

**[NATIONAL TOBACCO ADMINISTRATION,
February 09, 2010]**

**2010 AMENDED RULES AND REGULATIONS GOVERNING THE
TRADING AND REDRYING OF LOCALLY GROWN LEAF TOBACCO**

Pursuant to the authority vested to the National Tobacco Administration (NTA) by virtue of Executive Order No. 245, Section 32 of Presidential Decree No. 1481, and Section 5, paragraph (c) of Presidential Decree No. 1143, the following rules and regulations governing the trading of locally grown leaf tobacco are hereby promulgated, for the information and guidance of all concerned.

REGULATION I - GENERAL PROVISIONS

Rule. 1. Definition of Terms - As used in these Rules and Regulations:

- a. Accountable Record/Columnar Book (ARCB) – refers to an accountable book assigned to each TC to be used by the NTA designated inspector in recording tobacco acceptances.
- b. Administrator - refers to the Chief Executive Officer of the NTA.
- c. Batek/Udlot/Tugko – refers to the upper leaf of a native/dark leaf tobacco produced in the Visayas and Mindanao regions.
- d. Branch Office Tobacco Production and Regulation Officers – refers to the branch office employees who are tasked to implement these rules and regulations.
- e. Burley/Bright Air-Cured Leaf Tobacco - refers to a type of tobacco, which undergoes air-curing processes and is used as blending material in the manufacture of cigarettes and cigars.
- f. Central Office Tobacco Production and Regulation Officers (CO-TPROs) – refers to the central office employees who are tasked to formulate, recommend and monitor the adoption/implementation of rules and regulations governing the trading of locally grown leaf tobacco.
- g. Certificate of Authority (COA) – refers to a written authority issued by the NTA to an FR, either independent or acting as agent of a TC, to gather, collect, purchase and/or deliver the leaf tobacco produce of the tobacco farmer-producers.
- h. Certificate of Inspection (COI) – refers to a serially numbered certificate issued by the NTA to TC/WTD/RP/CM for the actual inspection of tobacco delivered, accepted and/ or shipped.
- i. Certificate of Purchase (COP) – refers to a serially numbered accountable form to be accomplished by the FR which identifies the leaf

tobacco gathered/collected/purchased from the tobacco farmer-producer and delivered to the duly licensed TC, indicating the date of purchase, name of the farmer-producer, name of buyer, place of origin, volume and value of each grades and the total purchase price, and attached to the PIV.

j. Cigar/Cigarette Manufacturers (CMs) – refers to a local entity engaged in the manufacture of cigars and cigarettes for domestic and international consumptions, and duly licensed by the NTA to purchase leaf tobacco from the WTD/s.

k. Competitiveness Enhancement Fee (CEF) – refers to the fee paid by the CMs for actual purchases of locally grown tobacco to support the production of quality Philippine tobacco to be globally competitive.

l. Composite Team - refers to a group of NTA officials created by the NTA Administrator with the primary function to review/study and recommend specific modification/action of these rules and regulations and/or the systems and procedures, in coordination with the Regulation Department.

m. Deputy Administrator for Operations (DAOP) – the second highest official of the NTA who is tasked to assist the NTA Administrator in the effective enforcement and implementation of these rules and regulations.

n. Dry Weight - weight of tobacco after undergoing re-drying process.

o. Farmer-Cooperator (FC) – refers to a tobacco farmer, individually or as member of a cluster who had been contracted to produce tobacco by a WTD/TC under a Memorandum of Agreement.

p. Farmer Leader (FL) – refers to any person, who must be a tobacco farmer himself/ herself, duly designated by the principal buyer to supervise the members of his/her cluster in the production and marketing of their tobacco produce.

q. Field Representative (FR) – refers to any person, either acting as agent of a TC or operating independently, including “viajeros”, who is duly authorized by the NTA to gather/ collect/purchase the leaf tobacco produce of the farmer outside the TC and deliver the same to the TC. A farmer leader who delivers tobacco more than the estimated production of his cluster at the maximum volume of production, per hectare, as hereinafter provided, and/or any person who merely gives financing assistance to his cluster members is likewise considered as a Field Representative.

r. Financial Guarantee – refers to a duly notarized written undertaking by a WTD that the TC operating under its Purchase Commitment is financially qualified and capable and assumes the payment of all the leaf tobacco accepted by the TC.

s. Green/Fresh Weight – refers to the farm-gate weight of cured tobacco and without having undergone any further processing.

t. License to Buy – refers to a license issued by the NTA to qualified TC to buy leaf tobacco.

- u. Manos – refers to a bundle/pack of leaf tobacco containing 100 leaves per bundle/pack.
- v. Marketing Agreement (MA) – refers to the written contract by and among the NTA, the farmer-cooperator and the WTD/TC wherein the tobacco Farmer-Cooperator commits to sell his tobacco to the WTD/TC and the latter commits to purchase all the quality and/or usable tobacco produce of the former, while the NTA renders technical and marketing assistance to the FC.
- w. National Tobacco Administration (NTA) - a government agency mandated to administer and regulate the Philippine tobacco industry.
- x. NTA Board - refers to the policy-making body of the Agency.
- y. NTA Branch Office (NTA BO) – refers to any of the branch offices of the NTA located at the tobacco producing provinces and headed by a Branch Manager, which is tasked to implement and enforce this rules and regulations.
- z. NTA Classifier/Grader – refers to an NTA official/employee who had undergone training and gained expertise on tobacco grading and classification and duly assigned or designated by the NTA Administrator to supervise/monitor the classifying/grading of leaf tobacco.
- aa. Native/Dark Air-Cured Leaf Tobacco – refers to a type of leaf tobacco, which undergoes air-curing process and used as cigar filler, chewing tobacco, cigar binders/wrappers and/or substitute/alternative component of locally manufactured low-priced cigarettes.
- bb. NTA Designated Inspector – NTA personnel who is issued with a designation and authority to conduct actual inspection of all tobacco acceptances and deliveries/shipments.
- cc. Paldo – refers to a bale of leaf tobacco containing 50 to 60 kilograms of leaf tobacco.
- dd. Pack Weight – the weight of tobacco after having been packed which shall further undergo redrying process;
- ee. Pasta – refers to the lower leaves that are shredded into three (3) millimeter wide and sold as raw material for chewing tobacco and cigarette making.
- ff. Permit to Purchase – refers to a permit issued by the NTA to WTD and CM to purchase leaf tobacco on wholesale basis from TCs or other WTDs.
- gg. Permit to Redry – refers to a permit issued by the NTA to redrying plant operator to redry/process/thresh/pack leaf tobacco of TCs or WTDs. [a permit to redry is not an authority for the RP to purchase any tobacco from any tobacco seller.
- hh. Purchase Commitment – is a duly notarized written undertaking issued by the WTD in favor of the NTA to buy or caused to be procured a quantity equal to the estimated purchases of all his/her identified

contracted or independent Farmer-Cooperators or Field Representatives and to pay liquidated damages to the NTA the amount not less than ten percent (10%) of the value of the unpurchased quantity due to any reason.

ii. Purchase Invoice Voucher (PIV) – refers to an accountable form that identifies the leaf tobacco purchased by the TC, indicating the name of farmer-seller, source of the tobacco, the weight, grade, total price per grade, total market value of the tobacco sold, time of arrival and payment of the sales proceeds of the tobacco and name and signature of TC operator/authorized representative.

jj. Regulation Department (RD) – refers to the department of the NTA which acts as the regulatory arm of the agency.

kk. Request For Inspection (RFI) – refers to the written request submitted by TC/WTD/RP to NTA for the inspection of every tobacco delivered/ shipped, accepted and redried.

ll. Redrying Plant (RP) – refers to a company duly licensed by the NTA to redry, process, thresh and/or pack leaf tobacco.

mm. Sapod/Lulang/Barot – refers to the lower leaf of a native/dark leaf tobacco produced in the Visayas and Mindanao regions.

nn. Tabo System – refers to the leaf tobacco trading system, conducted thru an auction, at a designated place within a municipality.

oo. Tally-In-Sheet (TIS) – refers to an NTA prescribed Form used by WTD/RP/CM for every tobacco purchased/redried.

pp. Tally-Out-Sheet (TOS) – refers to an NTA prescribed Form used by TC/WTD/RP for every tobacco delivery/shipment.

qq. Tobacco Farmer – refers to a person whose stock of leaf tobacco is the product of the land tilled by him.

rr. Trading Center (TC) - refers to the place, (building or warehouse), including its accessories/facilities, which is used for buying, selling, baling, grading, weighing, paying and/or storing leaf tobacco in accordance with these rules and regulations.

ss. Trading Rules and Regulations (TRR) – refers to the rules and regulations governing the trading, wholesale, and redrying of locally grown leaf tobacco.

tt. Viajero – refers to a leaf tobacco buyer, other than a leaf tobacco BF/TC operator, who buys native/dark type of leaf tobacco directly from the tobacco farmer-producer and sells, delivers, transports and ships the same to other barangay/s, municipality/ies, province/s or other leaf tobacco buyers.

uu. Virginia/Flue-Cured Leaf Tobacco - refers to a type of leaf tobacco, which undergoes flue-curing processes and used as blending material in the manufacture of cigarettes.

vv. Wholesale Tobacco Dealer (WTD) - refers to the tobacco company which, under a purchase commitment, commits to purchase the leaf tobacco bought by the licensed TC on Wholesale Basis.

REGULATION II - JURISDICTION AND GENERAL FUNCTIONS

For the effective enforcement of these Rules and Regulations:

Rule 1. The NTA Board of Directors shall:

- a) Adopt policies in the promulgation of appropriate leaf tobacco trading rules and regulations in consultation with the management; and
- b) Adopt policies in the promulgation and prescription of tobacco grade descriptions/classifications and floor prices.

Rule 2. The NTA Administrator shall:

- a) Approve Licenses/Authority to tobacco buyers from the tobacco farmer-producers and Permit to Purchase/Redry after compliance with the requirements prescribed under these rules and regulations.
- b) Primarily responsible for the proper, effective and efficient implementation of the trading rules and regulations, particularly, on the rules relating to the proper classification and grading, accurate weighing, prompt payment and proper documentation of tobacco acceptances; and
- c) Prosecute criminal offenses and impose appropriate administrative sanctions and/ or fines to erring WTD/RP/TC/FR/Tobacco Farmers for violations of the herein trading rules and regulations.

REGULATION III – NTA LICENSE TO ENGAGE IN THE TRADING OF LEAF TOBACCO BY TRADING CENTERS

Rule 1. Who May Apply For License To Buy Leaf Tobacco – Any person of legal age and having the legal capacity to enter into contract, a corporation, partnership, company, cooperative, or any other juridical entity, and duly licensed to do business in the Philippines, may apply for a License to Buy leaf tobacco from the: (1) tobacco farmer-producer/s and FCs under his/her MA; and, (2) Identified Contracted or Independent FRs, subject to the provisions of Rules 2 and 4, hereof, and after paying the required processing and licensing fees, the amount of which shall be computed on the basis of the average volume of tobacco purchases/acceptances for the last three (3) trading seasons or estimated production of his contracted FCs and purchases of his identified contracted or independent FRs for the trading season/year applied for, whichever is higher.

The amount to be paid for the processing and licensing fees shall be determined in accordance with the following table, to wit:

Volume of Tobacco Purchased/Accepted	Amount
A. For Virginia or Burley Tobacco	
250,000 kilograms and below	PhP 5,625.00(*)
250,001– 350,000 kilograms	6,750.00