

[PRESIDENTIAL DECREE NO. 1481, June 11, 1978]

GOVERNING AND REGULATING TRADING OF LOCALLY GROWN VIRGINIA LEAF TOBACCO

WHEREAS, the full development of the Virginia tobacco industry is a declared policy of the State;

WHEREAS, it is essential that the Virginia tobacco farmer be given assistance in enhancing the quality and quantity of his yield and protection from unfair and unscrupulous trade practices and such other economic vicissitudes that unduly deprive him of the just and fair price of his agricultural produce;

WHEREAS, it has become necessary for the State to take firmer measures to safeguard the general interests of the Virginia tobacco industry;

NOW, THEREFORE, I, FERDINAND E. MARCOS, President of the Philippines, by virtue of the power vested in me by the Constitution, do hereby adopt and promulgate this Decree, the full text of which follows:

SECTION 1. *Title and Scope.*—This Decree shall be known as the "DECREE GOVERNING AND REGULATING TRADING IN LOCALLY GROWN VIRGINIA LEAF TOBACCO" and shall govern and regulate the conduct and manner of trading in locally grown Virginia leaf tobacco in the country, and shall apply to all persons, corporations, companies, partnerships, consortium of tobacco dealers, who may now or hereafter be engaged in the trading of Virginia tobacco, whether as buyers or as sellers, and whether acting as principals or agents or representatives of such persons, corporations, companies, partnerships, associations or entities.

SEC. 2. *Statement of Objectives.*—The specific objectives of this Decree are to provide the establishment of suitable marketing centers for Virginia tobacco in strategic places in the Ilocos Region so that the Virginia tobacco farmer may enjoy reasonable prices that will secure their return on his investments, and to prescribe the manner of grading, buying and selling of leaf tobacco and insure governmental supervision thereof in accordance with this Decree and other related laws and decrees.

SEC. 3. *Definition of Terms.*—As used in this Decree,

- a. *Person*—refers to any natural person, corporation, company, partnership, association, cooperatives, consortium of tobacco dealers, or any other juridical entity.
- b. *Tobacco*—refers to locally grown Virginia type tobacco, excluding those that are redried, threshed or blended.
- c. *Farmer*—is a person whose stock of leaf tobacco is the product of the land tilled by him or is given to him as remuneration for assisting in the growing of tobacco or in the flue-curing of tobacco leaves.
- d. *Cooperative Association*—is an association of farmers organized and existing under the cooperative laws of the Philippines and duly registered with the Bureau of Cooperatives Development of the Department of Local Government and Community Development.

- e. *Buyer*—is a person, corporation, company, partnership, consortium of tobacco dealers or entity duly authorized by the PVTa under license to buy tobacco from farmers and other authorized dealers.
- f. *Trading Center*—is a building or warehouse, including its accessories, used exclusively for buying, selling, baling or handling and storing of tobacco.
- g. *Purchase Commitment*—is a written undertaking in favor of the PVTa to buy or cause to be procured a definite quantity of tobacco from farmers and other authorized sellers during a particular trading season, and to pay liquidated damages to the PVTa, the amount of which shall not be less than ten per cent of the estimated average value of the unpurchased quantity, in the event of unreasonable refusal and failure to procure the quantity undertaken to be purchased.
- h. *PVTa*—refers to the Philippine Virginia Tobacco Administration, a government agency created and existing under Rep. Act No. 2265.
- i. *Board*—refers to the Board of Directors of the PVTa.
- j. *General Manager*—refers to the managing head or officer-in-charge of PVTa.
- k. *PVTa Official*—refers to the General Manager; Assistant General Manager; Chairman or any member of the Board; Chiefs and Assistant Chiefs of Provincial Offices or the head of any special trading inspection team of the PVTa.
- l. *PVTa Tobacco Inspector or Grader*—refers to any other PVTa employee duly appointed or assigned by the General Manager to assist in the implementation and enforcement of this Decree.
- m. *BIR*—refers to the Bureau of Internal Revenue.

SEC. 4. *Duration of Trading*—The buying and selling of tobacco between buyers and farmers and other authorized sellers shall be done only during the period beginning the fifteenth day of February up to and including the seventh day of August of each year.

SEC. 5. *Place of Trading*—Farmers and other authorized sellers shall sell or deliver for sale their tobacco only at the authorized trading centers of buyers which shall be established in strategic places designated by the PVTa.

SEC. 6. *Classification and Baling of Tobacco*—No buyer shall buy tobacco from farmers or other authorized sellers unless it is classified according to grades, tied on the butt into hands or bundles of about 25 to 30 leaves each, and baled or rolled in jute sacks. The buying of Tobacco in sticks is strictly prohibited.

SEC. 7. *Tobacco Grades and Specifications*.—The grades and specifications for locally grown Virginia leaf tobacco, as well as the rules for the application of the official grades, are prescribed in Annex "A" which is attached hereto and made part hereof. No buyer shall use or adopt a different system or standard of grading.

SEC. 8. *Minimum Prices*—No person shall buy tobacco at prices lower than those which the PVTa may reasonably prescribe from time to time for each grade of tobacco.

SEC. 9. *Shrinkage Allowance Prohibited*—No buyer shall deduct a shrinkage allowance from the weight of any tobacco sold.

SEC. 10. *Buyers; Qualifications*.—No person shall buy tobacco from farmers and any authorized seller unless duly registered and licensed by the PVTa: *Provided*, That no license shall be issued unless the applicant;

- a. has the financial capacity to buy a definite minimum quantity of tobacco, which shall not be less than 250,000 kilograms from farmers and other authorized sellers during a particular trading season;
- b. is willing to execute a purchase commitment;
- c. can post a bond in the amount of not less than fifty thousand pesos in favor of the PVTa to secure faithful compliance by him of his obligations as a buyer, including but not limited to the payment of liquidated damages in case of failure to buy his purchase commitment and the payment of research and regulation fees; and
- d. is willing to establish, operate and maintain a trading center(s) in such a place or places to be designated by PVTa in which he shall buy tobacco from farmers and other authorized sellers in accordance with the manner and procedure prescribed herein;

Provided, however, That an Association, organization or consortium of the tobacco dealers may be allowed for special reasons to execute and sign the required purchase commitment for the purpose of the issuance of licenses unto and in favor of its members, or the agents or representatives as may be designated by such members, for whom the said association, organization or consortium of tobacco dealers is acting and whose identities must be disclosed and who, upon being found to be otherwise qualified and eligible hereunder to engage in tobacco trading, shall be issued the corresponding license to buy in their own respective names and account. Such associations, organization or consortium may execute and sign the purchase commitment alone or jointly and severally with its members; *Provided, finally,* That the bond herein required may be waived entirely by the PVTa upon showing by the buyer or by any other interested party of good and special reasons, such as, but not limited to, the financial stability and solvency of the buyer or his evident capability to comply with his purchase commitment and his other obligations as a buyer.

SEC. 11. Sellers.—Buyers shall buy only from the following:

- a. Farmers duly registered with the PVTa and with valid identification cards, or their authorized representatives;
- b. Cooperative associations accredited with the PVTa; and
- c. Other persons, firms or entities with Special Permits to Sell issued by the PVTa.

SEC. 12. Registration.—Farmers intending to sell their tobacco shall apply for registration with the PVTa Provincial Office in the province where they reside. For this purpose, the PVTa shall keep and maintain an up-dated roster of farmers in each municipality of every Virginia tobacco producing province.

SEC. 13. Accreditation of Cooperatives.—Cooperative associations desiring to sell the tobacco of their members shall apply for registration and accreditation with the PVTa: *Provided,* That no cooperative association shall be permitted to sell tobacco in excess of the total estimated production of its members.

SEC. 14. Other Authorized Sellers.—Any person whose stock of leaf tobacco is acquired through other lawful means may be issued a Special Permit to Sell by the PVTa, provided such tobacco stock was acquired by the applicant through accidental and isolated legitimate transaction and there is no reason to believe that the applicant is habitually engaged in dealing with tobacco without a license.

SEC. 15. *Requirements Before Buying.*—Notwithstanding the issuance of a license, no buyer shall be permitted to buy tobacco unless he has complied with the following requirements:

- a. Obtained all prescribed trading forms and registered them with the PVTA and the BIR;
- b. Employed a competent tobacco grader who has successfully completed an orientation seminar or training course on Virginia Tobacco grading conducted by the PVTA;
- c. Submitted to the PVTA a list of his personnel at the trading center, including a copy of the contract of employment of his grader;
- d. Set up in front of his trading center an appropriate signboard containing, among others, his name and address; the words "Trading Center" and the phrase "PVTA License No. ____";
- e. Set up in front of his trading center an appropriate board indicating his hours and days of trading (i.e., "Open for Business: 8:00 A.M. to 5:00 P.M., Mondays to Fridays; 8:00 A.M. to 12:00 Noon, Saturdays and Sundays")
- f. Displayed conspicuously in his trading center samples of the different grades of tobacco to serve as visible practical guides for farmers and other authorized sellers selling their tobacco. The samples shall be subject to the approval of the PVTA grader assigned in the trading center and shall be kept in an appropriate glass-encased display board visible to the public, and the same should be changed every fifteen days, or in a shorter period in case of early deterioration or change in the color and quality of the said samples; and
- g. Installed at least one (1) licensed and sealed platform scale. No other type of weighing scale shall be used.

SEC. 16. *Incoming Logbook.*—Tobacco delivered for sale at the trading centers shall be attended to on a "First come, first served" basis; and for this purpose, every buyer shall keep an Incoming Logbook to record chronologically the order of arrival of tobacco for sale.

SEC. 17. *Hours of Trading.*—The buyer shall buy tobacco daily from Monday to Friday, from 8:00 A.M. to 5:00 P.M. If he intends to open for business during Saturdays, Sundays and holidays, he should give a 72-hour advance notice to the PVTA Field Inspector and to the public.

SEC. 18. *Suspension of Buying.*—Suspension or temporary stoppage of buying for reasons such as cleaning or repair of the trading center, re-piling and inventory of stocks, shall be allowed only with the approval of the PVTA Tobacco Inspector and after posting appropriate notices or announcements in front of the trading center for a period of at least five consecutive days prior to such suspension or temporary closing of the trading center.

SEC. 19. *Procedure of Buying.*—Tobacco offered for sale at the trading centers shall be processed in the following manner:

- a. *Grading.*—The grade of the tobacco shall be determined in accordance with the official grades and guidelines (Annex "A") hereof. The samples displayed at the trading center shall be used for comparison. The person who grades the tobacco shall affix to each bale on roll of tobacco graded by him a tag or label wherein the grade of the tobacco shall be legibly written and initialed by him. In case of disagreement as to the grades of tobacco between the buyer and

seller, the controversy shall be immediately referred to the PVTA Tobacco Inspector for mediation, and if necessary, to a PVTA Grader for arbitration: *Provided*, That in case of doubt as to the proper grades of the tobacco, the arbiter shall receive the doubt in favor of the seller.

- b. *Weighing*.—The gross weight of the tobacco shall likewise be indicated on the tag by the weigher and initialed by him.
- c. *Recording*.—The tobacco, if accepted, shall be immediately covered by an invoice voucher prescribed by the PVTA: *Provided*, That no other forms evidencing purchase of tobacco from a farmer or other authorized seller be used by the buyer.
- d. *Payment*.—The tobacco purchased shall be paid in cash immediately after the grading and weighing, at or near the trading center: *Provided, however*, That if the purchase price of the tobacco is more than five thousand pesos, payment thereof may be made by check if there is a bank or other facilities for encashment within the province wherein the trading center is located and that the mode of payment is acceptable to the seller.

SEC. 20. *Supervision*.—The grading, weighing and recording of tobacco shall be made in the presence of the seller or his representative and the PVTA Tobacco Inspector. Tobacco purchases made by a buyer without a PVTA Inspector, shall, without prejudice to the imposition of appropriate penalty as provided herein, not be credited to his purchase commitment.

SEC. 21. *Buying Outside Trading Centers*.—Notwithstanding any provisions of this Decree to the contrary, a buyer upon request of an association of tobacco growers duly recognized by the PVTA may be issued a Special Permit to Buy, either personally or through an authorized representative, tobacco (a) in remote areas or places where farmers find great difficulty in transporting their product to the nearest trading center, or (b) in a municipality where there is no buyer actually operating.

SEC. 22. *Possession of Unexplained Tobacco Stocks*.—Any person to whom no license to buy has been issued by the PVTA and who is not a cigarette manufacturer, exporter, redrier or legitimate end-user, who is found in possession of tobacco stocks in excess of his estimated production, if any, shall be presumed to have acquired such tobacco stock in violation of this Decree and, without prejudice to the imposition of appropriate penalty specified herein, he shall be assessed and shall pay the corresponding research and regulation fee and contribution to PVTA for such tobacco stock, plus fifty per cent thereof as additional penalty.

SEC. 23. *Place of Records*.—All records of a buyer shall be kept and maintained in/or about the premises of the trading center, and shall be open for inspection and examination by the General Manager or his duly authorized representative, at any time during working hours. They shall be preserved in good condition for a period of two (2) trading seasons.

SEC. 24. *Assistance to Rural Banks*.—All buyers shall extend proper and necessary assistance and cooperation to rural banks participating in the Integrated Agricultural Financial Program for the Ilocos Region, in the collection of loans granted to farmer-borrowers.

SEC. 25. *Research and Regulation Fee*.—Every buyer of tobacco shall pay to the PVTA amount of ten (P0.10) centavos for every kilogram (less tare) of tobacco purchased by him as Research and Regulation Fee.