD (DAYS)
<u>Nematodes</u>			
Oxamil (Vydate SL)	800 ml/100 litre (500 litre/ha)	4 litre	42
Dichloropropen (Telone)	60 - 80 litre/ha	60 - 80 litre	14 days before plant
Velum	0.08 ml per plant	1.2 litre/ha	At planting
<u>Cutworm</u>			
Deltamethrin (Decis)	165 ml/ha	165 ml	Only during planting
Cypermethrin	100 ml/ha	100 ml	Only during planting
<u>False Wireworm</u>			
No registered pesticide			
<u>American Bolworm</u>			
Indoksacarb (Steward)	35g or 70 ml/100 litre	90 g of 175 ml	42
Flubendiamide (Belt)	13 ml/100 litre water	32.5 ml/ha	At Top
<u>Potato Tuber Moth</u>			
Lufenuron (Sorba)	100 ml/100 litre (300 mm over ridge)	200 -250 ml	35
Indoksacarb (Steward)	35 g or 70 ml/100 litre	90 g or 175 ml	42
Chlorantraniliprole (Prevaton 5 SC)	0.12 ml/plant in plant water	1.8 litre/ha	28
<u>Aphids</u>			
Dimetoaat (Rogor)	800 ml/ha	800 ml	7
Imidacloprid (Confidor)	72 ml/100 litre (30 ml/plant)	350 ml	70
<u>White Fly / Stink Bug</u>			
Pimetrosien (Chess)	80 g/100 litre water	200 - 300 ml/ha	14
<u>Tobacco Slug</u>			
Imidacloprid (Confidor)	72 ml/100 litre (30 ml/plant)	350 ml	70
<u>Red Spider Mite</u>			
No registered pesticide (avoid harsh insecticides with broad spectrum)			

Fungicide			
Ridomil 480 E K	1.2 litre + 0.6 litre	1.8 litre/ha	42
Trichoderma (Tricho Plus)	250 g/ha (week 1 + 4)	500 g	None
Herbicides			
Sulfentrazone (Authority 480sc)	400 - 470 ml/ha (directed application)	400 - 470 ml	5 - 18 months
Metazachlor (Sultan)	1.0 – 1.6 litre/ha (directed application)	1.0 – 1.6 litre/ha (not <20% clay)	0 - 3 months
Halosulfuron (Servian)	50 g/ha (directed application)	50 g	1 - 24 months
Clomazone (Command)	1.0 – 2.5 litre/ha	1.0 – 2.5 litre/ha	6 - 9 months
S -metolachlor (Dual)	0.5 – 1.4 litre/ha (directed application)	0.5 – 1.4 litre/ha (not <10% clay)	0 - 3 months
Cycloxydim (Focus Ultra)	0.8 – 4.0 litre/ha	0.8 – 4.0 litre/ha	0 - 3 months
Dimethanamid – P (Frontier Optima)	750 ml/ha (directed application)	750 ml/ha	
Suckeride			
Decanol (Fatty Alcohol)	3.0 litre/100 litre	3.6 litre	None
Butralin (Tobago)	1.5 litre/100 litre	1.8 litre	12 months
Pendimethalin (Accotab)	1.5 litre/100 litre	1.8 litre	12 months
Flumetralin (Genco 150 SC)	1.5 litre/100 litre	1.8 litre	12 months

CHEMICAL RESIDUE ANALYSIS SAMPLE PROTOCOL

The procedures related to the chemical residual tobacco sample review process must be applied as set out in this protocol.

Purpose of Sampling	To take a formal representative tobacco sample per Producer for chemical residual analysis.
Introduction	The optimal marketing of the RSA Flue Cured Tobacco output requires that the tobacco is free of certain residuals, and that products approved for use do not exceed the prescribed residual levels. In order to ensure that the target is reached it is essential that tobacco crops per Producer are analysed in a representative and random manner, and that the residual analyses of the tobacco samples be done.
Number of samples to be taken	Two samples per Producer shall be collected during the period as prescribed in this protocol.
Persons authorised to collect the samples	A representative of TPD in the presence of the Producer or a duly authorised person.
Period during which Sample collection must take place	During the second week of January, each year. TPD can on it's on discretion decide to take more than one sample during the season.
Type of tobacco to be taken for sample collection	Lugs or cutters
Sample collection process	<ol style="list-style-type: none"> (1) Take directly from two barns 0.5 kg dried leaves which have been moistened. (2) Mix the leaves (taken as in (1)) and then make two representative samples. (3) Place each of the two samples in a new clean 20 x 30 cm Zip sealed bag.
Labeling	<ul style="list-style-type: none"> • 4 adhesive labels with barcodes will be supplied per Producer. • One of each must be placed in the Zip sealed bag and one must be used to seal the Zip sealed bag by affixing it over the opening of the bag.
Recording	The Producer and the sample collector must both sign in a register which contains the Producer's information, barn number, land number, cultivar, harvest date, planting date and such further

information concerning the tobacco. Both must also sign that the sample is accepted as an official sample.

The samples must in an official manner be stored and sent to Rustenburg, where a responsible person acknowledges receipt in a register of each sample, that each sample is undamaged and that there are two samples per Producer. The one sample will be stored as reference and the other will be sent for official testing.

All tobacco Producers are bound to this protocol as set out above and fully understand what is required of them as tobacco producers regarding the sample collection and related matters as set out in this protocol.

All tobacco Producers further undertake to comply with the sample collection process as set out in this protocol.

AUTHORIZATION OF SELF-INVOICING BY TPD:

In addition to the provisions contained in the contract to which this is part of, the parties agree and contract as follows:

WHEREAS in the instance in which the consideration for a supply of tobacco by a Producer to TPD, both registered as value added tax ("VAT") vendors, which will only be sold at a later stage once the quality and quantity is determined by TPD rather than the Producer, and the price obtained for the produce depends on factors outside the Producer's control and the Producer is consequently not in a position to issue an invoice or tax invoice, the South African Revenue Service (SARS) may permit TPD to issue the VAT invoice for the supply described as recipient-created invoicing, or self-invoicing, and for that purpose requires a defined allocation by the Producer of tobacco to TPD to issue on the Producer's behalf the VAT invoice, subject to the conditions prescribed by SARS.

NOW THEREFORE the Producer and TPD agree and confirm that TPD shall be and is hereby authorized, for the full extent of the current contract entered into by and between them, to issue on the Producer's behalf, a recipient-created invoice, in respect of each and every supply of tobacco by it to TPD, and the Producer will not have the right at any time during the existence of the current contract to withdraw the right hereby granted, and the Producer and TPD further agree that the Producer shall not be allowed to issue a tax invoice, debit note or credit note in relation to any delivered tobacco and undertakes to file all copies of tax invoices issued by TPD on behalf of the Producer for record purposes.

SIGNED at _____ on _____ 20_____,
in the presence of the undersigned witnesses.

AS WITNESSES:

1. _____
2. _____
PRODUCER/AUTHORIZED PERSON OF PRODUCER

SIGNED at _____ on _____ 20_____,
in the presence of the undersigned witnesses.

AS WITNESSES:

1. _____
2. _____
EXECUTIVE DIRECTOR (FOR TPD)