3. INJURY ANALYSIS

3.1 Product and market characteristics

Locally-produced onions versus imported onions

Physical attributes. Local onion farmers emphasize the physical qualities of their produce that are distinct from imported onions. Locally-grown onions of the red variety are round reddish in color and their skin/peeling can be removed easily whereas imported red onions have a pale or lighter red color and somewhat elongated in shape. Meanwhile, local "white/yellow" onions have meat that is softer/more tender, more aromatic and juicier than imported ones whose meat is yellowish, rather than white, in color. Local onions also come in different sizes, such as, small ('pickles'), good/medium, and oversized, compared to imports which are mostly bigger (considered 'oversized').

Onions are reportedly sensitive to the type of soil and weather, e.g., too much sun stunts its growth. Seasonality of onion is also a problem for the farmers in the Philippines. Importers cited that in China, onions are planted mostly throughout the year, whereas in the country, onions are planted only during November to December. This could explain the fact that local production is much lower than demand for onions. Moreover, importers cited that local onions have shorter shelf-life than imported ones.

Markets. The main buyers of domestically-produced onions are local traders who buy in bulk or on a wholesale basis at the farms or at the local trading centers. Farmers cited that traders-importers offer to buy their produce before or even during planting season but seldom actually do when harvest time comes. Importers, on the other hand, contend that it is difficult for them to 'penetrate' the local farmers' market because this is controlled by local traders. It has been observed that farmers usually borrow money from traders/input suppliers to and part of the loan agreement is the sale of their onion harvest to the trader-lender. Local traders usually bring the onions in markets and groceries in the urban centers.

According to importers, hotels and restaurants are the main buyers of onion imports particularly those coming from the Netherlands. They further cited that about half (50 percent) of the total volume of onion imports are bought and consumed by hotels, 25 percent goes to supermarkets and groceries in urban centers and the rest (25 percent) to the different local markets around the country. Thus, imported onions compete with the local produce in the retail markets

FIGURE 3.
Markets for local and imported onions

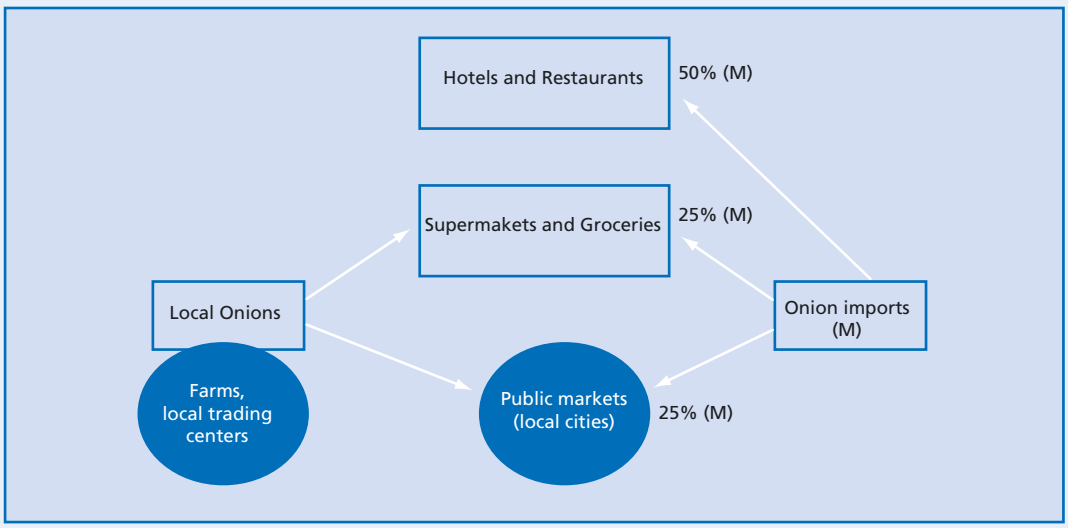
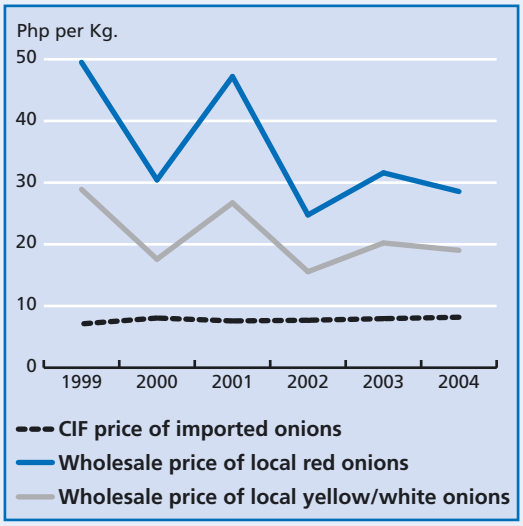


FIGURE 4.
Prices of imported versus local onions, 1999-2004



such as the community markets, private supermarkets and groceries in urban centers nationwide.

Prices of imported versus local onions. Figure 4 and Table 11 present the average annual CIF import prices of onions alongside the wholesale prices of local onions over the period 1999-2004, in local currency (Philippine pesos or Php) per kilo. On average, the CIF import prices of onions were much lower than the wholesale prices of either the red or yellow/ onions produced domestically. As can be noted from Table 11, wholesale prices of yellow or white onions were three times as high as the landed (CIF) price of imported onions. The gap is even wider (five times as much) if we compare the price of locally-produced red *creole* onions with the landed price of imported onions. On a yearly basis, the biggest difference between CIF import prices and wholesale prices of local onions was posted in 1999, and then in 2001, when locally-produced onions were 253% to 597% more expensive. It can be recalled that it was in 2001 that there was a surge in onion imports.

Prices of local onions in different markets. Prices of local onions at the farmgate, as well as in the wholesale and retail markets have declined significantly over the period 1999-2004 (Table 12). Farmgate prices in 2004 were just roughly one-third of prices in 1999. Meanwhile, the decline in prices of onions at the wholesale market was even greater, placing the average wholesale prices of onions in 2004 to less than half of the prices in 1999. Retail prices also went down significantly. The gaps in the prices of onions in the different markets are indicative of the transactions costs incurred in bringing the local produce from one market to another. Table 12 also presents the differences in prices from the farmgate to

TABLE 11.
Prices of imported versus local onions *(in pesos/kg)*

	1999	2000	2001	2002	2003	2004	Average
Landed price of imported onions – CIF in local currency (Php per kilo)	7.10	8.05	7.58	7.69	7.95	8.18	7.76
Wholesale prices of local onions							
Onion red creole, Bermuda	49.50	30.44	47.20	24.76	31.59	28.56	35.34
Onion white, yellow granex	28.90	17.58	26.72	15.56	20.22	19.03	21.34
Peso difference							
Onion red creole, Bermuda	42.40	22.39	39.62	17.07	23.64	20.38	27.58
Onion white, yellow granex	21.80	9.53	19.14	7.87	12.27	10.85	13.58
% difference							
Onion red creole, Bermuda	597.00	277.97	522.91	222.11	297.60	249.13	361.12
Onion white, yellow granex	306.94	118.29	252.63	102.43	154.49	132.63	177.90

the wholesale market and from the wholesale to the retail market. It can be noted that the gap between the wholesale and retail prices during the same period were on the average narrower than the difference between the wholesale prices and farmgate prices of local onions suggesting higher transactions costs in bringing the goods from the farm to the wholesale market.

Prices of imported onions in the local market. While the landed or CIF prices of imported onions over the same years 1999-2004, were somewhat stable, onion prices at the retail level had been declining. Hence, the gap between retail prices and landed prices (considered wholesale prices) had been narrowing (Table 13). It can be further noted that the margin between the prices of imported onions in the retail market and its CIF import prices were a lot bigger than the margin between the prices of locally-produced onions in the retail and the wholesale markets (Tables 12 and 13). On average, the retail prices of yellow granex onions in particular were higher than its import prices by a margin which ranged from 295 to 596 percent, while that of domestically-produced onions ranged from 66 to 95 percent.

Local tobacco versus imported tobacco

The different types of unmanufactured tobacco available in the country, their description and specific

TABLE 12.
Prices of locally-produced onions in different markets, 1999-2004 *(in pesos/kg)*

	1999	2000	2001	2002	2003	2004
Farmgate prices						
Onion native (red shallots)	37.30	16.00	20.23	13.39	15.12	14.53
Onion red creole, Bermuda	38.86	10.16	22.07	13.82	13.54	15.48
Onion white, yellow granex	27.46	7.15	11.67	8.58	8.72	8.11
Wholesale prices						
Onion native (red shallots)	54.39	23.38	33.85	21.76	30.69	24.67
Onion red creole, Bermuda	49.50	30.44	47.20	24.76	31.59	28.56
Onion white, yellow granex	28.90	17.58	26.72	15.56	20.22	19.03
Retail prices						
Onion red creole, Bermuda	65.93	43.14	61.10	37.91	43.24	39.99
Onion white, yellow granex	47.97	34.05	44.86	30.34	34.01	33.00
% Difference/Higher: Wholesale - Farmgate Prices						
Onion native (red shallots)	45.8	46.1	67.3	62.5	103.0	69.8
Onion red creole, Bermuda	27.4	199.6	113.9	79.2	133.3	84.5
Onion white, yellow granex	5.2	145.9	129.0	81.4	131.9	134.6
% Difference/Higher: Retail - Wholesale Prices						
Onion red creole, Bermuda	33.2	41.7	29.4	53.1	36.9	40.0
Onion white, yellow granex	66.0	93.7	67.9	95.0	68.2	73.4

TABLE 13.
Prices of imported onions in different markets, 1999-2004 *(in pesos/kg)*

	1999	2000	2001	2002	2003	2004
Landed price of imported onions - CIF in local currency (Php/kilo)	7.10	8.05	7.58	7.69	7.95	8.18
Retail prices						
Onion red creole, Bermuda	65.93	43.14	61.10	37.91	43.24	39.99
Onion white, yellow granex	47.97	34.05	44.86	30.34	34.01	33.00
% Difference/Higher: Retail – CIF Import Prices						
Onion red creole, Bermuda	828.3	435.7	706.4	393.2	444.2	388.9
Onion white, yellow granex	575.5	322.8	492.0	294.7	328.1	303.4

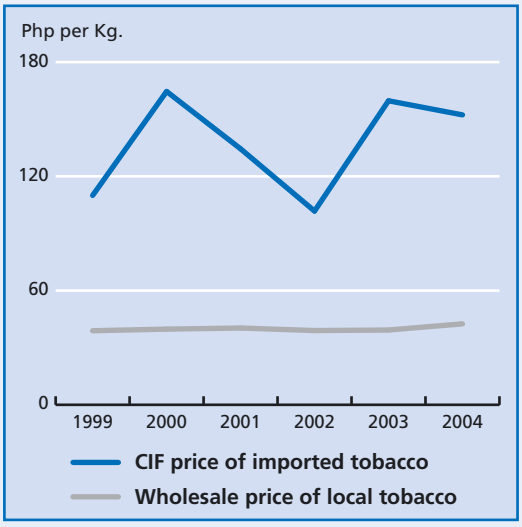
uses are specified in Table 14. All these are grown in the country in significant quantities except for Oriental/Turkish variety. Domestic production of tobacco starts in September when tobacco seeds are bedded for about 70 days. In November, these seeds are transplanted. Harvesting, which is done weekly depending on maturity of the leaves and the tobacco variety, is done in the months of January to May. Harvesting period for Virginia is usually in January, for Burley in February/March and native tobacco in April/May. Tobacco is a storable commodity and can be stocked for at least eight years. The quality of tobacco in fact improves as it ages. Moreover, available processing technology allows for the blending of different types, maturities/ages and qualities of tobacco.

Local tobacco varieties are different from imported varieties asserts a leading manufacturer in its response to the petition for safeguards of PATCO. The principal difference cited is that local tobacco are more suited as 'fillers' rather than for flavouring. Thus, this manufacturer imports all the tobacco it uses for flavouring. It was further argued that even if the same variety of tobacco is produced domestically, say, the Virginia type, there can be differences in flavour as a result of weather and soil conditions, the farming techniques and handling methods employed. Ideal weather is also crucial since it affects the supply of water and humidity, two of the most important factors that affect the quality of tobacco produced. As was mentioned, tobacco can be grown only in one cycle per year and it is best planted during the end of the rainy season, in order to ensure adequate moisture in the soil while avoiding damaging excessive rains. For optimum flavour and quality, experts say that it must receive approximately 10 inches of rain at the proper time.

Prices of imported versus local tobacco. Imported tobacco particularly the Virginia variety had been more expensive than the domestically-produced Virginia tobacco. In the last six years, imported Virginia were roughly two times more expensive than those produced by local tobacco farmers (Figure 5 and Table 15). Most of the tobacco leaves produced domestically are used for the manufacture of cigars and cigarettes. By and large, therefore, tobacco produce goes to the wholesale market where traders buy from farmers and sell to tobacco manufacturers. During the period 1999-2004, Virginia and Burley tobacco leaves have stable wholesale prices, increasing very slightly, at an annual average of three and one percent, respectively (Table 15).

The stability in prices could be because 'prices' of local tobacco are somewhat negotiated/agreed between tobacco farmers and traders/manufacturers. Every two years, a tripartite conference is held among farmers, manufacturers and government (represented by NTA) where the parties agree to a floor price for tobacco leaf. The last conference was held in August 2005 attended by farmers, traders and cigarette

FIGURE 5.
Prices of imported versus local (Virginia) tobacco, 1999-2004



manufacturers. During this last conference, the floor price of flue-cured Virginia tobacco was increased by Php 3.50 per kilo across all grades while the floor price of Burley was up by Php 3.00 per kilo across all grades. In the earlier tripartite meetings, floor prices were raised by only Php 1.00 or Php 1.50. The agreed floor prices and the actual average tobacco prices over the period 1999 to 2004 are given in Table 15. It can be noted that, the prices at which local tobacco were actually bought were invariably higher than the agreed minimum price. However, it should also be noted that the prices were actually fluctuating and even went down in the last two years. The given reason for the decline in the buying price particularly in 2003 was the poor quality or high salt content of the produce.

3.2 Injury experienced by the local industry

Onions and tobacco farmers reportedly have experienced injuries in the past six years, foremost

TABLE 14.
Types of tobacco grown in the Philippines and uses

Variety/ type	Class	Description	Uses
Virginia	Flue-cured	Light brown in color and with pleasant aroma; "bright" tobacco cured by indirect heat/ process of regulating heat and ventilation inside a curing barn	In cigarettes, either alone or as part of an American blend, and in light pipe tobacco; Categorized as either 'filler' or 'flavour'
	Air-cured	Known as Virginia sun-cured; may be light or dark brown in color	Cigarettes and pipe tobaccos
	Fire-cured	Dark brown in color; also called Virginia-dark cured	In snuff, chewing tobacco and pipe mixtures
Burley	Air-cured	A main type of air-cured tobacco identified by its light brown to dark brown/deep-reddish brown in color, robust aroma, and distinctive smoking character characterized by very low or non-detectable sugar levels	Important in the production of blended cigarettes (along with flue-cured Virginia and Oriental tobaccos)
Native	Air-cured	Dark air-cured tobacco	Used as filler for all factory and homemade manufactured cigars, cheroots and native cigarettes; Used as cigar wrapper, binder and for chewing
Oriental/ Turkish	Sun-cured	Small greenish to brown leaves cured directly under the sun	Provides distinctive flavour and aroma and sweet taste to cigarettes; also enhances burning quality

Source: PATCO and PMPI

of which are: i) decreased volume of sales; ii) low prices of produce; iii) decreased incomes/ profits; iv) underutilized capacity; and v) decreased employment. These injuries, together with some evidence and supporting data, albeit very limited, were expressed by onion farmers in various consultation meetings while those experienced by the tobacco farmers are those stated in its petition for safeguards.

Decreased volume of sales and production

Tobacco farmers claimed that, in recent years, the quantities of tobacco produce that they were able to sell had decreased significantly. Moreover, in 2004, farmers had difficulty selling 12 million kilos of their tobacco inventory valued at Php 220 million (equivalent to USD 3.9 million). Indeed, in absolute terms, the quantity of tobacco sold decreased significantly, by 38 percent in 2004 from 2003. However, this reported total sales was all that can be possibly sold, that is, practically all of the tobacco produced during the year 2004 were bought by the traders and manufacturers. Total volume of tobacco sales in terms of the proportion to the quantity produced was in fact increasing steadily since 1999 (Table 17). This could mean therefore that there was low volume of sales because production was low. It was gathered that production went down significantly in 2004 because: i) of high salinity of soil not suited to tobacco farming which led to the decrease in area planted to tobacco; ii) closure of tobacco operations in Mindanao due mainly to peace and order situation; iii) the buying price offered at the start of the planting season which constrained farmers to produce only 50 million kilos instead of the usual 80 million kilos; and iv) high inventory kept by cigar/cigarette manufacturers.

Low prices of produce

Onion farmers experienced significant lowering of prices of their produce. Data show that farmgate prices of onions declined significantly since 2000 compared to farmgate prices producers received in 1999 (Table 18). Farmgate prices of all types of onions starting 2000 decreased to only about a third of the prices in 1999. By type of domestically-produced onions, the cut is even bigger in the farmgate prices of white or yellow granex onions, with the percentage decline reaching 77 percent.

Decreased income and profit

Decreasing volume of tobacco sales and significant lowering of prices in the case of onions resulted in significant declines in the net income of tobacco and onion farmers, respectively. Net profits of tobacco farmers decreased substantially from 1999, not only in absolute terms, but also in relation to total sales and cost of production (Table 19). The reported net income of farmers decreased by 31 percent from P7.45 per kilo in 1999 to P5.13 per kilo in 2004. Over the same period, farmers' profit per peso of cost of production was also reduced from 34 percent to 18 percent. The biggest drop in profits was experienced by farmers in 2000.

Meanwhile, profits from onion farming appears to also have declined over the review period as farmgate prices declined significantly while the cost of production, particularly the cost of inputs, increased/ did not decrease. The cost of onion production in 2005 was estimated at Php 80 900 (or equivalent to USD 1 466) per hectare, of which 44 percent are the cost of inputs. It was estimated that net profit generated from onion production for 2005 was roughly Php 35 000 (USD 634).

Underutilized capacity

Tobacco farmers also claimed that they used to produce 80 million kilos of tobacco particularly in the years 2002-2003. However, due to the low buying price and the seeming 'refusal' of cigarette manufacturers to buy their produce, farmers were constrained to produce only 50 million kilos in the year 2004.

Decreased employment

Another impact of increased importation cited by both onion and tobacco farmers is decreased employment in the industry. This is not only among farmers but also among farm labourers and haulers. However, there are no data to support this claim by farmers.

TABLE 15.
Prices of imported versus local tobacco *(pesos/kilo)*

	1999	2000	2001	2002	2003	2004
Landed price of imported tobacco - CIF in local currency (Php per kilo)						
Virginia	109.96	164.58	134.45	101.75	159.68	152.28
Other	166.01	165.45	197.38	170.26	170.77	172.77
Tobacco refuse					157.95	162.88
Wholesale/buying prices of local tobacco						
Native tobacco, dry [a]	15.60	23.04	35.45	27.62	24.07	25.59
Virginia	38.91	39.75	40.32	39.00	39.28	42.52
Burley [a]	35.09	33.02	35.65	36.88	30.30	34.93
Difference in price of imported and local Virginia tobacco						
Peso difference	-71.05	-124.83	-94.13	-62.75	-120.40	-109.76
% difference	-64.61	-75.85	-70.01	-61.67	-75.40	-72.08

[a] Average buying prices as reported by PATCO while wholesale prices of Virginia tobacco were from the BAS.

TABLE 16.
Prices of local tobacco versus agreed floor prices *(in pesos/kg)*

	1999	2000	2001	2002	2003	2004
Agreed floor price/NTA price	29.41	33.48	33.63	34.87	32.45	32.01
Actual price (average)	34.17	36.88	39.69	41.73	36.68	37.50
Difference, absolute terms (in Php)	4.76	3.40	6.06	6.86	4.23	5.49
Difference, percentage	16	10	18	20	13	17

Source of basic data: NTA 2004 Annual Report

TABLE 17.
Prices of local tobacco versus agreed floor prices *(in pesos/kg)*

	1999	2000	2001	2002	2003	2004	Ave Annual inc/dec	
							1999-2004	2003-2004
Volume of production (mt)	67 045	75 189	68 695	80 063	81 361	50 179	14%	-38%
Volume of sales (mt)	62 383	71 533	65 539	79 198	80 372	50 178	21%	-38%
Volume of unsold tobacco (mt)	4 662	3 656	3 156	865	989	1	-113%	-100%
Percentage of sales	93	95	95	99	99	100		

Source: PATCO submissions

TABLE 18.
Farmgate prices of locally-produced onions, 1999-2004 *(pesos/kg)*

	1999	2000	2001	2002	2003	2004
Onion native (red shallots)	37.30	16.00	20.23	13.39	15.12	14.53
% Increase/decrease from previous year		-57	26	-34	13	-4
% Decrease from 1999		-68	-41	-61	-56	-58
Onion red creole, Bermuda	38.86	10.16	22.07	13.82	13.54	15.48
% Increase/decrease from previous year		-74	117	-37	-2	14
% Decrease from 1999		-68	-36	-60	-61	-55
Onion white, yellow granex	27.46	7.15	11.67	8.58	8.72	8.11
% Increase/decrease from previous year		-74	63	-26	2	-7
% Decrease from 1999		-68	-66	-75	-75	-77
All onion types (Pesos/kilo)	34.54	11.10	17.99	11.93	12.46	12.71
% Increase/decrease from previous year		-68	62	-34	4	2
% Decrease from 1999		-68	-48	-65	-64	-63

Source: Price data from BAS.

TABLE 19.
Profits from tobacco production

	1999	2000	2001	2002	2003	2004
Selling price per unit (pesos/kg)	29.46	32.97	38.14	38.03	33.03	34.42
Cost per unit (pesos/kg)	22.01	29.99	31.91	30.96	28.51	29.29
Net profit per unit (pesos/kg)	7.45	2.98	6.23	7.07	4.52	5.13
% Increase/decrease from previous year		-60	109	13	-36	13
% Decrease from 1999		-60	-16	-5	-39	-31
Sales (P'000)	2 131 746	2 637 956	2 610 789	3 304 730	2 948 381	1 873 163
Gross income (P'000)	1 526 826	2 412 358	2 376 742	2 673 240	2 566 809	1 685 276
Net profit (P'000)	604 920	225 597	234 047	631 490	381 572	187 888
% Increase/decrease from previous year		-63	4	170	-40	-51
Decrease from 1999		-60%	-61%	4%	-37%	-69%
Profit in percent of sales	28%	9%	9%	19%	13%	10%
Profit per peso of cost	34%	10%	20%	23%	16%	18%

Source of basic data: PATCO submission

Other injuries

Because of the low profits or net cash flows generated by the tobacco industry and in particular PATCO, it disclosed that it has difficulty coping with increasing capital for investment and modernization. The industry could not also provide for research and development. Also, if importation continues to increase, PATCO expressed concern that in no time, the tobacco industry, which has been providing the national government Php 23 billion revenue would be dead. Tobacco farmers then would be dependent on government for support. Onion farmers expressed the same fear that the onion industry would die and might result in unrest.

4. CAUSALITY AND NON-ATTRIBUTION FACTORS

4.1 Causal link between imports and injury to the industry

A key element of analyzing the impact of importation is establishing whether or not the injuries experienced by the domestic industry, in this case onions and tobacco, are caused by the import surge. This is done in this report through correlation analysis and time series analysis[9] between imports and the main injury for which data are available. Correlation, if any, is determined between i) onion importation and farmgate prices and ii) tobacco importation and volume of production/sales.

Increased/cheap importation and low farmgate prices

The significant lowering of prices of domestically-produced onions has been attributed by farmers to the surge in imports particularly to 'cheap' onion imports. However, this is not supported by official data on farmgate prices and the quantities of onion importation. As shown in Figure 6, the decline in the average farmgate prices starting 2000 (and a further decline in 2002) appears not to be correlated with increased in importation. In fact there was also a decline in the volume of importation during the period.[10] Meanwhile, the trend in the volume of onions produced locally seems to explain the movements in farmgate prices as shown also in Figure 6. Low farmgate price appears to be associated with high volume of production. In particular, when there was a sharp decline in farmgate price in 2000, and then in 2002, there was also a corresponding increase in the quantity of production during these years.

It should be noted however that the (CIF) prices of imported onions as discussed earlier (see Figure 4) were so low that it could have dampened prices (buying/farmgate prices) of local onions. This is confirmed by correlation analysis that showed that lower import prices tend to cause lower domestic prices.

Increased importation and low sales/production

By observation, there seems to be no negative correlation between the volume of tobacco importation and domestic production or sales (Figure 7). On the contrary, they appear to be positively correlated as higher (lower) imports is associated with higher (lower) production/sales from 1999 to 2003. It was only in 2004 when they moved in opposite direction—imports swelled as production and sales dropped. Indeed, the correlation and time series analysis done by Rodriguez (FAO, 2006) do not find compelling evidence of a negative relationship between imports and domestic production of tobacco. Rodriguez concluded that while the correlation analysis shows that there is a negative association between the domestic production and

[9] The graphical 'correlation' analysis employed in this paper are validated by the results of the correlation and time series analysis done by U-Primo E. Rodriquez under the same project of the FAO, that aims to develop a framework for determining the impact of an import surge in the Philippine economy.

[10] There were reports of onion imports entering the country illegally through various ports which could explain the observed flooding of markets with imported onions. For instance, on September 29, 2004, newspaper reports stated that the Bureau of Customs seized 22 container vans loaded with illegal shipment of onions, mixed with carrots worth 18 million pesos. There is however no data available on the volume of apprehended/recorded smuggled onion imports which can be included in the analysis.

FIGURE 6.
Quantities of onion production and imports versus farmgate prices, 1999-2004

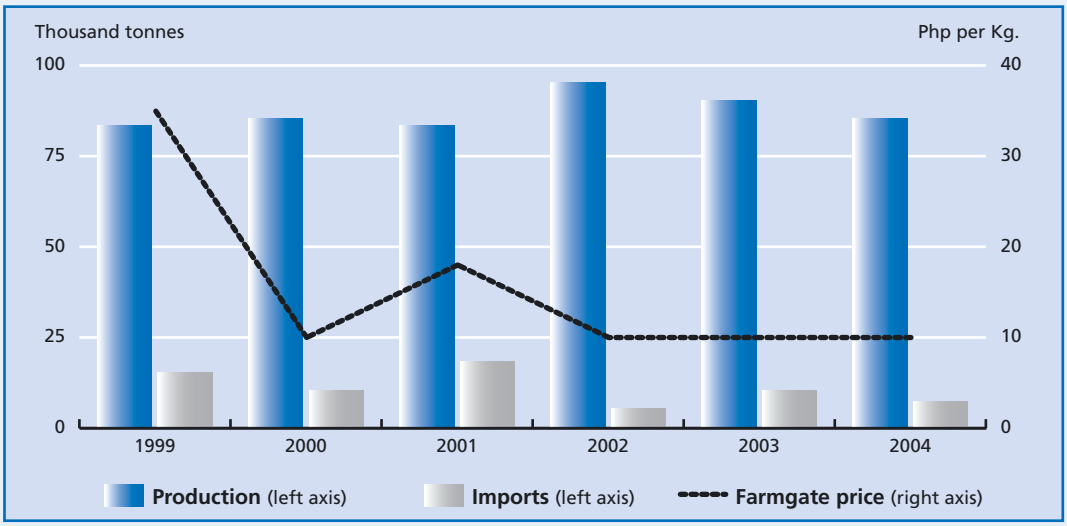
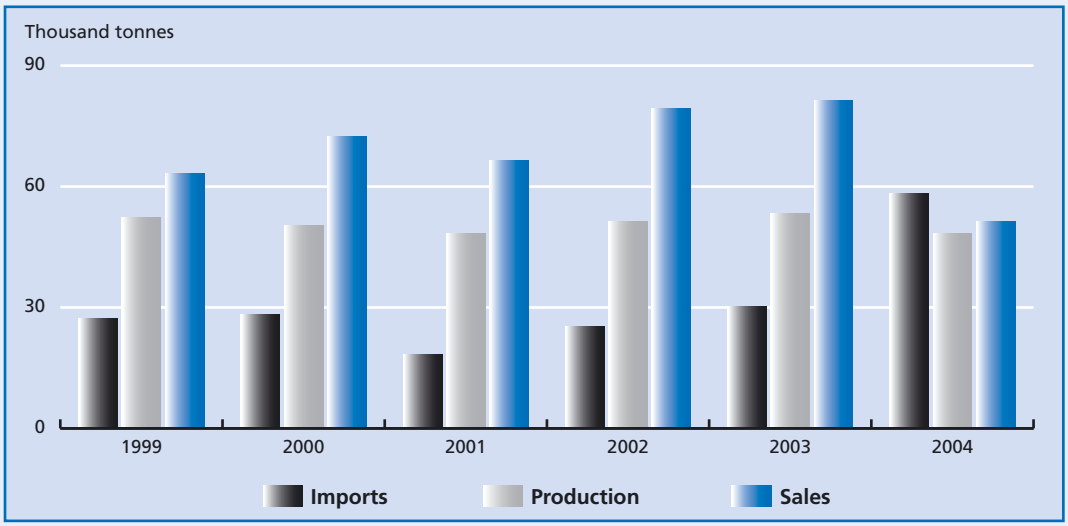


FIGURE 7.
Volume of tobacco imports versus production and sales, 1999-2004



imports lagged by 2 to 2.5 years, it is not clear whether this is convincing since earlier lags show positive relationship.

4.2 Other factors affecting the local industry

There are factors other than importation that might have caused, directly/indirectly, or aggravate the injury/ies experienced by the domestic onion and tobacco industries. These factors which largely affect the local industries' competitiveness, are briefly discussed below.

Increased cost of production

Tobacco and onion farmers cited the rising cost of production particularly the cost of inputs such as fertilizers and pesticides during the period 1999-2004. For tobacco, this was reportedly at the rate of eight percent per annum (Table 20). The increase was estimated to be even bigger from 2003-2004 placed at 25 percent. On a per hectare basis, the total cost of producing Virginia tobacco for instance increased from roughly 80 thousand pesos in 2003 to a little over 99 thousand pesos in 2004. Meanwhile, the cost per hectare of producing Burley tobacco in 2004 was placed at over 72 thousand pesos and native tobacco by much smaller amount of over 42 thousand pesos.

Meanwhile, the estimated cost of onion production for 2005 was placed at Php 80 900 (or equivalent to USD 1 466) per hectare. The cost of farm inputs comprised 44 percent of the total cost. With the increased cost of production, not all onion farmers reportedly were able to finance their own production. They would rather be employed by other farmers who are still able to finance their own production.

Poor quality of produce

Tobacco farmers were told that the main reason for the low sales that they experienced was that, not all of the tobacco they produced had the quality that traders and manufacturers were looking for. NTA reports that manufacturers suddenly decided not to buy the low grade, salty and off-type variety ('saplak', midway between Burley and native) tobacco they used to buy. Farmers however maintain that they were not told what quality the traders and manufacturers specifically wanted. Besides they reportedly observed that importers are also importing low grade tobacco.

The NTA meanwhile has been promoting a Tobacco Contract Growing System among producers to help them grow quality tobacco. NTA has reportedly discouraged farmers from planting *'saplak'* which affects the burning quality of tobacco. Among other measures, the NTA is also urging the tobacco farmers to shift to genuine Burley tobacco and modernize their production.

Lack of storage facilities

Only a few farmers keep onion stocks because most do not have proper storage facilities. Some tobacco farmers have traditional or backyard storages to stock their surplus. To most farmers, using storage facilities available in their communities are expensive.

TABLE 20
Cost of production *(pesos/hectare)*

Type of tobacco	1999	2000	2001	2002	2003	2004	Ave annual inc/dec
Virginia	69 181	71 810	74 439	77 068	79 697	99 484	8%
Burley	49 831	51 725	54 777	56 749	57 884	72 355	8%
Native	28 465	29 547	31 290	33 136	33 799	42 249	9%

Source: PATCO submission.

Most farmers if ever they store their onion products, do so only until June, two to three months after harvest, as they need money to spend on their children's school expenses. Farmers wish that traders buy during harvest time, not later when farmers are forced to lower their prices rather than have their onion produce go to waste.

Need for new technology to adopt to varying consumer preferences

It was cited by traders-importers that onion farmers must learn new technology or new ways of planting onions and to produce varying types to cater to consumers' different preferences. To cite a model, importers shared their impression on China's farming practices with those of the Philippines. In particular they refer to China's "mass production" technique which allows them to achieve economies of scale and save on production cost. Much larger areas are planted to onions in China compared to the land devoted to onions in the country. As to variety, larger varieties of onions are planted in China while much smaller type of onions is planted by Filipino farmers.

Poor handling and transporting of onion produce

Traders and importers observed that onion farmers need to be assisted in terms of handling and marketing their onion produce. The poor handling of onions lead to wastage. They also suggested the need to open/improve more farm-to-market roads.

Lack of training, production and marketing assistance

In order to be competitive in the face of increasing tobacco imports, farmers expressed the need for training on technology and assistance in directly marketing their produce including access to the export market. They also cited the lack of financial support for production and expressed concern that the Land Bank of the Philippines, the government-owned bank mandated to lend to farmers, has very stringent requirements so they have difficulty loaning money.

4.3 Trade surveillance

Government institutions involved in trade monitoring

Some 26 government agencies/bureaus/offices are involved in trade-related functions such as trade policy formulation and implementation including monitoring of trade flows. These agencies belong to six departments namely: Office of the President, Department of Trade and Industry, Department of Finance, Department of Agriculture, Department of Tourism and the *Bangko Sentral ng Pilipinas* (or Central Bank of the Philippines). The main functions of each of these institutions related to trade are specified in Annex A.

With respect to trade monitoring and implementation of trade remedy measures for the agriculture sector, the main organizations involved include those in the Department of Agriculture (DA), the Bureau of Customs (BOC), the Tariff Commission (TC) and the National Statistics Office (NSO), both under the National Economic Development Authority of the Office of the President (Table 21). The DA houses eleven offices/organizations which perform trade-related functions other than policy formulation, Aside from the Bureau of Plant Industry, the Bureau of Animal Industry, the Bureau of Fisheries and Aquatic Resources, which administer quarantine and inspection services for, respectively, all plants, all animals, and fisheries, there are special agencies (specific bureaus) that serve/monitor specific commodity/industry sector: rice, sugar, coconut and tobacco. There is also the Bureau of Agricultural and Fisheries Product Standards which sets and implements standards for fresh, primary- and secondary-processed agricultural and fisheries products.

There is also an office under the DA-Office of the Secretary that implements trade remedy measures for the agricultural sector, i.e., which initiates and conducts preliminary investigation on dumping, countervailing and safeguard petitions and implements the special safeguard mechanism. Final investigation on the trade remedy petitions is done by the Tariff Commission. The BOC then implements the imposition/collection of duties resulting (if any) from the trade remedy investigations.

TABLE 21.
Main institutions involved in (agricultural) trade monitoring

Department/organization	Trade-related functions
Office of the President – National Economic and Development Authority	
Tariff Commission	Tariff policies (including tariff concessions, surcharges, and refunds); Final investigations on dumping, countervailing and safeguard protests
National Statistics Office	Collecting, compiling, classifying, producing, publishing, and disseminating general-purpose statistics including trade statistics
Department of Finance	
Bureau of Customs	Collection of import/export duties
Department of Agriculture	
Department of Agriculture	Agricultural trade policies; Implementation of trade remedy laws for the agriculture sector
Bureau of Plant Industry	Plant protection, quarantine and inspection services
Bureau of Animal Industry	Animal protection, Administration of animal quarantine & inspection services
Bureau of Agricultural and Fisheries Product Standards	Development of technical standards and regulations
Bureau of Agricultural Statistics	Trade data collection
National Meat Inspection Service	Inspection services for meat and meat products
National Tobacco Administration	Monitoring of the tobacco industry
National Food Administration	Administration of rice price stabilization program
Philippine Coconut Authority	Formulation and implementation of policies concerning the coconut industry
Bureau of Fisheries and Aquatic Resources	Administration of fish quarantine and inspection services
Sugar Regulatory Administration	Monitoring of sugar supply and administration of sugar export quotas

Source: Government agency websites

While trade data collection and publication are primarily the tasks of NSO, the Bureau of Agricultural Statistics of the DA also undertakes its own data collection of trade data on agricultural commodities.

Building capabilities for effective trade surveillance

The importance of effective trade surveillance cannot be overemphasized. It is the only means by which both government and private industries can provide timely and appropriate response to import surges and cushion any adverse impact of importation. Effective trade surveillance by governments, particularly the Philippines, requires effective coordination among concerned agencies, regular consultation with stakeholders, good database and strong analytical capability of people and institutions involved. It is also important to have product quality standards and regulations that are enforced. Efforts of building capacities should therefore be towards addressing these needs.

5. SUMMARY AND CONCLUSIONS

This final section integrates and summarizes the key findings, addressing each of the objectives of the study.

5.1 Surge in onion and tobacco imports

The use of three methodologies clearly establishes 2001 as the year when there was a surge in onion imports. It was during 2001 when the quantity of imported onions peaked to almost 18 metric tonnes comprising 12 percent of domestic consumption and 22 percent relative to production. In the same year, the quantity imported for the year exceeded the computed volume trigger and the average CIF price fell way below the established trigger price. It should also be noted that this trigger price was breached throughout the reference period of 1999-2004.

In the case of tobacco, import surge was established to have occurred in 2004 based on the trend in absolute volume of imports, its share of domestic consumption and the breaching of its trigger volume. The quantity (57 thousand metric tonnes) imported in 2004 was in fact the largest over the six-year review period and twice the volume of imports in the preceding year. It was also the first time that the volume of tobacco imports exceeded local production, and its share of domestic consumption increased significantly to 64 percent compared to only 46 percent the previous year. The occurrence of import surge in 2004 is also confirmed when quantity of unmanufactured tobacco exceeded the volume trigger.

5.2 Reasons for the import surge

There are two main reasons for the episodes of import surge common to both onion and tobacco. One is the *decline in domestic production* in the years that there were import surges (2001 for onion and 2004 for tobacco). Local onion production decreased from 84 220 metric tonnes in 2000 to 82 610 metric tonnes in 2001, or a decline of two percent. Lower production of onions was attributed to poor weather particularly too much rainfall. Meanwhile, the decline in the local production of tobacco leaf in 2004 was larger, that is by nine percent from 52 900 metric tonnes in 2003 to 48 310 in 2004 when the volume of unmanufactured tobacco imports increased significantly. The main reason for this is that area planted to tobacco was reduced because of high salinity of the soil and the low buying price of tobacco. The prevailing trade policy regime might also have induced the increase or surge in imports. In particular, the *lowering of tariffs on tobacco imports* to seven (7) percent might have encouraged greater importation of tobacco in 2004.

On the other hand, the *much lower CIF prices of imported onions compared to the domestic (wholesale) prices of locally-produced onions* could also be a cause for the surge. Over the period 1999-2004, CIF prices of imported onions averaged at only Php 7.76 per kilo compared to Php 21.34 per kilo of yellow onions and Php 35.34 of red onions. In 2001 when there was a surge, the prices of locally-produced onions were at least two times higher than imported ones.

5.3 Injury impact and causality

Lowering of prices of local produce. Onion farmers experienced significant lowering of prices of their produce and this has been attributed to the onslaught of imports. Data show that farmgate prices of onions declined significantly since 2000 compared to prices in 1999. However, this cannot be explained by the volume of imports. Low farmgate price appears to be associated more with the high volume of production rather than the quantity of imports. Nonetheless, the (CIF) prices of imported onions throughout the study period were so low that it could have had dampening effect on the farmgate prices of onions. Correlation analysis confirmed that lower import prices are associated with lower domestic prices.

Decreased net income/profits. Producers of both onions and tobacco claimed to generate lower incomes because of the surge in imports. This effect on the local onion industry can be attributed to the effect of cheap/low-priced imports on the farmgate prices of onions which resulted in the lowering of net incomes of onion farmers. Meanwhile, local tobacco farmers experienced decreasing volume of sales which resulted in significant declines in their net income. The decline in sales however was mainly due to low production volumes and not on importation.

5.4 Other potential contributors to the injury indicators

Other factors that might have contributed to the injuries reportedly suffered by the local onions and tobacco industry are factors that determine the competitiveness of the industry particularly with imports, such as: i) the increasing cost of production especially the cost of inputs for onion planting and tobacco production contributed to the lowering of profits/net incomes; ii) the poor quality and insufficient quantity of locally-produced tobacco that caused low sales and incomes generated by farmers. Manufacturers assessed the tobacco situation as "one where supply cannot meet the quality or demand requirements of the market, making importation necessary." This could be due to a number of factors including improper and inefficient farming techniques and handling of produce. Improving the competitiveness of domestically-produced onions and tobacco is seen as the solution or long-term remedy to the injury experienced by the industry.

5.5 On effective trade surveillance

In order to provide timely and appropriate response to import surges and cushion any adverse impact of increased and/or cheap importation, an effective trade surveillance system needs to be established/ maintained by the Philippine government. This would require effective coordination among concerned agencies, regular consultation with stakeholders, good database and strong analytical capability of people and institutions involved.

AGRICULTURAL IMPORT SURGES IN DEVELOPING COUNTRIES

Analytical framework and insights from case studies

One of the main goals of the surge investigation is to provide a broader understanding of the capacity of the developing countries to use enhanced trade surveillance and trade remedy measures with the objectives of identifying, analysing and responding to import surges.

The interaction among the contributing factors to import surges often brings about outcomes that are different from the effect of each individual factor. Such interaction often occurs because of the overlap in the timing of the involvement of the various contributing factors. What is important when such interaction occurs is to determine what factor is most influential in creating an import surge and examine how the effect of the most influential factor is exacerbated or attenuated by the presence of other factors.

The term 'injury' originally relates to producers' loss and its use may be misleading and too narrow in the examination of the impacts of import surges.... It is [...] more insightful to use the term 'consequence' and to specify who loses and who gains in examining the impacts of the import surges over a broad spectrum of stakeholders.

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