

[NTA, November 11, 1993]

**REVISED RULES AND REGULATIONS GOVERNING TRADING OF
LOCALLY GROWN VIRGINIA LEAF TOBACCO**

Pursuant to the authority vested in the National Tobacco Administration (NTA) under Executive Order No. 246 and other laws not inconsistent herewith and in consonance with its powers to regulate/administer the tobacco industry, the following revised trading rules and regulations for leaf tobacco are hereby promulgated for the information and guidance of all concerned.

Regulation I
General Provisions

RULE 1. Definition of Terms - As used, it shall be referred to as the Revised Tobacco Trading Rules and Regulations.

- a. NTA - refers to the National Tobacco Administration, a government agency created and existing under Executive Order No. 245.
- b. NTA Board - refers to the NTA Board of Directors, as the policy-making Body of the Agency.
- c. Administrator - refers to the Managing Head of the NTA.
- d. NTA Grader - refers to the individual employed by NTA as such or any other NTA employee/official duly assigned or designated by the NTA Administrator as a Tobacco-Grader.
- e. TCGP - refers to the program wherein the farmers grow tobacco and the tobacco buyers purchase the produce under a Marketing Agreement.
- f. Marketing Agreement - is a contract between tobacco farmer/s and tobacco buyer/s wherein the farmer commits to sell all his produce to the latter and buyer commits to purchase all the usable tobacco produced by the tobacco farmer/s covered by Tobacco Contract Growing Program.
- g. Tobacco Buyer - is a general term herein used to refer to a person or juridical entity who buys tobacco from tobacco farmers/producers and may include a Principal Buyer, Trading Center or Buying Station designated as such by its principal.
- h. Principal Buyer - refers to a Tobacco Buyer who commits to purchase tobaccos bought by Trading Center or Buying Stations under TCGP.
- i. Participating Firm - refers to a *Tobacco Buyer, Trading Center or Buying Station* who has entered into a Tobacco Contract Growing Project (TCGP) with tobacco farmers.

j. Trading Center - refers to the operator of a building or warehouse, including its accessories/facilities, used exclusively for buying, selling, baling, or handling and storing of tobacco. It may be a Principal Buyer, an independent Tobacco Buyer or one appointed/designated by a Principal Buyer.

k. Buying Station - refers to the operator of a building or warehouse including its facilities, which is used by an *agent of a Principal Buyer* to buy tobacco leaf directly from farmers.

l. Purchase Commitment - is a written undertaking to buy or cause to be procured a definite quantity of tobacco from NTA-registered tobacco farmers, under the TCGP.

m. Tobacco Farmer - is a person whose stock of leaf tobacco is the product of the land tilled by him personally or by management, duly registered as such with NTA.

n. Tobacco - refers to locally grown tobacco, excluding those that are redried, threshed or blended.

Rule 2. Jurisdiction and General Functions - For the effective enforcement of these Rules and Regulations, the following shall be tasked to carry out the following:

1. The NTA Board of Directors shall:

- a. set policies to establish linkage with government and private institutions or agencies to seek commitment and support or compliance of the NTA Trading Rules and Regulations governing Tobacco Contract Growing Program.
- b. approve plans and policies recommended by the Administrator for the effective and efficient marketing, enforcement of Trading Rules and Regulations and smooth tobacco operations.

2. The Administrator shall be primarily responsible for:

- a. the effective and efficient implementation of the Revised Trading Rules and Regulations.
- b. the granting of License to Trading Centers or Buying Stations to buy tobacco directly from tobacco farmers/producers under TCGP, including the renewal of said License/s upon the recommendation of the NTA Branch Managers and Marketing Department through the Deputy Administrator for Operations after compliance with the herein prescribed requirements.

Regulation II Registration of Farmers

Rule 1. Objective - To regulate the production of tobacco and administer the needs of tobacco farmers and to zoning the tobacco growing area. A registration of tobacco farmers is necessary.

Rule 2. Who May Apply for Registration - In general, any person who intends to plant personally or thru management and sell his tobacco stocks may apply for registration in the NTA Roster of tobacco farmers.

Rule 3. Rights Conveyed by the ID Card - the ID Card issued by NTA to a Farmer/Producer shall qualify him to enter into the Marketing Agreement; Provided, That when he sells his tobacco, he shall personally present his ID Card to the Buyer

thereof. It shall also qualify him to apply for production assistance and facility loans under the NTA TCGP assistance program.

Rule 4. Validity of ID Cards - A Farmer's/Producer's Registration of ID Card shall remain valid for as long as the holder possesses all the qualifications of a bonafide tobacco farmer as defined herein and none of its disqualifications, or until otherwise revoked by the Administrator for cause.

Regulation III Trading of Leaf Tobacco

Rule 1. The following are authorized to purchase Virginia leaf tobacco from NTA-registered farmers/producers:

- a. Participating Firms or Principal Buyers who are either Exporters, Manufacturers, Redriers or Processors with a TCGP of a minimum total purchase commitment of 1.5 million kilos.
- b. A Trading Center or Buying Station, as agent of a Principal Buyer or accredited/affiliated with same, to purchase tobacco directly from tobacco farmers. Provided, That such designated Trading Center or Buying Station must have a Marketing Agreement of not less than 250,000 kilos.
- c. Trading Center operating as a company Branch of a Principal Buyer to buy all the contracted tobacco produced by farmer-cooperators under TCGP agreement/s of not less than 250,000 kilos.
- d. Independent Trading Centers having tobacco contract-growing projects directly with tobacco farmers having a separate purchase commitment of not less than 500,000 kilos and without a marketing tie-up or designation/appointment from a Principal Buyer.

Rule 2. Time, Place and Duration of Trading - The buying of tobacco between Tobacco Buyers and Registered Tobacco Farmers shall be done only during business hours at above places enumerated in Rule I during the period beginning the month of February until all tobacco produce of farmers/producers under TCGP are purchased unless otherwise determined or changed by the NTA Administrator.

However, trading at Barangay level may be allowed, subject to the following conditions:

1. Written request by the farmer or a Participating Firm to the NTA Administrator;
2. An NTA Grader must accompany and supervise tobacco buying;
3. Duly calibrated weighing scale must be used;
4. All necessary documents must be duly accomplished, such as Purchase Invoice Vouchers (PIVs), tobacco, tags, etc.

Rule 3. The Tobacco Buyers shall notify NTA the schedules of delivering/buying and transporting of farmers produce to the Trading Center or Buying Stations designated/appointed by the Principal Buyers. No Buying Station or Trading Center or any Buyer shall buy tobacco from tobacco farmers who are not covered by their respective TCGP.

Rule 4. Classification and Baling of Tobacco - Registered Farmers/Producers, intending to sell their tobacco, before delivering their produce to the tobacco Buying Station or Trading Center, shall first classify/grade their tobacco according to the NTA standard grading system, tie them into butts or bundles of about 25 to 30 leaves each and bale or roll them in jute sacks, if possible.

Rule 5. Tobacco Graders - During tobacco buying, a knowledgeable and skilled Tobacco Grader of the NTA, using the official standard grades and rules prescribed herein for tobacco, shall be deployed/assigned to NTA-registered Trading Centers/Buying Stations who shall see to it that the grading/classification by the Buyer conforms with the NTA leaf grading system. The Buyer shall also assign/deploy its own Tobacco Grader in such Buying Station/Trading Center. If a Principal Buyer sets up its own Branch as Trading Center, NTA shall likewise deploy a Tobacco Grader thereat, in case of disagreement in grading between the farmer and the Buyer, the NTA Tobacco Grader shall mediate/arbitrate taking into consideration the Rules on Mediation, Arbitration and Review under Rule IV. If this fails, a final arbitration shall be done by a Committee composed of member/s from PATDA, NTA, National Association of Tobacco Cooperatives and the farmer/s.

Rule 6. Pricing of Tobacco Leaf - The pricing of tobacco leaf shall be determined and agreed upon by the Farmers and Tobacco Buyers before the start of tobacco season and upon the execution and signing of the Marketing Agreement. Standard tobacco prices agreed herein apply to TCGP-farmer cooperators Farm-gate prices or buying prices of Principal Buyers and other Tobacco Buyers and Trading Centers/Buying Stations shall be the same at all times. Final grading and pricing shall be concluded at the farmers' level.

Rule 7. Requirements Before Buying - Before buying tobacco, a Tobacco Buyer shall:

a. obtain from the NTA License to Buy Tobacco. The following documents shall support an Application to Buy Tobacco:

1. TCGP Agreement/Purchase Commitment (MOA) and/or Marketing Agreement;
2. Appointment/Designation by Principal Buyer as Trading Center or Buying Station to buy tobacco under its respective TCGP;
3. Photocopy of its Articles of Incorporation or Articles of Partnership duly registered with the Securities and Exchange Commission, if the applicant is a corporation or partnership; and in case of an individual, his biodata information sheet, Residence Certificate, and Business Trade Name, if new;
4. A copy of the latest audited financial report of his operations and/or certified copies of his Income Tax Return for the last two (2) years, if new: for the previous year, if renewal; and other convincing proof of his financial capacity to engage in tobacco trading as a Buying Station/Trading Center/Buyer, if required;
5. Proof of capacity/ability to buy at least 500,000 kilos as independent Trading Center or 250,000 kilos as Trading Center/Buying Station of a Principal Buyer;
6. Vicinity or location plan of the proposed Buying Station/Trading Center, if new.
7. Photostat copies of L-3; L-3 ½ or L-3R issued by BIR;