1 December 2004

CUSTOMS MEMORANDUM ORDER
NO. 37-2004

Subject: SPECIAL SAFEGUARD DUTY ON
ONIONS UNDER HS 0703.10.00

Pursuant to the 1st Indorsement dated 22 November 2004 of Undersecretary MA.
GRACIA M. PULIDO-TAN, Department of Finance, directing the immediate
implementation of Department Order No. 2 dated 16 November 2004 issued by the
Department of Agriculture in accordance with R.A. 8800, it is hereby directed that all
importations of onions with HS 0703.1000 from all countries shall be imposed an
additional Special Safeguard Duty to be computed following the formula illustrated in
Annex A of said Department Order No. 2, copy attached. Moreover, covered shipments
entered into/withdrawn from warehouses in the Philippines for consumption shall, in
addition to the regular Customs duties due thereon, be subject to the aforesaid safeguard
duty, on a per shipment to shipment basis. All concerned Customs offices/units are
enjoined to coordinate with the appropriate DA offices/units for the proper application
of the formula.

It is understood that shipments of onions which are in transit prior to the
publication of this Order shall be exempted from the imposition of Special Safeguard
Duty, provided they arrive before the effectivity thereof.

This Order supersedes CMO No. 40-2002 on the same matter.

This Order shall take effect fifteen (15) days after the publication and shall remain
in force until revoked.

Please be guided accordingly.

GEORGE M. JEREOS
Commissioner
1ST Indorsement
22 November 2004

Respectfully referred to the Commissioner of Customs, Manila, for immediate implementation and appropriate action, the within Department Order No. 2 dated 16 November 2004, with Annexes A and B, of the Secretary of the Department of Agriculture requesting the "imposition of special safeguard (SSG) duty on onion imports with HS Code 0703.1000 over and above the regular customs duty of 50%. The amount of SSG duty to be collected shall be on a shipment by shipment basis", effective immediately. Please refer to the attached Annex A of the said Department Order for the computation of the applicable SSG duty.

Preferential attention hereto will be appreciated.

Ma. Gracie M. Pulido-Tan
Undersecretary
Republic of the Philippines
DEPARTMENT OF AGRICULTURE
Office of the Secretary
Elliptical Road, Diliman, Quezon City
16 November 2004

DEPARTMENT ORDER
No. 07

Commissioner GEORGE JEREOS
Bureau of Customs

Thru: Secretary JUANITA D. AMATONG
Department of Finance

Subject: IMPOSITION OF SPECIAL SAFEGUARD DUTY ON IMPORTED ONIONS WITH HS CODE 0703.1000

Dear Commissioner Jereos:

Pursuant to Republic Act 8800, referred to as the Safeguard Measures Act (chapter III, sections 21 and 23), we are requesting for the imposition of special safeguard (SSG) duty on onion imports with HS Code 0703.1000 over and above the regular customs duty of 50%. The amount of SSG duty to be collected shall be on a shipment by shipment basis. The computation of SSG duty is illustrated in Annex A.

This request is being made because the trigger price of the said agricultural product which is P74.21 per kg. (published August 7, 2002) has been breached or that, the average c.i.f. import price of onion from January to June 2004 which is P6.11 per kg. has gone below the trigger price (See Annex B).

May we further request that the imposition of the SSG duty be made effective immediately.

We look forward to your favorable and immediate action on this.

Thank you,

Very truly yours,

ARTHUR C. YAP
Secretary

ARHUR C. YAP
Secretary
Determination of the Special Safeguard Duty Based on Price Test
(Per Section 24 (b) of Chapter III of RA 8800)

This illustrates the method of computing the SSG duty to be applied when the c.i.f. import price falls below the trigger price. The SSG duty to be imposed shall be computed based on the price difference, or the amount obtained after subtracting the c.i.f. import price, as follows:

<table>
<thead>
<tr>
<th>Price Difference (PD), in % of Trigger Price (TP)</th>
<th>SSG Duty</th>
</tr>
</thead>
<tbody>
<tr>
<td>PD &lt; or = 10%</td>
<td>0.00</td>
</tr>
<tr>
<td>10 &lt; PD &lt; = 40%</td>
<td>[0.30 \times (PD\text{-}(10% \times TP))]</td>
</tr>
<tr>
<td>40 &lt; PD &lt; = 60%</td>
<td>[0.50 \times (PD\text{-}(40% \times TP)) + 0.30 \times (PD\text{-}(10% \times TP))]</td>
</tr>
<tr>
<td>60. &lt; PD &lt; = 75%</td>
<td>[0.70 \times (PD\text{-}(60% \times TP)) + 0.50 \times (PD\text{-}(40% \times TP)) + 0.30 \times (PD\text{-}(10% \times TP))]</td>
</tr>
<tr>
<td>PD &gt; 75%</td>
<td>[0.90 \times (PD\text{-}(75% \times TP)) + 0.70 \times (PD\text{-}(60% \times TP)) + 0.50 \times (PD\text{-}(40% \times TP)) + 0.30 \times (PD\text{-}(10% \times TP))]</td>
</tr>
</tbody>
</table>

1. Compute the difference between CIF Price (P) and the Trigger Price (TP)
   e.g., if current CIF price P is equal to P8.11, then
   \[TP - P = P74.21 \text{ per kg.} - P8.11 \text{ per kg} = P88.10\]

2. Compute the price difference ratio with respect to the trigger price \((TP - P) / TP\)
   e.g., \((74.21 - 8.11) / 74.21 = 89.07\%\)

3. Since the price difference is 89.07% (greater than 75%), the SSG duty shall be computed as follows:
   e.g., SSG Duty = \[90\% \times (TP-P) + 70\% \times (TP-P) + 50\% \times (TP-P) + 30\% \times (TP-P)\]
   thus, SSG duty = \[9.00 \times (74.21 - 8.11) + 7.00 \times (74.21 - 8.11) + 5.00 \times (74.21 - 8.11) + 3.00 \times (74.21 - 8.11)\] + 15.10 + 18.21 + 17.60 = P60.31

Therefore in this example, where c.i.f. import price is P8.11 per kg., the SSG duty which shall be collected over and above the regular customs duty is P60.31.
### Volume, Value and Unit Price of Onion Imports

#### 2001 to 2004

<table>
<thead>
<tr>
<th>Year</th>
<th>Volume (in kg.)</th>
<th>CIF Value (PhP)</th>
<th>Unit Price (PhP)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>17,925,108</td>
<td>135,618,139</td>
<td>7.50</td>
</tr>
<tr>
<td>2002</td>
<td>6,751,576</td>
<td>51,979,989</td>
<td>7.66</td>
</tr>
<tr>
<td>2003</td>
<td>11,584,226</td>
<td>91,939,692</td>
<td>7.94</td>
</tr>
<tr>
<td>Average</td>
<td>12,088,970</td>
<td>93,212,607</td>
<td>7.71</td>
</tr>
<tr>
<td>Year 2004</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>January</td>
<td>749,640</td>
<td>6,376,783</td>
<td>8.51</td>
</tr>
<tr>
<td>February</td>
<td>194,000</td>
<td>1,583,493</td>
<td>8.16</td>
</tr>
<tr>
<td>March</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>April</td>
<td>54,000</td>
<td>723,755</td>
<td>13.40</td>
</tr>
<tr>
<td>May</td>
<td>501,640</td>
<td>4,069,535</td>
<td>8.11</td>
</tr>
<tr>
<td>June</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: National Statistics Office