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Philippines

Trade Policy Monitoring

Philippines to Slap Special Safeguard Duty on Onion Imports 2002

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Report Highlights:

The Philippines has imposed a special safeguard (SSG) duty on onion imports to abate the alleged influx of low priced onions to the country and to protect the local onion industry. Upon evaluating import data from the Bureau of Customs, the Philippine Department of Agriculture (DA) has invoked the SSG measure on imports of onions that are found to breach trigger price levels. AgAffairs Office has requested that DA suspend application of the SSG until the trigger price computation methodology has been clarified.

Includes PSD changes: No
Includes Trade Matrix: No
Unscheduled Report
Manila [RP1], RP

The Philippine Department of Agriculture (DA) recently issued a directive to the Bureau of Customs (BOC) to impose a special safeguard (SSG) duty on imported onions with H.S. Code 0703.10.00 over and above the regular customs duty of 50 percent levied on the product. The SSG duty, to be implemented on a shipment-by-shipment basis, will be determined based on the price difference ratio between the c.i.f. unit value and the established trigger price (per Section 24 (b) of Chapter II of RA 8800 or the Safeguard Measures Act). This additional SSG duty on onions will effectively raise tariffs by around 1,200 percent.

| H.S. Code | Product Description | Duty 2002 | Duty +SSG ¹ (Pesos/kg) | Trigger Price (Pesos/kg) |
|------------|---------------------------------------|-----------|--------------------------------------|-----------------------------|
| 0703.10.00 | Onions and shallots, fresh or chilled | 50% | 4.68 + 57.31 | 74.21 |

Upon evaluation of customs data on onion imports, the DA has concluded that the trigger price of onion which is at P74.21 per kilogram has been breached. Customs data show that the average c.i.f. import price of onion for the first half of the year stands at P6.55 per kg. and likewise shows an increasing volume of onion imports entering the country from 1999 to 2001.

| PHILIPPINE IMPORTS OF FRESH ONIONS (1999-2001) | | | |
|--|-------------|--------------------------|---------------------------|
| Year | Volume (kg) | CIF Value (Pesos/ kg) | Unit Price (Pesos/ kg) |
| 1999 | 18,199,158 | 105,879,299 | 5.84 |
| 2000 | 12,730,534 | 80,182,550 | 6.30 |
| 2001 | 22,257,754 | 133,459,610 | 6.00 |

Source: Bureau of Customs

The same trend is carried over for the first five months of 2002. Onion imports surge in the autumn and early winter months as North American, Chinese and European suppliers come into the market.

| PHILIPPINE IMPORTS OF FRESH ONIONS (JAN-JULY 2002) | | | |
|--|-------------|--------------------------|---------------------------|
| 2002 (Jan-July) | Volume (kg) | CIF Value (Pesos/ kg) | Unit Price (Pesos/ kg) |
| January | 1,518,968 | 9,043,389 | 5.95 |
| February | 116,347 | 730,550 | 6.28 |
| March | 46,637 | 236,065 | 5.06 |
| April | 120,000 | 574,689 | 4.79 |
| May | 144,000 | 1,077,874 | 7.49 |

¹SSG duties are AgOffice estimates based on average unit price of 2001 US export data from the U.S. Department of Commerce.

| | | | |
|-------|-----------|------------|------|
| June | 552,000 | 4,513,191 | 8.18 |
| July | 554,305 | 3,819,290 | 6.89 |
| TOTAL | 3,052,257 | 19,995,408 | 6.55 |

Source: Bureau of Customs

Upon review of the documentation supplied by DA, AgAffairs Office requested that DA suspend application of the SSG until such time as our respective officials can review the data from which the SSG trigger price was established. The trigger price is extremely high compared to the average prices of landed onions in the Philippines over the past several years. Further, the Philippines had a ban in place on fresh onions from 1955 through 1996, so there is no official import price data for the 1986-88 reference period used in the Uruguay Round calculations for SSG trigger prices. These inconsistencies warrant review of the SSG being applied to imported onions.