

Voluntary Report – Voluntary - Public Distribution

Date: January 12, 2023

Report Number: RP2023-0004

Report Name: Temporary Onion Import Plan Expected to Fail

Country: Philippines

Post: Manila

Report Category: Trade Policy Monitoring, Agriculture in the News, Sanitary/Phytosanitary/Food Safety, Vegetables, SP2 - Prevent or Resolve Barriers to Trade that Hinder U.S. Food and Agricultural Exports

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Report Highlights:

In a yet unpublished memo, the Philippine Department of Agriculture (DA) re-authorized the issuances of sanitary and phytosanitary import permits for up to 21,060 metric tons (MT) of fresh yellow and red onions in a reported effort to stabilize retail prices of fresh onions, which have reached P700 (\$12.70) per kilogram. However, the extreme conditions attached to the unscheduled quota all but guarantee that it will not be filled and likely will not come close to filling. For the trade that does flow, the government's conditions greatly favor Chinese supplies despite China not being importers' favored supplier.

In response to rising retail prices of onions, which have reached up to P700 (\$12.70) per kilogram, the Philippine Department of Agriculture (DA) issued an unpublished memorandum, dated January 6, 2023, directing the Bureau of Plant Industry to temporarily resume the issuance of Sanitary and Phytosanitary Import Clearances (SPSICs) from January 9 to 13, 2023. SPSICs have been limited since August 2022.

DA will only issue SPSICs for a maximum of 3,960 MT of fresh yellow onions and 17,100 MT of fresh red onions for a potential total of 21,060 MT. No imports will be allowed over this volume.

Meanwhile, the Philippines has no scheduled or notified exception for a quota or quantitative restriction on onions in the WTO.

Regardless of the limited volume and tight window of opportunity to apply for import permits, several other conditions also apply and reduce the likelihood that the quota will be realized or achieve its intended result of providing price relief to consumers.

- All SPSICs will come with a condition that the imports must arrive in the Philippines on or before January 27, 2023. Any shipment that arrives late, regardless of reasons outside an importer's control, will be rejected and returned. During the period October 2021-September 2022, the Netherlands accounted for 48 percent of imports, followed by China (30 percent) and India (22 percent). Given the time restriction, proximity, and shipping lanes, the measure gives strong favor to Chinese exporters over to those in Europe and India. A 40 percent tariff is assessed on all imports, regardless of origin.
- DA will only approve one 25-MT SPSIC for fresh yellow onions and two 50-MT SPSICs for fresh red onion per licensed importer. This limits the number of SPSICs that can be issued to 163 for fresh yellow onion and 326 fresh red onion. This number matches exactly the list of [licensed importers](#) eligible to import fresh onions. However, it also assures if any one importer cannot import the individual maximum, the quota will go underfilled. Of this eligible list, only 60 importers recorded at least a single shipment of fresh onions during the 12-month period, October 2021-September 2022.
- Importers are also restricted to using the Port of Manila-South Harbor, Port of Subic, Port of Cebu, Port of Davao, and Port of Cagayan de Oro. Imported fresh onions are restricted from being stored anywhere other than the accredited cold storage facilities indicated in their respective approved SPSICs. Transfers to other cold stores is strictly prohibited. Red and yellow onions must also be stored in separate rooms. This combination of factors will further impede the ability of imported onions to access and flow through the local supply chain.
- Importers must maintain and submit liquidation reports to the Bureau of Plant Industry.
- Any importer that applies for an SPSIC and fails to deliver will become ineligible for applying in future issuances of SPSICs for onions.

Separately, on January 9, the Philippine House of Representatives called for an investigation of alleged anti-competitive practices. Earlier in 2014, the Philippine Department of Justice-Office for Competition (DOJ-OFC) completed two separate fact-finding investigations of alleged collusion in the garlic and onion industries. As highlighted in its [newsletter](#):

The DOJ-OFC found, among others, that the lack of clear-cut guidelines and established procedures in determining the allocation of import permits has made the permit system prone to partiality, manipulation and collusion... Based on its findings, the DOJ-OFC recommended the following, among others:

...

- *Remove the current permit system, since the supply of garlic is dependent on importations;*
- *Adopt impartial standards and clear criteria in the grant of import clearances to legitimate and accredited importers; and*
- *Amend existing laws to strengthen the powers of concerned agencies, as appropriate and applicable.*

Attachments:

[DA Memo 20230106 Onions.pdf](#)

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