

RULES AND REGULATIONS GOVERNING THE TRADING OF LOCALLY GROWN NATIVE/DARK LEAF TOBACCO

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Pursuant to the authority vested in the National Tobacco Administration (NTA) by virtue of Executive Order No. 245 and in consonance with the thrust of the Agency on "TOTAL MARKET DEVELOPMENT THROUGH FAIR AND EQUITABLE TRADING", the following rules and regulations governing the trading of locally grown native/dark 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) Trading Rules and Regulations — refers to the rules and regulations governing the trading of locally grown native/dark leaf tobacco.
- b) NTA — refers to the National Tobacco Administration, a government agency created and existing by virtue of Executive Order No. 245.
- c) NTA Board — refers to the NTA Board of Directors, as the policy-making body of the Agency.
- d) Administrator — refers to the Chief Executive Officer of the NTA.
- e) NTA Classifier/Grader — refers to an NTA official/employee duly assigned or designated by the NTA Administrator as a tobacco classifier/grader to supervise/monitor the classifying/grading of native/dark leaf tobacco.
- f) MOA (Memorandum of Agreement) — refers to the production and marketing agreement by and between the NTA, the farmer-cooperator and the buying firm.
- g) Native/Dark Leaf Tobacco Buyer — refers to any person, natural or juridical, duly licensed by the NTA, to buy native/dark leaf tobacco from the tobacco farmer-producers.
- h) Principal Buyer — refers to a tobacco buyer who, under a purchase commitment, commits to purchase the native/dark leaf tobacco bought by the licensed native/dark leaf tobacco buyers/trading center operator/s.
- i) Buyer Firm (BF) — refers to a tobacco company, duly licensed by the NTA, to buy native/dark leaf tobacco directly from the tobacco farmers, under a MOA.
- j) Tobacco Trading Center — refers to the place, (building or warehouse), including its accessories/facilities, which is used for buying, selling, baling, grading, weighing, paying and/or storing native/dark leaf tobacco in accordance with the herein rules.
- k) Purchase Commitment — refers to a written commitment of the principal buyer/s to buy a specific quantity of native/dark leaf tobacco from the bf/tc operator/s during a particular crop year.
- l) Tobacco Farmer-Producer — refers to a person whose stock of native/dark leaf tobacco is the product of the land

tilled by him personally.

m) Virginia Leaf Tobacco — refers to locally grown virginia tobacco leaves that are traded at the trading center level.

n) License to Buy — refers to a written authority, issued by the NTA to qualified tobacco bf/tc operator, to buy native/dark leaf tobacco directly from the tobacco farmer-producers, at designated tobacco trading center/s.

o) Permit to Purchase/Redry — refers to a written authority issued by the NTA, to wholesale tobacco buyer/trader/principal buyers/redrying plant operators, to purchase/redry leaf tobacco from tobacco bf/tc operators or other wholesale tobacco buyer/traders/principal buyers.

p) Certificate of Authority — refers to a written authority issued by the NTA, to a field representative/tc agent, of a duly licensed tobacco bf/tc operator, to gather, collect, purchase and/or deliver to the bf/tc operator, the virginia leaf tobacco produce of the tobacco farmer-producers.

q) MDRD — refers to the Market Development and Regulation Department of the NTA-Central Office.

r) Branch Office — refers to any of the branch offices of the NTA and its extension offices located at the tobacco producing provinces.

s) Native/Dark Leaf Tobacco Trading — refers to the buying and selling, bartering or exchanging of native/dark leaf tobacco from the tobacco farmer-producers to the trading center and/or to the principal buyer.

t) Roving Teams — refers to a group of NTA officials/employees, who are designated by the Administrator to oversee the proper, effective, and efficient enforcement of the herein rules and regulations, at the trading center/s, particularly, on accurate weighing, proper grading, prompt payment and proper documentation.

u) Field Representative — refers to a person who is duly authorized and registered with the NTA, as an agent/representative of a licensed native/dark leaf tobacco bf/tc operator to gather/collect/purchase the native/dark leaf tobacco produce of the farmer-producers located outside the trading center and deliver the same to the native/dark leaf tobacco bf/tc operator.

v) Tobacco Bale Tag — refers to an accountable form that identifies the native/dark leaf tobacco bale or roll, delivered by a virginia leaf tobacco farmer-producer to the trading center, indicating the name of the farmer-seller, the net weight of the native/dark leaf tobacco being sold to the trading center, which serves as a claim stub of the tobacco farmer to secure payment of his tobacco and as a supporting document to the purchase invoice voucher.

w) PIV — refers to the Purchase Invoice Voucher which is an accountable form/document that identifies the native/dark leaf tobacco purchased by the duly licensed tobacco bf/tc operator from a tobacco farmer-producer, indicating the name of farmer-seller, source of the tobacco, the weight, grade, total price per grade, total market value of the tobacco sold, name and signature of tc operator, time of arrival and payment of the sales proceeds of the tobacco and the corresponding serial number/s of the tobacco bale tag/s.

x) COP — refers to the Certificate of Purchase which is an accountable form/document that identifies the native/dark leaf tobacco gathered/collected/purchased by a field representative from the tobacco farmer-producer and to be attached to the PIV.

REGULATION II JURISDICTION AND GENERAL FUNCTIONS

For the effective enforcement of these Virginia Leaf Tobacco Trading Rules and Regulations:

RULE 1. The NTA Board of Directors shall:

- a) Promulgate the appropriate native/dark leaf tobacco trading rules and regulations in consultation with the management.
- b) Promulgate and prescribe native/dark tobacco grade descriptions/classifications and floor prices.

RULE 2. The NTA Administrator shall:

a)

Issue Licenses, to tobacco buyers, to buy native/dark leaf tobacco directly from the tobacco farmer-producers or Permit to Purchase/Redry, after compliance with the requirements prescribed under these rules and regulations.

b)

Primarily be responsible for the 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.

c)

Impose administrative sanctions and/or fines to erring bf/tc operators, field representatives, wholesale tobacco dealers and redrying plant operators, on violations of the herein trading rules and regulations.

REGULATION III - NTA LICENSE TO ENGAGE IN NATIVE/ DARK LEAF TOBACCO TRADING

RULE 1. Who May Apply For License To Buy Virginia 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 native/dark leaf tobacco from the tobacco farmer-producer/s, subject to the provisions of Rule 2 hereof and after paying the required processing and license 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.

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

Number of Kilos Purchased/Accepted

Amount

0 – 30,000 kilograms

P 875. 00

30,001 – 60, 000 kilograms

1,050.00

60,001 – 90, 000kilograms

1,225.00

90,001 kilograms and up

1,400.00

RULE 2. Requirements To Support The Application For License To Buy Virginia Leaf Tobacco — An application (MDRD Form No. 1) for the issuance of a License/Authority to buy native/dark leaf tobacco, shall be filed with the Branch Office where the trading center is located, and the same shall be supported by the following:

a)

Information sheet of the trading center operator (MDRD Form No. 2);

b)

Designation from the principal buyer/corporation, as the duly authorized operator of such trading center, if the trading center is a corporation or operates under the corporate name of a principal buyer (MDRD Form No. 3);

c)

Endorsement/recommendation by the Branch Office where the trading center is located (MDRD Form No. 4);

d)

Clearance from the Branch Office, as to the payment of R & R fees and other obligations (MDRD Form No. 5) (For renewal);

e)

Photocopy of Articles of Incorporation/By-Laws, if the applicant is a corporation (For new applicant);

f)

Photocopy of audited financial statements, and/or latest copy of Income Tax Returns of the trading center operator or the corporation, for the preceding year, and/or financial guarantee issued by a principal buyer;

g)

Vicinity/location and floor plan of the trading center, indicating its total area, location and dimension of the different service areas (For new applicant);

h)

Photocopy of the Mayor's Permit for the current trading year, issued by the municipality/city where the trading center is located;

i)

Photocopy of NTA Official Receipt indicating full payment of the processing and license fees.

Rule 3. Filing of Application/Penalty of late Filing – All Applications for the issuance of a License To Buy native/dark leaf tobacco shall be filed with the Branch Office concerned, on or before the date, as determined by the NTA. A penalty equivalent to fifty percent (50%) of the processing and license fees shall be imposed and collected for late filing.

RULE 4. Validity of License — The License to Buy native/dark leaf tobacco shall be valid for a period of one

tobacco trading season, and unless changed by the NTA Administrator, the duration of which shall be as follows:

REGULATION IV TRADING OF VIRGINIA LEAF TOBACCO

RULE 1. The Following Are Qualified To Buy Virginia Leaf Tobacco:

1.1.a A duly licensed native/dark leaf tobacco tc operator;

1.1.b A duly licensed native/dark leaf tobacco bf who is qualified to buy all the contracted native/dark leaf tobacco produce of its farmer-cooperators under a Memorandum of Agreement.

1.1.c A duly licensed wholesale tobacco dealer/buyer authorized to buy leaf tobacco from a duly licensed native/dark leaf tobacco bf/tc operator and/or other wholesale tobacco dealer/buyer.

RULE 2. Time, Place and Duration of Trading — The buying of native/dark leaf tobacco at the trading center shall be from 8:00 a.m. to 5:00 p.m., Monday to Friday, except, if any of the said days is declared as an official holiday. However, the buying at the trading center outside of the official working days may be allowed upon written request by the native/dark leaf tobacco bf/tc operator and duly approved by the Branch Manager concerned, seven (7) days prior to the conduct of such operations, provided, that the overtime pay of the NTA personnel assigned thereat, shall be for the account of the native/dark leaf tobacco bf/tc operator.

RULE 3. Location And Use of the Trading Center — The trading center shall be located in a place adjacent to a street or thoroughfare, permitting easy access to it by the farmer-producer/seller. The trading center/warehouse/building shall be used solely for native/dark leaf tobacco trading. Buying of other type/s of leaf tobacco at the trading center may be allowed, provided, that, the leaf tobacco bf/tc operator shall secure the requirements for such activity. Other business activities may be conducted within the premises of the trading center, provided, such activities will not, in any way, hamper/obstruct the effective and efficient implementation of these rules.

RULE 4. Requirements Before Buying – Before buying native/dark leaf tobacco, a native/dark leaf tobacco bf/tc operator shall:

a)

Obtain from the NTA a “License to Buy” native/dark leaf tobacco, duly approved and signed by the NTA Administrator;

b)

Secure all the NTA prescribed trading forms, such as, Purchase Invoice Voucher (PIV), duly registered with the BIR, Purchase Books, Tobacco Bale Tags, Delivery Receipt and Certificate of Purchase for its authorized field representative/s, which forms shall be inspected and validated by the NTA Branch Office Manager concerned;

c)

Submit to the NTA Branch Office, the name/s and facsimile signature/s of the TC operator/manager, his/her tobacco grader/s, weigher/s, field representative/s, and the TC official, if any, who may be authorized/designated by the TC operator, to sign for and in his behalf;

d)

Set up in front of the trading center, a signboard measuring 3 feet x 6 feet containing, the name and address of the trading center, the corresponding NTA license number, its regular business hours and days of trading(e.g., “Open

for business 8:00 am to 5:00 p.m., Monday to Friday, 8:00 am to 12:00 noon, Saturdays and Sundays”), and other information which the TC operator may decide to include;

e)

Display conspicuously inside the trading center, the NTA duly approved and certified samples of native/dark leaf tobacco that should meet/approximate the standard specifications/descriptions of each official grade/s, as prescribed by the NTA, and shall be kept in an appropriate glass-encased display board that is visible to the public and should be changed every fifteen (15) days, or earlier, in case of sudden deterioration or change of the quality of the samples, particularly, in the color, thereof;

f)

Install at least one (1) weighing scale that is duly calibrated and sealed by the NTA Branch Office. The weighing scale/s shall be inspected and calibrated regularly by the NTA Branch Office, which shall monitor periodically, the accuracy of such weighing scale/s;

g)

Exhibit the original copy of the NTA License to buy native/dark leaf tobacco in a conspicuous place within the premises of the trading center;

h)

Provide a separate receiving ramp/area for the weighing and grading of native/dark leaf tobacco that are personally delivered by the tobacco farmer-producer/s;

i)

Hire the sufficient number of trading center personnel to accomplish the NTA-prescribed trading forms and implement effectively, the NTA-prescribed trading rules and regulations;

j)

Provide a permanent/adequate space for the NTA bulletin/billboard/s, in a conspicuous place, within the premises of the trading center; and

k)

Undergo orientation seminar on the NTA Trading Rules & Regulations, that will be conducted by the Branch Offices.

RULE 5. Tobacco Deposits — Before the official opening of the trading season, a tobacco farmer-producer/seller may deliver his native/dark leaf tobacco to a trading center, provided, that, the tobacco deposit form shall be properly accomplished by the assisting technician/extension worker and the tobacco farmer-producer.

RULE 6. Documentation and Recording of Tobacco Deposits — All leaf tobacco considered as deposit/s, shall be properly recorded as purchases/acceptances by the trading center on the day the trading center officially opened and shall be covered by a PIV.

RULE 7. Classification And Baling Of Tobacco – The tobacco farmer-producer/seller shall bring/sell his native/dark leaf tobacco produce to a duly licensed native/dark leaf tobacco bf/tc operator, properly bundled/baled and classified in accordance with the grading standards prescribed by the NTA.

RULE 8. Order Of Buying/Acceptance — The tobacco farmer-producer shall personally bring his native/dark leaf

tobacco produce to a duly licensed native/dark leaf tobacco bf/tc operator and shall be attended to strictly on a “first come, first serve” basis. It shall be recorded chronologically in the incoming logbook of the trading center operator.

RULE 9. Weighing of The Leaf Tobacco — the native/dark leaf tobacco shall be weighed on a duly calibrated weighing scale installed by the bf/tc operator. The weighing of the virginia leaf tobacco shall be done in the presence of the farmer-producer/seller.

RULE 10. Determination of the Net Weight — The net weight of the native/dark leaf tobacco, which shall be the basis of payment, shall be determined by deducting the weight of the baling material/s, which is equivalent to one (1) kilo, if the gross weight of the tobacco is not more than 30 kilograms; two (2) kilos, if the gross weight is over 30 kilograms but not more than 50 kilograms, and three (3) kilograms, if it is more than 50 kilograms

RULE 11. Grading of the Native/Dark Leaf Tobacco — The grading of the native/dark leaf tobacco shall be done in the presence of the tobacco farmer-producer, and the appropriate grade/s shall be in accordance with the grade descriptions prescribed by the NTA for this type of tobacco. The set of the NTA - approved and certified native/dark leaf tobacco samples displayed at the trading center shall be used as basis in determining the proper grade.

In case of apparent downgrading of the leaf tobacco by the tc grader, the NTA official/employee or Roving Team assigned thereat, shall direct the tc grader to regrade the tobacco; in case of failure, the NTA assigned official/employee or roving team, shall determine the appropriate grade of the tobacco which shall be binding upon the parties

Unclassified/in sticks native/dark leaf tobacco shall be graded by determining the highest possible grade/s. The higher/highest possible grade determined, shall be the official grade of the native/dark leaf tobacco.

RULE 12. Pricing Of Native/Dark Leaf Tobacco — The native/dark leaf tobacco shall be bought by the duly licensed tobacco buyers at prices not lower than the prescribed floor price corresponding to a particular grade of this type of leaf tobacco, as determined and approved by the NTA Board of Directors.

Unclassified/in sticks native/dark leaf tobacco delivered for sale, shall be bought by the native/dark leaf tobacco buyers at prescribed floor price for a particular native/dark leaf tobacco grade.

RULE 13. Tobacco Bale Tag — The native/dark leaf tobacco trading center operator, shall issue tobacco bale tag/s, at all times, when buying native/dark leaf tobacco during the trading season. The name of the farmer-seller, the weight and the grade of the native/dark leaf tobacco shall be written legibly by the bf/tc grader/weigher on each of the three segments of the tobacco bale tag, which shall be distributed as follows:

Segment No. 1 TC's Copy (to be attached to the tobacco bale/roll)

Segment No. 2 NTA's Copy (to be attached to the PIV Copy for MDRD)

Segment No. 3 Farmer's Copy

The farmer's copy of the tobacco bale tag, shall be used as a claim stub by the tobacco farmer-seller in securing/claiming the payment of his tobacco produce.

RULE 14. Purchase Invoice Voucher (PIV) — Every native/dark leaf tobacco purchased from a tobacco farmer-producer, shall be covered by a PIV, that is duly registered with the BIR and inspected and verified by the NTA. The PIV shall be properly accomplished by the bf/tc personnel within twenty four (24) hours, after the grading, weighing and payment of the delivered/accepted burley leaf tobacco. It shall be accomplished in three (3) copies and to be distributed as follows:

Original - NTA-MDRD

Duplicate - Buyer

Triplicate - Farmer-Seller

The PIV shall indicate the name of the trading center, its business address, BIR registration number, etc., name of tobacco farmer-producer/seller, date of transaction, source of the tobacco, as to barangay and municipality, grade/s of the tobacco, gross weight and the corresponding deduction/s, if any, net weight of each grade, the corresponding buying price for each grade, the purchase value for each grade, the total purchase value, name and signature of the trading center operator/manager, the time of its arrival at the trading center and the time/date of payment and the serial number/s of the tobacco bale tag/s and the Certificate of Purchase (COP), if applicable.

RULE 15. Certificate Of Purchase (COP) — Every native/dark leaf tobacco bought/gathered/collected by a field representative/tc agent from a tobacco farmer-producer, shall be covered by a properly accomplished COP. It shall be submitted to the tobacco bf/tc operator, upon delivery of the native/dark leaf tobacco gathered/collected/purchased, who shall subsequently attach it to the PIV.

RULE 16. Supervision and Enforcement — During the native/dark leaf tobacco trading season, the Administrator shall designate and assign a competent and reliable NTA trading official/employee/roving team/s, at the trading center, to oversee the proper, effective and efficient enforcement/implementation of these trading rules and regulations, particularly, on the proper grading, accurate weighing, prompt payment and proper documentation of native/dark leaf tobacco acceptances.

REGULATION V — PAYMENT OF TOBACCO

RULE 1. Manner Of Payment — All native/dark leaf tobacco purchased by the duly licensed native/dark leaf tobacco bf/tc operator/s shall be paid in cash.

RULE 2. Payment In Check Or Other Negotiable Instruments — Payment in the form of personal check, postal check, money order or any other form of negotiable instrument shall be allowed, provided that, the amount due is more than ten thousand (Php10,000.00) pesos, and there is a bank or other facility for encashment within the province where the trading center is located, and that such mode of payment is acceptable to the tobacco farmer-producer.

RULE 3. Time Of Payment — The licensed native/dark leaf tobacco bf/tc operator shall pay the tobacco farmer-producer/seller, immediately after the grading and weighing of the delivered native/dark leaf tobacco. However, if payment cannot be made promptly due to fortuitous event or circumstances beyond the control of the native/dark leaf tobacco bf/tc operator/s, payment shall be made within forty-eight (48) hours, after the normal conditions are restored.

RULE 4. Place Of Payment — The place of payment shall be at the trading center. Payment in a place other than the trading center may be allowed, if the payment cannot be effected at the trading center by reason of the deterioration of the peace and order conditions in that place or any other cause beyond the control of both parties. No payment shall be effected in any bar/disco house or drinking establishment, gambling or other similar place.

REGULATION VI — Registration of TC Field Representatives

RULE 1. Who May Apply As Field Representative — Any person of legal age and having legal capacity to enter into contract, duly recognized and authorized by a duly licensed native/dark tobacco bf/tc operator, may apply for a Certificate of Authority to gather/collect/purchase native/dark leaf tobacco from the tobacco farmer-producers and deliver the same to the licensed native/dark leaf tobacco bf/tc operator, subject to the provisions of Rule 3 hereof and after paying the required registration fee in the amount of Seven Hundred Fifty (750.00) Pesos.

RULE 2. Where To File Application As Field Representative — An application for the issuance of a Certificate of Authority to gather/collect/purchase native/dark leaf tobacco from the tobacco farmer-producer, shall be filed with the Branch Office where the trading center is located. In case the field representative operates outside the province of his/her operations, he/she shall secure a similar Certificate of Authority from the NTA Branch Office concerned.

RULE 3. Requirements To Support The Application Of A Field Representative:

- a. Information sheet (MDRD Form FR-1)
- b. Photocopy of NTA official receipt indicating full payment of the required registration fee.

REGULATION VII — COLLECTION AND RECORDING OF PURCHASE INVOICE VOUCHERS (PIVs)

RULE 1. Collection and Recording of the PIV — During the trading operations, the NTA trading official/employee and/or the Roving Team shall regularly gather/collect the PIVs, COPs and Tobacco Bale Tags used by the native/dark leaf tobacco bf/tc operator and submit the same to the Branch Office trading center clerk, who shall record chronologically in the Purchase Book, the following information and data:

- Name of Farmer-Producer-Seller
- Source of the tobacco (Barangay, Municipality, Province)
- Date of transaction
- Volume, grade and value of the native/dark leaf tobacco
- Serial number/s of the PIV/s and the tobacco bale tags

REGULATION VIII — Research and Regulation (R & R) Fees

RULE 1. Research & Regulation Fees — The amount of Eighty Centavos (PhP0.80), representing Research and Regulation (R & R) Fees, shall be paid to the NTA, by the licensed native/dark leaf tobacco bf/tc operator, for every kilogram of native/dark leaf tobacco purchased/accepted, less three percent (3%) handling loss allowance,.

RULE 2. The Basis Of The R & R Fees — The basis of the R & R fees shall be the total monthly acceptances/purchases of native/dark leaf tobacco, as recorded in the purchase book, less three percent (3%) handling loss allowance.

RULE 3. Billing And Collection Of R & R Fees — The Branch Office concerned shall be responsible for the billing and collection of the R & R fees. The Branch Manager shall designate a Billing Clerk, who shall prepare a billing letter, signed by the Branch Manager and deliver to the native/dark leaf tobacco bf/tc operator/s on or before the 10th day of the month following the month of purchase/acceptance of the native/dark leaf tobacco. In case the R & R Fees remain unpaid on the 20th day, another billing letter shall be prepared and sent to the native/dark leaf tobacco bf/tc operator not later than the 25th day of the said month.

RULE 4. Payment Of R & R Fees — The native/dark leaf tobacco bf/tc operator shall pay the R & R fees to the Branch Office where such trading center is located, within the month immediately following the month the native/dark leaf tobacco was purchased/accepted.

RULE 5. Penalty For Late Payment Of Research & Regulation Fees — In case the R & R fees are not paid within the reglementary period prescribed herein, a penalty of three percent (3%) per month, compounded monthly, shall be imposed, paid and collected in the manner prescribed herein.

The penalty of three percent (3%) per month shall be computed from the day immediately following the day the

principal R & R Fees become due.

RULE 6. Remittance of R & R Fees — All collection on R & R Fees and penalties, if any, shall be deposited by the Branch Office concerned to the NTA–Central Office’s On-Line Bank Account.

REGULATION IX — TRADING OF NATIVE/DARK LEAF TOBACCO WITH WHOLESALE TOBACCO BUYERS/TRADERS/REDRYING PLANT OPERATORS

RULE 1. Who May Engage In The Purchase/Redry Of Native/Dark Leaf Tobacco — Any natural/juridical person may engage in the purchase and redrying of virginia leaf tobacco, by securing from the NTA a “Permit To Purchase/Redry”, after compliance with the following requirements:

a)

Purchase Commitment to purchase/redry a specific quantity/volume of leaf tobacco from duly licensed tobacco bf/trading center operators;

b)

Certified list of duly licensed native/dark leaf tobacco trading center/s that shall operate under its Purchase Commitment and the duly authorized signatories in all trading documents; and

c)

Photocopy of NTA official receipt indicating full payment of the processing and license fees of Five Thousand (P5,000.00) Pesos, unless otherwise revised.

RULE 2. Filing of Application — The provision of Rule 3 of Regulation III hereof shall of applied to all applications for the issuance of a Permit to Purchase/Redry.

RULE 3. Manner Of Acceptance — NTA — licensed Wholesale Tobacco Dealers/Traders and Redrying Plant Operators are authorized to purchase/receive native/dark leaf tobacco deliveries from licensed native/dark leaf tobacco bf/tc operator/s and/or other duly licensed wholesale tobacco dealers/traders, for redrying/processing/sale. Virginia leaf tobacco delivery/ies shall be supported by a Delivery Receipt, duly signed as “Received” by the trading center/wholesale tobacco dealer/trader, indicating therein, the volume/net weight of the tobacco delivered and the date of delivery/purchase.

REGULATION X - TRADING BY VIAJEROS, RETAILER and FARMER-RETAILER OF NATIVE/DARK LEAF TOBACCO IN THE VISAYAS AND MINDANAO REGIONS

In view of the peculiar trading system and the various sub-types and uses of native/ dark leaf tobacco produced and grown in the Visayas and Mindanao regions, the following special provisions, in addition to trie herein provisions under Regulation Nos. I to VIII, which are not inconsistent therewith, shall govern the trading of udlot, tugko, sapud, lulong, barot, pasta and batek leaf tobacco, by the viajeros, retailer and farmer-retailer, to wit:

RULE 1. Definition of Terms:

a)

Authority to Buy - refers to a written authority issued by the NTA, through the Branch Manager, to a buyer of leaf tobacco, called viajero, to buy leaf tobacco directly from the farmer-producers/sellers.

b)

Batek/Udlot/Tugko - refers to the upper leaf of a native/dark leaf tobacco produced in the Visayas and Mindanao regions.

c)

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

d)

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.

e)

Paldo - refers to a bale of leaf tobacco containing 50 to 60 kilograms of leaf tobacco.

f)

Manos - refers to a bundle/pack of leaf tobacco containing 100 leaves per bundle/pack,

g)

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

h)

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.

i)

Retailer - refers to a person who obtain his tobacco stock from viajeros, TCs, farmer-producers and co-retailers and sells directly to consumers.

j)

Farmer-retailer - refers to a farmer-producer of a native/dark leaf tobacco and sells di-rectly to consumers.

RULE 2. Native/Dark Leaf Tobacco Trading By The Viajeros, Retailers and Farmer-Retailers - Before buying leaf tobacco, a viajero, retailer or farmer-retailer, shall secure an "Authority to Buy" or an "Authority to Retail", as the case maybe, from the NTA, by filing the properly accomplished prescribed application form with the NTA Branch Office concerned, and pay the corresponding processing and registration Fees, in the amount of:

Viajero - P 500.00

Retailer - 300.00

Farmer-retailer - 100.00

The Authority to Buy or to Retail, shall be valid for one trading season, the period of which shall be in accordance with the provision of Rule 3 of Regulation III, hereof.

Only NTA-registered viajeros and retailers are allowed to buy leaf tobacco directly from the tobacco farmer-producers within the province indicated in the NTA Authority to Buy leaf tobacco, by following the herein rules:

a)

The "Authority to Buy" and the "Authority to Retail" shall be carried personally by the viajero and the retailer or farmer-retailer, as the case maybe, at all times, when buying or selling/retailing native/dark leaf tobacco.

b)

Buying of tobacco may be in "manos" or "paldos", provided, that there shall be a corresponding equivalent volume in kilos of the manos or paldos which shall be properly indicated in the Certificate of Purchase to be issued by the viajero or retailer, to the native/ dark leaf tobacco farmer-producer/seller.

c)

The tobacco farmer-producer/seller shall be paid within 24 hours after the consummation of the sale or before the delivery/release of the tobacco from his bodega/storage.

d)

The viajero and the retailer shall secure a Certificate of Inspection from the NTA Branch Office/Field Office, before transporting any leaf tobacco purchased, to other barangay, municipality or province, indicating therein that the corresponding Research & Regulation Fees for the native leaf tobacco purchased, are fully paid to the NTA Branch Office concerned, which shall issue the corresponding official receipt.

e)

The viajero or retailer shall not buy leaf tobacco produced by a tobacco farmer-producer covered by a tobacco contract growing project supervised by the NTA, unless the contractor-buyer refuses to buy the subject tobacco.

RULE 3. Tabo System Of Tobacco Trading - Buying and selling of native leaf tobacco under a "tabo system" shall follow the rules stipulated herein.

a)

Any local government unit (LGU) which operates or intends to operate a tabo system of native/dark leaf tobacco trading shall notify the NTA Branch Office concerned, by providing the following data/information:

2)

Location plan of the place/s where the tabo system shall be conducted,

3)

Floor plan of the building, indicating its total area, location and dimension of the different service area/s; and

4)

Designated day/s and time of tabo native/dark leaf tobacco trading.

b)

Native/dark leaf tobacco farmer-producer/s and NTA licensed native/dark leaf tobacco buyers shall be allowed to participate in the "tabo" system of native/dark leaf tobacco trading.

c)

During the designated day/s and time of "tabo" system of native/dark leaf tobacco trading, an NTA official/employee and/or a Roving Team shall be assigned to oversee the trading activity/ies thereat.

d)

The native/dark leaf tobacco purchased/auctioned thereat shall be properly weighed on a duly-calibrated weighing scale in the presence of the tobacco farmer-producer and NTA Roving Team, who, thereafter, issue a Certificate of Inspection and the corresponding official receipt for the payment of the Research & Regulation Fees.

**REGULATION XI - SPECIAL PROVISIONS ON THE TRADING OF
VIRGINIA LEAF TOBACCO BY AND BETWEEN AN NTA/BF/TC
OPERATOR-FINANCED NATIVE/DARK LEAF TOBACCO
FARMER-PRODUCER AND THE TOBACCO BUYER**

In the implementation of the NTA programs, dubbed as the “Integrated Farming and Other Income Generating Activities” which aims to increase the present level of productivity and income of the tobacco farmer-producer, by granting production and facility loan assistance, including sustenance, directly to the qualified tobacco farmer-producer or thru tobacco cooperatives and associations, under a Marketing Agreement, the following special provisions shall supplement the provisions of Regulations Nos. I to IX, to govern the trading of native/dark leaf tobacco covered by a Marketing Agreement, to wit:

**RULE 1. System of Trading Of Native/Dark Leaf Tobacco
Under The Marketing Agreement**

1.1. All virginia leaf tobacco under this program shall be personally delivered by the NTA/TC/BF-financed tobacco farmer-producer to the trading center operator/buyer firm with whom he/she has entered into a Marketing Agreement, and shall be accompanied by the NTA technician assigned in the area where such tobacco farmer-producer resides or produces virginia leaf tobacco.

1.2. Upon arrival at the trading center, the NTA/TC/BF-financed tobacco farmer-producer shall present his farmer’s ID, including the ID’s auxiliary card to the BF/TC operator.

1.3. After the weighing and grading of the tobacco delivered by the NTA/TC/BF-financed tobacco farmer-producer, the TC operator shall issue to the NTA/TC/BF-financed tobacco farmer-producer the farmer’s copy (Segment No. 3) of the tobacco bale tag, for the purpose of securing payment of the sales proceeds of his native/dark leaf tobacco produce, from the TC cashier.

1.4. The TC cashier shall deduct from the sales proceeds of the native/dark leaf tobacco sold, the amount due from him corresponding to the periodic amortization of the loan granted, as indicated in the Marketing Agreement and thereafter, be recorded and signed in the auxiliary card of the NTA/TC/BF-financed tobacco farmer-producer.

1.5. In the event that the NTA/TC/BF-financed tobacco farmer-producer decides to sell his native/dark leaf tobacco produce to a field representative, he/she shall be allowed to sell his/her tobacco produce to a field representative who is duly affiliated with and authorized by the BF/TC operator with whom he/she has a Marketing Agreement, but prior notice shall be given to the NTA technician assigned thereat, on the intended date or schedule of sale. The field representative shall issue a properly accomplished Certificate of Purchase, indicating therein the ID card number of the NTA/TC/BF-financed tobacco farmer-producer and the amount collected and deducted, corresponding to the periodic amortization for the loan granted, duly signed by the said NTA/TC/BF-financed tobacco farmer-producer. All collections/deductions made shall be recorded and signed by the field representative, in the auxiliary card of the NTA/TC/BF-financed tobacco farmer-producer.

1.6. All field representatives who are authorized by the BF/TC operator, to gather/collect/purchase native/dark leaf tobacco of the NTA/TC/BF-financed tobacco farmer-producer, shall, in addition to the required Certificate of

Authority, shall carry with him a notarized Special Authority, issued by the participating TC operator/buyer firm, which shall be presented to the NTA/TC/BF-financed tobacco farmer-producer when gathering/collecting/purchasing his/her native/dark leaf tobacco and in deducting/collecting the amount due from him corresponding to the payment of his loan.

1.7. The NTA Branch Manager concerned and all NTA/TC/BF-financed tobacco farmer-producer, shall be furnished by the BF/TC operator, a copy of the Special Authority issued to the authorized field representative, prior to the commencement of its operations.

1.8. The NTA/TC/BF-financed tobacco farmer-producer shall not be allowed to sell/transfer/deliver his tobacco produce to other field representative without a Special Authority, issued by the BF/TC operator, unless he/she has already settled all his monetary obligations with the NTA and/or with the BF/TC operator, with whom he/she has a Marketing Agreement, as indicated in his/her ID's auxiliary card.

1.9. Field representative/s without the required Special Authority are not authorized to buy the native/dark leaf tobacco produce of the tobacco farmer-producer who is known to him to have availed of a financial assistance from the NTA and/or from any bf/tc operator, nor shall induce an NTA/TC/BF-financed tobacco farmer-producer to sell his/her tobacco produce, by offering a better price. However, if he intends to sell/deliver his produce to other buyers, the NTA/TC/BF-financed tobacco farmer-producer must first secure a waiver or a "Certificate of First Refusal" from the bf/tc operator, with whom he/she has a Marketing Agreement.

1.10. No bf/tc operator or field representative shall accept/buy native/dark leaf tobacco from native/dark leaf tobacco farmer-producer, without the required NTA ID and auxiliary card.

1.11. All tobacco farmer-producers who have availed of any financial assistance from the NTA and/or from the bf/tc operator shall properly maintain and carry his NTA ID and auxiliary cards, at all times, for reconciliation and validation purposes.

RULE 2. Violation of the Marketing Agreement And Sanction — Any violation of the provision/s of the Marketing Agreement or any of the herein provisions of this Regulation, by the NTA/TC/BF-financed tobacco farmer-producer and/or by the BF/TC operator, shall be considered as unfair tobacco trading practice, subject to administrative sanctions and/or fines.

2.a. An NTA/TC/BF-financed tobacco farmer-producer who violates the provision/s of the Marketing Agreement and/or any of the provisions of this Regulation, shall be blacklisted by the NTA, for a period of two (2) years, and shall be disqualified as a beneficiary of any assistance that the NTA may grant and shall pay an additional fine of three percent (3%) per month, for unpaid loans.

2.b. Any BF/TC operator who violates the same, shall be denied registration/license to Buy/Operate for the succeeding two (2) trading seasons and shall pay additional fine of three percent (3%) per month on unpaid loans from the NTA.

REGULATION XII — SPECIAL PROVISIONS ON THE AUCTION SYSTEM OF VIRGINIA LEAF TOBACCO TRADING

In the event that the Agency decides to adopt an auction system of tobacco trading in specific areas of the native/dark leaf tobacco producing regions, the NTA shall make announcement/s, through media, to this effect, and the following rules and regulations shall be prescribed:

RULE 1. Who Are Qualified to Participate in the Auction System of Native Dark Leaf Tobacco Trading - The following are qualified to participate in the auction system of native/dark leaf tobacco trading, to wit:

- All NTA-registered trading center operators operating within the province where the auction system of native/dark leaf tobacco trading will be conducted or field representatives duly authorized by the tc operator with whom they are affiliated/registered.
- NTA-registered tc operator/buyers, operating in other provinces/Branch Offices, provided a License to Buy/Operate in the province/Branch Office, where the auction system is conducted, has been issued by the NTA.
- Members of a cooperative who do not have marketing tie-up/agreement with the NTA and/or any NTA-registered BF/TC operator, may sell/offer his native/dark leaf tobacco produce, for auction.
- NTA/tc/bf-financed native/dark leaf tobacco farmers, provided they secure a waiver and/or a Certificate of "First Refusal" from the BF/TC operator with whom they have an existing Marketing Agreement.
- Independent native/dark leaf tobacco farmer-producer/s.

RULE 2. Order of Activities — The auction system of native/dark leaf tobacco trading shall be conducted in accordance with the following order of activities, to wit:

1.1. All native/dark leaf tobacco intended for sale auction shall be delivered to the designated auction center/place, as determined by the officers of the cooperative and/or farmers association, by the tobacco farmer-producer/seller, properly classified and bundled, in accordance with the provisions of Regulation IV, under Rule 5, hereof.

1.2. Upon arrival of the native/dark leaf tobacco intended for auction sale at the auction center/place, the same shall be weighed on a duly calibrated weighing scale by a designated weigher in the presence of the tobacco farmer-producer/seller. The weight of the native/dark leaf tobacco, which shall be determined in accordance with the provision of Regulation IV, under Rule 8, hereof, shall be recorded in a tobacco bale tag, duly signed by the designated weigher and grader, attached to the tobacco roll or bale. The grade of the native/dark leaf tobacco shall be predetermined by the designated native/dark leaf tobacco grader, in accordance with the grade description/classification prescribed by the NTA. The grade of the native/dark leaf tobacco shall be likewise indicated in the tobacco bale tag and attached to the tobacco roll or bale.

1.3. After all the nativeburley leaf tobacco are weighed and pre-graded, each tobacco roll or bale shall be numbered and properly piled, and shall be opened to the public. The authorized native/dark leaf tobacco buyers shall inspect and determine for themselves the quality/grade of the native/dark leaf tobacco offered for auction sale.

1.4. Each native/dark leaf tobacco buyer, who is authorized to participate in the auction sale, shall be given a price quotation form, wherein he/she shall quote/indicate his/her bid price for a particular tobacco bale or roll. Price quotation/s shall be on per kilo per bale basis.

1.5. After the native/dark tobacco buyers have inspected the native/dark leaf tobacco for auction sale, they shall submit to the auction officer the accomplished price quotation form.

1.6. The auction officer shall post the bid prices of the native/dark leaf tobacco buyers for every native/dark leaf tobacco bale or roll and shall determine the winning bidder.

1.7. If there are no objections or protests, the auction officer shall award the native/dark leaf tobacco to the winning bidder.

1.8. The winning bidder shall accomplish a Certificate of Purchase form to be signed by the native/dark leaf tobacco farmer-producer, if he/she is a duly authorized field representative, or a PIV, if the highest bidder is a

BF/TC operator.

RULE 3. Payment of the Tobacco — The winning bidder shall pay the tobacco farmer-producer/seller, immediately after the award is made.

RULE 4. Supervision and Monitoring of the Auction System of Tobacco Trading — During a scheduled auction sale of native/dark leaf tobacco trading, a competent and reliable NTA official/s/employee/s, shall be assigned at the designated auction center/place, to oversee the proper implementation of the foregoing rules on the auction system of native/dark leaf tobacco trading, particularly on the proper weighing, proper grading and documentation, and prompt payment, of the auctioned native/dark leaf tobacco.

REGULATION XII — NATIVE/DARK LEAF TOBACCO TRADING VIOLATIONS AND SANCTIONS

RULE 1. The NTA Administrator shall impose the necessary administrative sanction/s, ranging from warning to revocation/cancellation of the license/permit and/or fine/s, for any violation/s of the herein provisions.

First Violation

—

Warning and payment of fine in the amount of Ten Thousand (P10,000.00) Pesos.

Second Violation

—

Suspension/temporary closure of operation for not more than five (5) days or until its compliance with the violation/s and payment of fine in the amount of Twenty Thousand (P20,000.00) Pesos.

Third Violation

—

Revocation/cancellation of license and payment of penalty in the amount of Thirty Thousand (P30,000.00) Pesos.

In addition to the sanction prescribed for the third violation, the violator shall not be issued a license/permit for the native/dark tobacco trading season immediately following the commission of the violation.

These Trading Rules and Regulations shall take effect immediately.

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