



Annual Accomplishment Report CY 2019

The year saw another increase in domestic taxation of tobacco with Republic Act No. 11346, known as the Tobacco Tax Law of 2019, signed into law by President Rodrigo Duterte in July 2019. This gave another round of rate increases for tobacco excise tax and imposed taxes on heated tobacco and vapor products. The latest legislation posed another challenge for the industry, which is already beset with aggressive global campaign against tobacco and smoking, increasing import liberalization, and global competition. Amidst these issues and challenges, NTA continued to be aggressive in its performance to fulfill its twin mandate, to improve the lives of our tobacco farmers and all those who depend on the industry for their livelihood and promote the balanced and integrated growth and development of the tobacco industry.

The industry provides livelihood and sustenance to about 2.7 million of stakeholders, including 92,501 people in the tobacco labor force at the production level, consisting of farmers, laborers, helpers, agents and landlords, in Regions 1, 2 and CAR as of 2019. About 6,200 were employed in the local manufacturing and at the trading or buying level. Government employees connected to the tobacco industry were just about 0.49 percent with 483 employees.

Based on PSA-BAS data, tobacco remained as one of the top ten agricultural exports at an average of 39 mt valued at US\$194.8 B for manufactured tobacco, and 37.9 mt valued at US\$113.25 unmanufactured tobacco, for the period 2014-2018.

TOBACCO INDUSTRY'S PERFORMANCE

Number of tobacco farmers decreased by 8.6%, or from 32,652 in 2018 to 29,839 in 2019, while tobacco farm area (in hectares) decreased by 17%, or from 22,794.65 to 18,911.78 in the same period.

Volume tobacco production for all tobacco types increased by 7.8% (from 43.2 M kilos in 2018 to 46.6 M kilos valued at PhP3.914-B in 2019).

Revenue from excise taxes for 2019 is at PhP132.49-B, which is a 6.3% increase from the PhP124.14-B collection in 2018.

Export of unmanufactured leaf tobacco decreased by 8.8% from 37.91 million kilos in 2018 to 34.58 million kilos in 2019; with a corresponding 14.2% decrease in value, from US\$158.97 million to US\$136.42 million. Manufactured tobacco increased in 2018 to 2019 by 13.6% (from 41.96 M kilos to 48.57 M Kilos) and a corresponding 15% increase in value, from US\$352.09 to US\$414.07

Local manufacturers imported a total of 82.38 million kilos of unmanufactured leaf tobacco in 2018 to 73.95 million kilos valued at US\$289.38 million in 2019, or a reduction of 10.2%. Importation of manufactured tobacco in 2019 reached 10.03 million kilos, valued at US\$96.75 million.

PROGRAMS/PROJECTS/ACTIVITIES

The highlights of the accomplishments of the Agency for 2019 involved priority programs, projects, and activities (PPAs) pursuant to its primary mandate and thrust, "to improve the economic and living conditions and raise the quality of life of the tobacco farmers," and in line with the Department of Agriculture's directive for "Masaganang Ani at Mataas na Kita," particularly on increased productivity and income of farmers through provision of production

assistance for quality production and other interventions. The PPAs were funded in the 2019 General Appropriations Act by virtue of SAGF-151 charged against R.A. 4155 (Tobacco Fund) as well as its Corporate Funds.

I. Technology Assistance, Extension and Production Support Services

1. Integrated Farming and Other Income Generating Activities Project (IFOIGAP)

1.1. Tobacco Farmers' Production Assistance/Tobacco Contract Growing System (TCGS)

The TCGS promotes a market-oriented approach in tobacco production through the adoption of a contract-growing scheme, to enhance participation of the private sector in production technology transfer, credit assistance and leaf marketing. Production/credit assistance per hectare averages PhP40,000 with a 20% subsidy on fertilizers/pesticides. For CY 2019, the NTA assisted a total of 6,613 tobacco farmers tilling an aggregate area of 4,322 hectares. The total production assistance extended was PhP120.53 million.

Yield obtained under the TCGS across all tobacco types was at 2,484 kg/ha, which is higher than its 2,410 kg/ha target.

Average net income across all types of tobacco increased by 24.64% from the 2017 baseline of P70,000 per hectare to PhP87,250 per hectare in 2019.

1.2. Rice Production Project

As an IFOIGAP component, the Rice Project Wet Season is implemented in line with the rice self-sufficiency program of the government led by the Department of Agriculture, to augment the income of tobacco farmers. Farmer-cooperators are granted production/credit assistance to an average amount of P20,000 per hectare with a 40% subsidy.

A total of 3,527 farmer-cooperators with an area of 2,819.75 hectares were granted production assistance in CY 2019, in the total amount of PhP48.89 million.

1.3. Renewable Fuelwood Energy Farm Project

The project aims to address the fuelwood and other forest resources requirement of the farmers in the curing of Virginia and other types of tobacco, as well as assist in the reforestation efforts of the tobacco growing regions.

For the *Synchronized Tree Planting* component, about 767,000 seedlings were planted in July 2019 in various areas in Regions 1, 2 and Abra, participated in by government agencies, SUCs, LGUs and other groups. This brought to a total of 6.3 million trees planted since the start of the project in 2013.

For the *Kahuyang Pangkabuhayan at Pangkakarlikasan (KPP)*, the agency conducted inventory of trees and assistance in completing documents for the harvest and transport of 2013-2017 plantation covering 8,326 hectares and involving 7,726 farmer cooperators.

2. Tobacco Farm Mechanization Program

The TFMP is a five-year program to modernize the conduct of field activities on tobacco production and this is done by applying in new technologies and using farm machineries and equipment to increase the farmers efficiencies of labor utilization and increased productivity/income. All assistance provided have subsidy of 20 percent (%). For 2019, the agency distributed 26 farm tractors and 50 hand tillers worth PhP39.66 million to 28 cooperatives and associations with 2,277 farmer members. The initial fund

for the program was sourced from the Corporate Fund and it was proposed that future funding will be sourced from the Tobacco Fund (RA 4155).

3. Curing Barn Assistance Project (CBAP)

Curing Barn Assistance Project (CBAP) addressed the tobacco farmers' need for new curing barns to replace old/damaged ones that have been destroyed by calamities that hit the Ilocos region in the recent years. For 2019, a total of **4,000 tobacco farmers** were given **Php100 million** worth of assistance for construction/repair of their curing barns and curing sheds.

4. Seed Production and Distribution

For seed production and distribution, a total of **52 kg of seeds** were distributed to about **10,400 tobacco farmers**.

5. Farmers Organizational Development

The agency, through its Farm Technology and Services Department (FTSD), assisted 377 cooperatives and associations of farmers in organizing, capability building and livelihood training. It has trained 603 farmers, higher than its 450 target in alternative livelihood. FTSD also started updating the Tobacco Farmers Registry.

6. Communication Support, Education and Information Campaign

The "**Oras ni Mannalon ti Tabako**" Radio Program in six radio stations in Region 1 and Abra show up for the weekly broadcast to make sure that our tobacco growers and the rest of our stakeholders are given relevant information, especially on trading matters and those concerning government interventions for our affected farmers of the pandemic. The OMT program, agency website and official social media accounts helped in intensifying the information advocacy of the agency and programs of the Department of Agriculture.

II. Research and Development Services

On Agricultural Research, we conducted **Seed Production, Tobacco Germplasm Collection, Maintenance and Characterization** to preserve the various seed varieties of tobacco. Other researches with ongoing field trials by the FTSD include **Evaluation of Batek Tobacco Varieties Commercially Grown in La Union and Pangasinan** for NSIC Registration, and protocol researches or **Fertilizer Trials** on various Inorganic and Organic Fertilizers/Pesticides on the efficacy on various types of tobacco.

Our Industrial Research Department (IRD) is conducting studies on alternative uses of tobacco, which include **"Scale Up Production and Demonstration Trails on the Use of Tobacco Leaf Extract Ointment against Diseases of Animals"**; **Tobacco Handmade Paper production: technology enhancements and prototyping of novelty items"**; and **"Spent Tea Leaves and Tobacco Dust as Additive to Plywood Adhesive"**, spearheaded by the FPRDI, Los Baños, Laguna.

Our Soil and Water Laboratory in Batac City provides Analytical Services specifically on the **Monitoring of Soil and Water Quality** of tobacco areas. The Quality Assurance Division and its Laboratory conducts **Physical and Chemical Characterization of Tobacco Leaf and Tobacco Products**. On **Capability Enhancement for Quality Assurance**, the IRD conducted training on the **Harmonized Grades of Tobacco**, with 100 participants, composed of TPROs, Agriculturists, Tobacco Company Graders and Farmer Leaders.

III. Regulatory Services

In the exercise of its regulatory authority, the Regulation Department has supervised tobacco trading operations from February to August, set up of floor prices for tobacco through the conduct of the biennial tripartite conference in September, and implemented regulatory procedures on the redrying, preliminary processing of tobacco leaf, and the regulation of importation and exportation.

On the aspect of monitoring/enforcement, the NTA assures equitable trading to include, accurate weighing, proper grading, proper pricing, prompt payment and proper documentation, pursuant to existing rules and regulations. These activities are implemented by Regulation Department in the Central Office and the Tobacco Production and Regulations Officers in the eight Branch Offices in Regions I, II and Abra.

The RD, in compliance with the Rules and Regulations on the trading of locally grown leaf tobacco, issued licenses to 36 trading centers, Permit and Authority to Purchase to 14 wholesale tobacco dealers, and Permit and Authority to Redry to three redrying plants. Also in compliance with the existing Rules and Regulations on the Exportation and Importation of Unmanufactured/Manufactured Tobacco, RD has issued 39 Licenses/Authority to Export, 63 Licenses/Authority to Import, 13 Authority to Transship leaf tobacco and tobacco products, and 25 Accreditations to Manufacturers.

IV. Roadmap Development

The agency started formulating the Sustainable Tobacco Enhancement Program (STEP), a five-year plan and roadmap for the development of the tobacco industry following the 8 paradigms of the Honorable Secretary of Agriculture toward agribusinessizing and increasing agricultural and rural enterprise productivity and using farm clustering and block farming as main strategy in generating more jobs, and raising farmers income. The draft outline was initially presented to Agriculture Secretary William Dar during the meeting of the NTA Governing Board.

V. Other Significant Accomplishments

To cut excessive red tape and make it easier to start and operate a business in the country, the agency revised the Citizen's Charter, following the prescribed processing time and standards of the Anti-Red Tape Authority for fast, efficient, convenient, and reliable service, and started the implementation of the complaint and feedback mechanism system.

NTA passed recertification audit for ISO 9001:2015, after an audit conducted by the international certification body Société Générale de Surveillance on July 24 to 26. The latest version of ISO 9001:2015 incorporates risk management to enable organizations to identify and provide a systematic approach to risk for more efficient quality management system.

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