

**BURLEY TOBACCO
LEAF CULTIVATION AND PURCHASE CONTRACT.**

The following agreement has been made between:

COMPANY

Address : .

Hereafter called the “ **Purchaser**”.

2/ The Head of Farmer ,

Name :

Address: - Village :District :Province:.....

Tel :.....

ID card No :.....

Hereafter called the “**Seller**”.

Both parties have agreed to enter this contract consisting of the following terms and conditions.

Article 1 : Quota.

The **Seller** agrees to grow the following area and to sell the dried tobacco leaf to the **Purchaser** from his farmer’s group for the crop 2012 (grown from August 2011 to May 2012) as hereby described:

<u>Number of Kilograms</u>	<u>Number of rai</u>	<u>Number of farmers</u>

The **Purchaser** commits to buy all the tobacco produced by the seller at the prices defined in annex to the limit of above quota if quality meets standards define in annex. The **Seller** commits to sell and deliver his tobacco exclusively to the **Purchaser**. If the quota is not completed, the **Purchaser** will make penalty with 2,500 kips per missing kilogram. In case the volume delivered is exceeding the quota more than 10% the **Purchaser** will reduce the price by 2.000 kips per extra kilogram. .

The **Purchaser** commits to give all technical advices that the **Seller** may need to achieve the above quota and reach the yield and quality .

Article 2: Borrowing.

The **Purchaser** will supply to seller at the beginning of the crop the seeds, the fertilizers and pesticides in quantity needed to produce above quota. The **Seller** agrees to use only the material from the Purchaser. Usage of others fertilizers and chemical is strictly forbidden.

The **Purchaser** will provide to the **Seller** if this one requests it roof zinc to cover the drying barn within the limits of 40 sheets per rai. The price of these materials will be precised later. Material will be paid by the **Seller** to the purchaser by deduction on leaf sales. This material will be repaid in two years. So, **Seller** commits to grow at least the above quota for two years. The seller must give as security an asset which amounts to a value of twice the loan. The official asset document is here enclosed.

Article 3 : Purchasing.

The **Seller** agreed to sell the tobacco graded following to standard grades of quality defined in attached annex. Tobacco must be presented into bundles and packed in bales. Bales must be uniform in grade and length. If not, the **Purchaser** will

buy the bale except if seller re-grades it or accept that tobacco will be paid based on the lowest quality found inside the bale.

Each bale net weight must not exceeded 40 kg and bale must be properly done.

The **Seller** agrees that the purchaser will control moisture content and the quality of the tobacco after arrival at the purchasing area in _____. Quality will be defined by the **Purchaser**. Representative of PUBLIC AUTHORITY could attend the purchase session in order to check that procedures are fare for the seller. The **Seller** has the right not to sell the bale of tobacco if he doesn't agree with quality defined by purchaser under the limit that he fulfills the quota defined in this contract.

The **Purchaser** will not buy tobacco that doesn't correspond to quality standards and if farmer doesn't fulfill his entire obligation during the campaign, more particularly regarding the use of fertilizer and chemical.

The **Seller** commits to deliver tobacco free of pesticide. The **Purchaser** will perform control analysis. In case the level of pesticide residues in tobacco is found above the limit, the **Purchaser** will cut the commission of ___ by 25% (in case of orange alert) or 50% (in case of red alert) depending of the level of pesticide detected by analyzes. Concerned farmers won't have the right to grow tobacco for in the future crops

The Seller commits to deliver dry tobacco. The standard moisture is 17%. If moisture is above 17%, the **Purchaser** will deduct 2 kg from the weight of the bale. The **Purchaser** won't buy tobacco with moisture higher than 19 %.

The **Seller** is responsible for every tax and fee related to his activities and to the tobacco cultivation and selling activities except for TCA.

No tobacco will be purchased after the date of _____

Article 4: Purchasing area and Transportation cost.

The **Purchaser** commits to purchase the tobacco in a place close to the village of the **Seller**. In such case special agreement should be defined between both parties, providing the fact that the place will be chosen by the **Purchaser** based on conditions of easy access, security and possibility to get electricity.

The **Seller** organizes the transport of his tobacco to the purchasing place at his own expense. The **Purchaser** won't reimburse any transportation cost. The **Purchaser** will organize the transportation to _____

Article 5 : Payment.

The **Purchaser** commits to pay the seller after each seller's delivery of cured tobacco leaves. He pays in Kip in cash, bank check, or account bank transfer, at his choice. To complete the payment all necessary documents must be correctly filled out in advance. Only the Chief of Group can receive money except if there is a specific authorization from the chief of group validated by authorities. Payment is done in _____, at the Purchaser's office.

The **Purchaser** will take 15% for guarantee of the tobacco value until quota is completed and debt reimbursed. When quota is achieved and all debt paid, the fund kept for guarantee will be reimbursed to farmer with the payment of the last tobacco.

In addition to the guarantee fund, the **Seller** authorizes the **Purchaser** to deduct 65% of the value of his tobacco to pay the advances received and debt contracted toward s..... This, until the totality of advances (in cash or counter value of kind) will be reimbursed. If the advance can not be reimbursed, the **Purchaser** will take the counter value in the guarantee and/or commission (at the choice of the purchaser) that the seller must give before receiving any advance.

For the tobacco sold in the first time, the amount deducted for advances reimbursement will be reduced to only 40 % if the first sales happens before the date of _____ or if volume of first sales in less than 40% of quota..

Article 6 : Task of the Seller.

The **Purchaser** will pay to the **Seller** (Head of Group) a commission of 4.0% of the total value delivered by all farmers belonging to his groups including himself. In compensation of this commission, the **Seller** should be active to achieve the production targets and in particularly he commits to :

- Register and communicate in the beginning of the crop the Quota requested by farmers.
- Obtain the signature from all the farmers belonging to his group on the present contract.
- Received the fertilizers, seeds, chemicals and materials sent by the **Purchaser** and organize their unloading and their temporary storage in the village.
- Manage the dispatch between the farmers and report to the Purchaser the farmers' individual debt to
- Visit, at least 4 times per year, all farmers' s together with the technicians (at sowing, at potting, at plantation and at topping) and every time the technicians will discover a problem in one or several farmers' field
- Organize the training meeting for the technicians
- Register the volume of tobacco to be sold and report it to and to organize the transport to _____

Article 7 : Commitment to good practices in growing

- The **Seller** declares that he has enough adult labor resources to produce the above quota and he agrees to ban child work in tobacco fields during school time. He commits not to employ any children in any work related to chemical application or chemical handling.
- The **Seller** declares to have access to sufficient clean water resources for irrigation and adapted soil to grow tobacco. He agrees to follow all the techniques approved by purchaser
- The **Seller** commits to use only the tobacco seeds supplied by the purchaser. These seeds should be from a non GMO variety
- The **Seller** commits to use only chemicals and fertilizers approved by He agrees to apply safe usage procedures in all aspects of agro-chemicals and fertilizers handling, application, storage and disposal. He agrees to respect appropriate timing for application and to respect health warnings
- As commitment to environment protection, Seller agrees
 - to plant trees to cover the needs of curing wood
 - to do crop rotation to conserve soil fertility
 - to improve drainage of his field and to do proper water disposal in order to protect water resources
- The **Seller** commits to destroy all tobacco plant roots and stalks after harvesting.
- The **Seller** must make every effort to keep Non Tobacco Related Materials (NTRM) out of tobacco supplied to the purchaser. In particular the reuse of polypropylene weaved bags to transport, cover or protect tobacco from the soil must be strictly prohibited
- As the Chief of Group, the **Seller** must manage his farmers and take responsibility for his farmers' practices.

Article 8: Natural disaster.

In case of environmental disaster such as flooding, fire, drought, ..., the **Purchaser** may apply to the **Seller** the Clause of Natural Disaster if, and only if, the Seller follows the procedure More particularly, a report with the clear mention of the date when the disaster occurs, the description and, if possible, the causes of disaster, the number of tobacco plants affected by it and an estimation of the % of harvest lost by field. This report should be done by the purchaser's staff with local authority and validated by a superintendent. This report should imperatively be forwarded to the Leaf and Blend manager of as soon as possible and in all cases before purchasing

Article 9 : Dispute and other.

The agreement has been made in two identical copies. In case of any dispute, both parties undertake to find any necessary solutions to solve the problem. Both parties have read and fully understood the entire substance of the contract and hereby sign their names. Each shall retain one copy thereof.

PLACE, date:.....

Seller

Purchaser.

Head of Village.