

DEPARTMENT OF TRADE AND INDUSTRY

SAFEGUARD MEASURE CASE NAME:

**MOTU PROPRIO INITIATION OF A PRELIMINARY
SAFEGUARD MEASURES INVESTIGATION ON
THE IMPORTATION OF CEMENT FROM VARIOUS
COUNTRIES**

PUBLIC VERSION

SGM CASE NO. : 01-2024

DATE : 28 October 2024

**REPORT ON THE MOTU PROPRIO INITIATION
OF A PRELIMINARY SAFEGUARD MEASURES
INVESTIGATION ON THE IMPORTATION OF
CEMENT FROM VARIOUS COUNTRIES**

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INTRODUCTION

This is a report to determine whether there is sufficient evidence for the Secretary to motu proprio initiate a preliminary safeguard investigation on the increased importation of cement. Section 6 of RA 8800 (Safeguard Measures Act) provides: “x x x the Secretary may, motu proprio, initiate a preliminary safeguard investigation if there is evidence that increased imports of the product under consideration are a substantial cause of, or are threatening to substantially cause, serious injury to the domestic industry x x x”.

The product subject to review is cement, which is classified under the ASEAN Harmonized Tariff Nomenclature (AHTN) Codes 2523.29.90 and 2523.90.00. To establish the trend in imports, the Department of Trade and Industry (DTI) relied on data obtained from the Bureau of Customs - Single Administrative Document (BOC-SAD).

In assessing serious injury, DTI requested the Cement Manufacturers Association of the Philippines (CeMAP) to provide evidence on the level of sales, production, profit/losses, productivity, capacity utilization, domestic production. These factors were evaluated to assess the impact of increased imports of cement on the domestic cement industry.

RA 8800 (The Safeguard Measures Act) requires evidence on the following elements:

- a) Increased imports – increase in the volume of imports in absolute terms or relative to production.
- b) Serious Injury or threat thereof – significant impairment in the position of the domestic industry after evaluation of all relevant factors, i.e. market share, level of sales, production, capacity utilization, employment, profit/losses, productivity, among others.
- c) Causal link – serious injury to the domestic industry directly caused by increased imports.

I. THE PROCESS OF MOTU PROPRIO INVESTIGATION

I. A. Motu Proprio Investigation

The Secretary was guided by:

Section 6 and Rule 6.4.c of the Implementing Rules and Regulations (IRRs) of RA 8800:

Section 6 “In the absence of such a petition, the Secretary may, motu proprio, initiate a preliminary safeguard investigation, if there is evidence that increased imports of the product under consideration are a substantial cause of, or are threatening to substantially cause, serious injury to the domestic industry.”

Further, Rule 6.4.c of the Implementing Rules and Regulations (IRRs) of RA 8800 states that, *“The Secretary may also motu proprio, initiate a preliminary safeguard investigation without having received a verified petition by or on behalf of a domestic industry if there is evidence that increased imports are a substantial cause of, or threatens to substantially cause, serious injury to the domestic industry.”*

I.B. Documents Obtained

The DTI thru its Import Surge Monitoring System, recorded a surge in cement imports of combined portland and blended cement for the period covering year 2019 to 2024 (June) from several countries across the globe.

On 22 August 2024, the DTI informed the Cement Manufacturers' Association of the Philippines (CEMAP) of increased in imports of Portland cement from 2019 to June 2024. The DTI requested CEMAP to provide data on relevant economic factors for the evaluation of injury to the industry set under RA 8800. DTI asked CEMAP to provide information on domestic sales volume and value, cost of production, inventory, financial statement, export sales volume and value, return on sales, rated capacity, employment, domestic production, among others, to evaluate the effect of increased imports on the domestic cement industry.

On 28 August 2024, DTI received individual submissions from the following cement companies, Republic Cement Builders and Building Materials, Inc., Holcim Philippines, Inc., Cemex Philippines, and Eagle Cement Corporation.

On 04 September 2024, DTI requested for additional information such as copy of the financial statements, among others.

II. VOLUME OF IMPORTS

II.A. Determination of Increased Volume of Imports

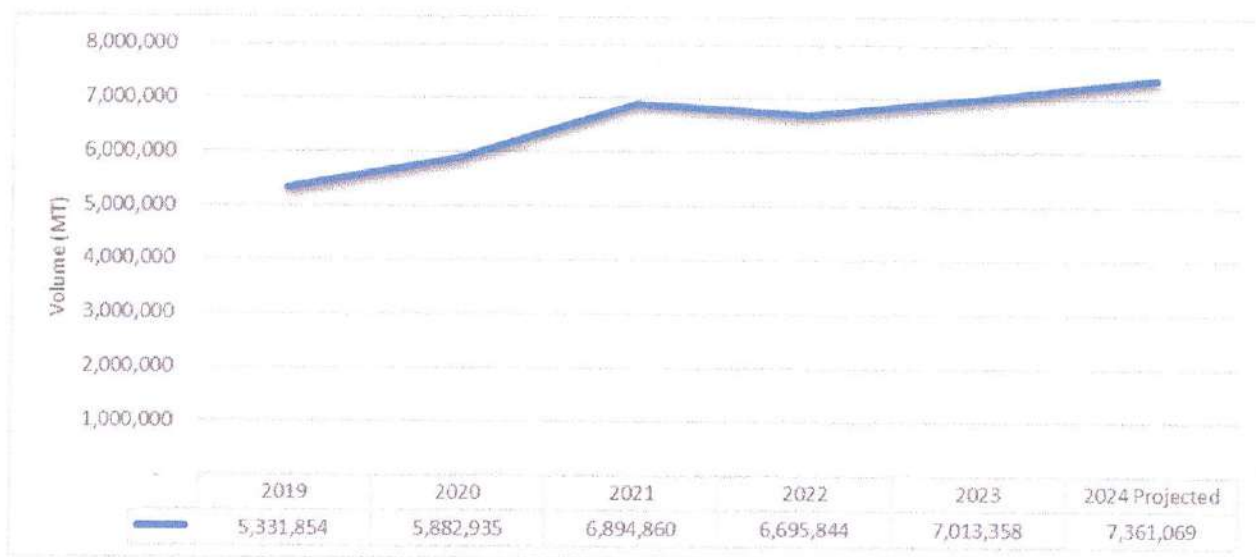
Rule 7.2 a of the IRRs of RA 8800 provides, *“the Secretary shall essentially determine whether there has been an increase in the volume of imports, in particular, either in absolute terms or relative to production in the Philippines, The Secretary shall evaluate import data for the last five (5) years preceding the application to substantiate claims of significant increase in import volume. Provided, however, that in some cases, the period may be adjusted to cover a shorter period, if necessary, in order to take into account other considerations that will ensure the appropriateness of the chosen period, e.g. seasonality of product, availability of data or facility in verification of data.”*

II.A.1. Absolute Terms

II.A.1.a. Import Volume

The period of investigation (POI) covers imports of cement from 2019 to June 2024. All data were sourced from the BOC-SAD.

Figure 1: Import Volume of Cement from 2019 – 2024 (Annualized)¹



Source: Bureau of Customs, Single Administrative Document (BOC-SAD)

Table 1: Import Volume of Cement from 2019 to 2024 (Annualized)

Year	2019	2020	2021	2022	2023	2024 (Jan-June)	2024 (Projected)
Volume (MT)	5,331,854	5,882,935	6,894,860	6,695,844	7,013,358	3,680,534	7,361,069
Absolute Increase/(Decrease)	-	551,081	1,011,924	(199,015)	317,514	-	347,710
% Growth Rate	-	10.34	17.20	(2.89)	4.74	-	4.96

Source: BOC-SAD

Note 1: Data excludes cement imported by local manufacturers during the period

The volume of imported cement increased during the POI, except in 2022. The increases compared with the previous years are: in 2020 - 10%, in 2021 - 17%, in 2023 - 5%. From January to June 2024, imported cement was recorded at 3.7M MT which is 52% of the 2023 level of imports. Annualized, the 2024 cement level of imports shows an increase of 5% over the 2023 level.

The increase in imports of cement during the POI was both sharp and significant up to the most recent period.

II.A.1.b. Share of Imports (by Country)

Table 2: Import Volume of Cement (by country of origin) from 2019 to 2024 (Jan. to June)

Country of Origin	2019		2020		2021		2022		2023		2024 (Jan-Jun)	
	Volume	Share	Volume	Share	Volume	Share	Volume	Share	Volume	Share	Volume	Share
Viet Nam	4,232,387	79%	5,376,070	91%	6,381,001	93%	6,341,460	95%	6,878,572	98%	3,442,502	93%
PROC	948,794	18%	271,805	5%	78,401	1%	16,662	0%	1	0%	54	0%
Indonesia	0	0%	220,600	4%	310,622	5%	195,950	3%	88,250	1%	65,470	2%
Japan	-	-	-	-	119,882	2%	114,790	2%	45,850	1%	168,375	5%
Other Sources	150,673	3%	14,460	0%	4,954	0%	26,982	0%	685	0%	4,134	0%
Total Imports	5,331,854	100%	5,882,935	100%	6,894,860	100%	6,695,844	100%	7,013,358	100%	3,680,534	100%

Source: BOC-SAD - Volume of Imports

Other Sources: Thailand (2019 to 2024); Pakistan (2019, 2021 and 2022); Malaysia (2019 to 2023); Brunei Darussalam (2021 and 2022); United Arab Emirates (2019 to 2021); Singapore (2019 and 2020), Canada (2021 and 2022), Republic of Korea (2020 and 2021), Chinese Taipei (2024), Iran (2019 and 2021) and USA (2019 to 2021)

Viet Nam

Viet Nam accounted for the largest share of the country's cement importation during the POI. Viet Nam's share recorded at 4,232,387 MT in 2019 or 79% of the country's cement imports. Viet Nam further increased its share to total imports at 91% in 2020, 93% in 2021, 95% in 2022 and remained to be the dominant supplier in 2023 with 6,878,572 MT or 98% share. In January to June 2024, cement imports from Viet Nam accounted for 93% of total Philippine imports.

PROC

In 2019, cement sourced from PROC recorded at 18% share of total Philippine imports. In 2020 to June 2024, PROC's import share continue to decline from 5% share to less than one percent share.

Indonesia

Imports of cement from Indonesia was negligible in 2019. In 2020 and 2021, its share of total cement imports increased to 4% and 5%, respectively. In 2022, Indonesia share of imports dropped to 3% and further declined to 1% in 2023 and increased to 2% in the first semester of 2024.

Japan

Japan has no recorded imports in 2019 and 2020. In 2021 and 2022, imports of cement from Japan recorded at 119,882 MT or 2% share and 114,790MT or 2% share of total imports, respectively, but dropped to 1% in 2023. From January to June 2024, Japan accounted for 5% of the country's total cement imports.

Other Sources

Other sources of cement for the POI include Thailand, Pakistan, Malaysia, Brunei Darussalam, United Arab Emirates, Singapore, Canada, South Korea, Chinese Taipei, Iran and the United States.

II.A.2. Relative Terms

Table 3: Comparison of Volume of Imports to Domestic Production of Cement 2019 to June 2024

Year	2019	2020	2021	2022	2023	2024 (Jan-June)
Imports (MT)	5,331,854	5,882,935	6,894,860	6,695,844	7,013,358	3,680,534
Domestic Production (MT)*	100	94	107	92	83	41
Share of Imports to Domestic Production (%)	xxx	xxx	xxx	xxx	xxx	xxx

Sources: BOC-SAD – Import Volume
Cement Industry – Domestic Production
*Figures indexed due to confidentiality

The table above presents the share of imports of cement in the Philippine market relative to domestic production.

During the POI (i.e. 2019 to June 2024), relative to domestic production, the volume of imports of cement increased from approximately 30% in 2019 to 35% in 2020 and 36% in 2021 to 41% in 2022. In 2023, the share of imports to domestic production increased further to 47% and 51% in 2024 (January to June) as domestic production declined.

Thus, cement imports relative to domestic production significantly increased during the POI.

III. THE PHILIPPINE CEMENT INDUSTRY

III.A Domestic Industry

Section 4 (f) of RA 8800 defines "domestic industry" as referring to the "domestic producers, as a whole, of like or directly competitive products manufactured or produced in the Philippines or those whose collective output of like or directly competitive products constitutes a major proportion of the total production of those products".

Rule 4.1(b) of the IRRs of RA 8800 further provides that: "(1) in the case of a domestic producer which also imports the product under consideration, only its domestic production of the like or directly competitive product shall be treated as part of the domestic production, or (2) in the case of a domestic producer which produces more than one product, only that portion of its production of the like or directly competitive product may be treated as part of such domestic industry".

The Philippine cement industry is composed of the following:

Cement Manufacturers' Association of the Philippines (CeMAP)	Non-CeMAP
▪ Republic Cement and Building Materials, Inc.	▪ Eagle Cement Corporation
▪ Holcim Philippines, Inc.	▪ Northern Cement Corporation
▪ CEMEX Philippines i.e. Apo Cement Corp & Solid Cement Corp.	▪ Mabuhay Filcement, Inc.
▪ Taiheiyo Cement Philippines, Inc. (TCPI)	▪ Goodfound Cement Corporation

III.A.1 Cement Manufacturers which Provided Evidence

CeMAP Members composed of Republic Cement & Building Materials, Inc., Holcim Philippines Inc. and CEMEX Philippines (i.e. Apo Cement Corporation and Solid Cement Corporation) replied to the request of DTI to submit data/information on factors relevant to serious injury. These were consolidated to evaluate the effect of increased imports of cement on the domestic cement industry. Eagle Cement Corporation expressed its support to the motu proprio investigation being conducted by the DTI.

a) Republic Cement & Building Materials, Inc.

Republic Cement manufactures best-quality cement under the brand names - Republic, Fortune, Rapidset, Kapitbalay, Mindanao, and Wallmaster. They produce Type 1 Portland cement, Type 1P blended cement, Type N masonry cement, Pozzolan cement, premium Portland cement and concrete aggregates.

Republic Cement & Building Materials, Inc. has seven (7) strategically located manufacturing plants across the country -. Bulacan Cement Plant, Norzagaray Plant, Batangas Plant, Teresa Plant, Iligan Plant, Danao Plant and Bulacan Aggregates Plant. Its Head Office is located at Menarco Tower, 32nd Street, Bonifacio Global City, Taguig City.

b) Holcim Philippines

Holcim Philippines' product lines include Type 1 cement, Type 1P cement, masonry cement, dry mix (tile adhesive & skim coat), aggregates and specialty products include (conwood, paving and hollow blocks). Its cement products are sold in bags (40 kg.) and bulk that carries the "Holcim" brand name. It has cement manufacturing facilities in La Union, Bulacan, Misamis Oriental, and Davao. Its Head office is at Fort Bonifacio, Taguig City.

c) CEMEX Philippines (Apo Cement Corporation and Solid Cement Corporation)

Apo Cement Corporation produces and distributes Type 1, Type 1P, Type M, Type 2 and Type P cement and bulk under the APO brand. Its cement plant is located in Tinaan, Naga, Cebu.

Solid Cement Corporation sells Type 1, Type 1P, Type N, Type M cement under the Island, Rizal, Palitana King and Semento Filipino brands. Its cement plant is situated at Sitio Tagbac, Barangay San Jose, Antipolo City, Rizal.

Both companies are subsidiaries of CEMEX Holdings Philippines.

Cement manufacturers that are not members of CEMAP are Eagle Cement, Northern Cement, Mabuhay Filcement and Goodfound Cement.

III.B. Exporters and Importers of Cement

The lists of exporters and importers of cement during the POI were identified based on the Bureau of Customs' Single Administrative Document (BOC-SAD). These lists are attached in Annexes A and B.

III.C. The Product under Investigation

Section 4 (h) of RA 8800 defines like product as *"a domestic product which is identical, i.e. alike in all respects to the imported product under consideration, or in the absence of such a product, another domestic product which, although not alike in all respects, has characteristics closely resembling those of the imported product under consideration"*.

Pursuant to the above, a comparison of the imported cement with the domestic product was made to establish whether the locally produced cement is a like product to imported cement.

III.C.1. Domestic Product

There are two (2) types of cement that can be considered a like product to that of imported cement. These are Type 1 Ordinary Portland cement and blended cement.

Type 1 Ordinary Portland Cement (OPC) which has 90%-95% clinker content. It conforms to the American Society for Testing and Materials (ASTM) C 150 and Philippine National Standard (PNS) 07 requirements. It has faster setting time, high performance, consistent strength and compatibility to most chemical and mineral admixtures.

Type 1P, Type 1T, Type 1S, Type P and Type 1L are all blended hydraulic cements under one reference standard, PNS 63:2019.

PNS 63:2019 applies to the following types of blended cement that generally are intended for use as indicated. As per Clause 4.1 of PNS 63:2019, Type 1P and Type 1T and Type 1S, Type P and Type 1L are all classified under blended hydraulic cements for general concrete construction, to wit:

- Type 1S – Portland blast-furnace slag cement
- Type 1P – Portland-pozzolan cement
- Type P – Portland-pozzolan cement for use when higher strengths at early ages are not required
- Type 1L – Portland-limestone cement
- Type 1T – Ternary blended cement

III.C.1.a Uses and Application

Type 1 cement - Ordinary Portland Cement (OPC) and blended hydraulic cement are used for general construction purposes and concrete applications. They are available in 40 kg bag, 1MT bag, bulk and distributed through dealers, retailers, and cement plant/terminal for bulk orders.

III.C.1.b Composition of Raw Materials

The major raw materials in the domestic cement industry are clinker, supplementary cementitious materials (SCM) and gypsum.

III.C.1.c Production Process

Cement Manufacturing Process

xxx

III.D The Imported Product

Based on the WTO Philippine Tariff Concession, the product under consideration (cement) is unbound and is not the subject of any tariff concession under the WTO Agreement. The applied MFN rate of duty is 0%.

Table 4: Classification under the Philippine Tariff and Customs Code

Tariff Heading Map AHTN Code / Description			Applicable Tariff Rate (%)								
			MFN	ANZFTA	ACFTA	AIFTA	AJCEPA	AKFTA	ATIGA	PJEPA	AHKFTA
25.23 Portland cement, aluminous cement, slag cement, super sulphate cement and similar hydraulic cement, whether or not coloured or in the form of clinkers	2523.29 -- Other	2523.29.90 --- Other	0	4	0	5	0	0	0	0	0
		2523.90.00 - Other hydraulic cement	0	4	0	5	0	0	0	0	0

Source: Tariff Commission <http://tariffcommission.gov.ph/finder>

AHTN	ASEAN Harmonized Tariff Nomenclature
MFN	Most Favoured Nation
AANZFTA	ASEAN-Australia/New Zealand Free Trade Agreement
ACFTA	ASEAN-China Free Trade Agreement
AIFTA	ASEAN-India Free Trade Agreement
AJCEPA	ASEAN-Japan Comprehensive Economic Partnership Agreement
AKFTA	ASEAN-Korea Free Trade Agreement
ATIGA	ASEAN Trade in Goods Agreement
PJEPA	Philippines-Japan Economic Partnership Agreement

III.D.1. Comparison between Imported and Domestic Product

Locally produced and imported cement are like products. Both have the same industrial application, are subject to the same industry standards (ASTM and PNS), have the same tariff classification, uses the same major ingredient (clinker from limestone) and have the same distribution channels.

III.E. Period of Investigation (POI)

The POI covers imports which entered the Philippine market from 2019 to June 2024. The domestic industry's performance for the same period was assessed to determine whether the increased imports are the substantial cause of the serious injury to the domestic industry.

IV. EVIDENCE OF SERIOUS INJURY

A. Determination of Serious Injury

Rule 3.1 of the IRRs of RA 8800 provides that *"a general safeguard measure under Chapter II of these IRRs shall apply where there is an increase in the quantity of a product being imported, whether absolute or relative to the domestic production, which is determined to be a substantial cause of serious injury or threat thereof to the domestic industry"*.

Section 4 (o) of RA 8800 provides that *"serious injury shall mean a significant impairment in the position of the domestic industry after evaluation by competent authorities of all relevant factors of an objective and quantifiable nature having a bearing on the situation of the industry concerned. In particular, the rate and amount of the increase in imports of the product concerned in absolute and relative terms, the share of the domestic market taken by increased imports, changes in levels of sales, production, productivity, capacity utilization, profit and losses, and employment"*.

Section 12 of RA 8800 further provides that *"in reaching a positive determination that the increase in the importation of the product under consideration is causing serious injury or threat thereof to a domestic industry producing like products or directly competitive products, all relevant factors having a bearing on the situation of the domestic industry shall be evaluated. These shall include, in particular, the rate and amount of the increase in imports of the products concerned in absolute and relative terms, the share of the domestic market taken by the increased imports, and changes in the level of sales, production, productivity, capacity utilization, profits and losses, and employment."*

Such positive determination shall not be made unless the investigation demonstrates on the basis of objective evidence, the existence of the causal link between the increased imports of the product under consideration and serious injury or threat thereof to the domestic industry. When factors other than increased imports are causing injury, such injury shall not be attributed to increased imports."

A.1. Market Size and Market Share

Table 5: Market Size and Market Share (in MT) - 2019 to June 2024

Year	Imports (MT)	% Increase/ (Decrease)	Domestic Industry Sales Volume (MT)*	% Increase/ (Decrease)	Total Apparent Philippine Market (MT)*	% Increase/ (Decrease)	% Share to Philippine Market	
							Imports	Domestic
2019	5,331,854	-	100	-	100	-	xxx	xxx
2020	5,882,935	10.34	91	(9.44)	95	(5.08)	xxx	xxx
2021	6,894,860	17.20	102	12.45	108	13.67	xxx	xxx
2022	6,695,844	(2.89)	88	(13.81)	96	(10.92)	xxx	xxx
2023	7,013,358	4.74	79	(10.33)	90	(5.99)	xxx	xxx
2024 (Jan-June)	3,680,534	-	39	-	45	-	xxx	xxx

Source: BOC SAD – Volume of Imports
Cement Industry – Domestic Sales Volume
*Figures indexed due to confidentiality

The total apparent Philippine market showed a declining trend during the POI, except in 2021. The apparent Philippine market for cement declined by 5% in 2020 due to a 9% drop in domestic industry sales and a 10% increase in imports. In 2021, the apparent Philippine market recorded its highest growth at approximately 14% as import grew by 17% and domestic industry by 12%. In 2022, apparent Philippine market declined by 11% and further declined by 6% in 2023 as import increased by 5% while domestic sales dropped by 10%.

During the POI, share of domestic cement industry exhibited a declining trend from approximately 78% share in 2019 to 68% share in 2023. In January to June 2024, share of domestic industry to total market recorded at 66%.

As the market size showed a declining trend, from 2019 to 2021, the share of imported cement recorded an increasing trend from 5.3million MT to 6.9million MT, respectively. In 2022, imported cement declined by approximately 3% but increased by 5% in 2023 despite the decline in market size.

B.1 Sales in the Domestic Market of Locally Produced Cement

Table 6: Domestic Sales Volume and Value

Year	Sales Volume (MT)*	% Increase (Decrease)	Sales Value (Php Million)*	% Increase (Decrease)
2019	100	-	100	-
2020	91	(9.44)	85	(15.35)
2021	102	12.45	93	9.57
2022	88	(13.81)	90	(3.05)
2023	79	(10.33)	81	(9.37)
2024 (Jan-Jun)	39	-	37	-

Source: Domestic Industry
*Figures indexed due to confidentiality

The cement industry's domestic sales volume declined year-on-year throughout the POI from 2019 to 2023 except a remarkable increase in 2021 by 12%. Sales volume declined by 9% in 2020 due to the onslaught of the pandemic, increased in 2021 by 12% but declined by 14% in 2022 and further by 10% in 2023. In the first half of 2024, sales volume is less than half compared to the 2023 level.

The sales value likewise followed a similar trend with the sales volume. Sales value declined by 15% in 2020, increased in 2021 by 10% but declined by 3% in 2022 and further by 9% in 2023. In the first half of 2024, sales value is less than half compared to the 2023 level.

B.2 Production

Table 7: Total Production

Year	2019	2020	2021	2022	2023	2024 (Jan-Jun)
Production (MT)*	100	94	107	92	83	41
% Increase (Decrease)	-	(6.45)	13.85	(13.50)	(9.58)	-

Source: Domestic Industry

*Figures indexed due to confidentiality

The industry's production volume followed the trend of sales volume throughout the POI. Production volume declined by 6% in 2020 due to the onslaught of the pandemic, increased in 2021 by 14% but declined by 14% in 2022 and further by 10% in 2023. In the first half of 2024, production volume is less than half compared to the 2023 level. Production recorded its highest in 2021 and the lowest in 2023.

B.3 Finished Goods Inventory

Table 8: Finished Goods Inventory

Year	Volume (MT)*	% Increase (Decrease)	Value (Php Million) *	% Increase (Decrease)
2019	100	-	100	-
2020	103	2.50	97	(2.85)
2021	93	(8.81)	96	(0.86)
2022	83	(11.45)	114	18.47
2023	81	(2.16)	114	(0.28)
2024 (Jan-Jun)	78	-	87	-

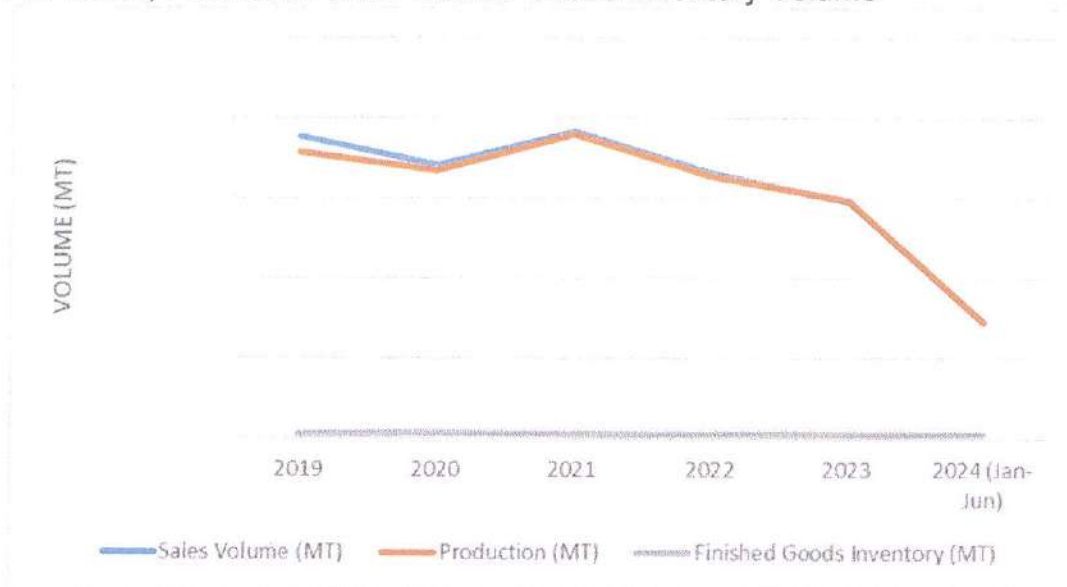
Source: Domestic Industry

*Figures indexed due to confidentiality

The finished goods inventory volume increased by 3% in 2020 due to the slow movement of products during the pandemic. Inventory volume declined by 9% in 2021, 12% in 2022 and further by 2% in 2023. Cement has a short shelf life and cannot be kept for long periods under inventory. With proper storage and handling, cement can only last between three to six months.

The finished goods inventory value, declined by 3% in 2020, slightly declined by 1% in 2021, increased in 2022 by 18% while slightly declined by less than 1% in 2023.

Figure 2: Sales, Production and Finished Goods Inventory Volume



Based on the figure above, the sales and production volume followed a similar trend throughout the POI. The domestic industry maintained a minimal finished goods inventory due to the short shelf life of cement.

B.4 Capacity Utilization

Table 9: Capacity Utilization

Year	Rated Capacity (MT)*	Production (MT)*	Capacity Utilization Rate (%)	% Increase (Decrease)
2019	100	100	79.48	-
2020	102	94	72.69	(8.55)
2021	113	107	74.98	3.15
2022	113	92	64.86	(13.50)
2023	113	83	58.64	(9.58)
2024 (Jan-Jun)	56	41	57.37	(2.18)

Source: Domestic Industry

*Figures indexed due to confidentiality

The industry's capacity utilization followed a similar trend to the production. Capacity utilization declined by 9% in 2020 due to the onslaught of the pandemic. It slightly increased in 2021 by 3%, recording its second highest utilization at 75% which indicated recovery from the pandemic since there was increase in capacity, and the production volume recorded its highest on the said year. However, capacity utilization declined by 14% in 2022 and further by 10% in 2023. In the first half of 2024, capacity utilization declined by 2% compared to the 2023 level. The highest capacity utilization is recorded pre-pandemic at 80% in 2019.

Figure 3: Rated Capacity, Production and Utilization Rate



C. Financial Performance/ Profitability

C.1 Profit and Loss

Table 10: Operating Profit (Loss) - M Php

Particulars	2019	2020	2021	2022	2023	2024 (Jan-Jun)	% Increase (Decrease) (2020 vs.2019)	% Increase (Decrease) (2021 vs.2020)	% Increase (Decrease) (2022 vs.2021)	% Increase (Decrease) (2023 vs.2022)
Sales*	100	85	93	90	81	37	(15.18)	9.77	(3.75)	(9.56)
Cost of Goods Sold*	100	83	93	99	92	43	(16.95)	12.35	5.98	(6.70)
Gross Profit*	100	90	93	65	51	21	(10.43)	3.34	(30.05)	(21.28)
Selling, General and Administrative Expenses*	100	90	88	86	90	5,818	(10.23)	(1.91)	(2.07)	4.94
Operating Profit*	100	89	100	31	(12)	(1,215)	(10.75)	11.70	(69.12)	(137.40)

Source: Domestic Industry

*Figures indexed due to confidentiality

The industry's gross profit declined in 2020 by 10%, increased slightly by 3% in 2021 and declined gradually by 30% in 2022 and further by 21% in 2023.

The selling, general and administrative expenses (SGAE) declined year-on-year throughout the POI from 2019 to 2022 by 10%, 2% and further by 2%, respectively. In 2023, there was a 5% increase in SGAE.

Despite the decreasing SGAE, operating profit declined during the POI, recording its first operating loss in 2023. Operating profit declined by 11% in 2020, increased by 12% in 2021, significantly declined by 69% in 2022 and declined further by 137% which recorded an operating loss in 2023. The industry recorded its highest operating profit in 2019 pre-pandemic.

C.2 Return on Sales

Table 11: Return on Sales

Particulars	2019	2020	2021	2022	2023	2024 (Jan-Jun)
Sales (M Php)*	100	85	93	90	81	37
Operating Profit (M Php)*	100	89	100	31	(12)	(15)
Return on Sales	xxx	xxx	xxx	xxx	(xxx)	(xxx)

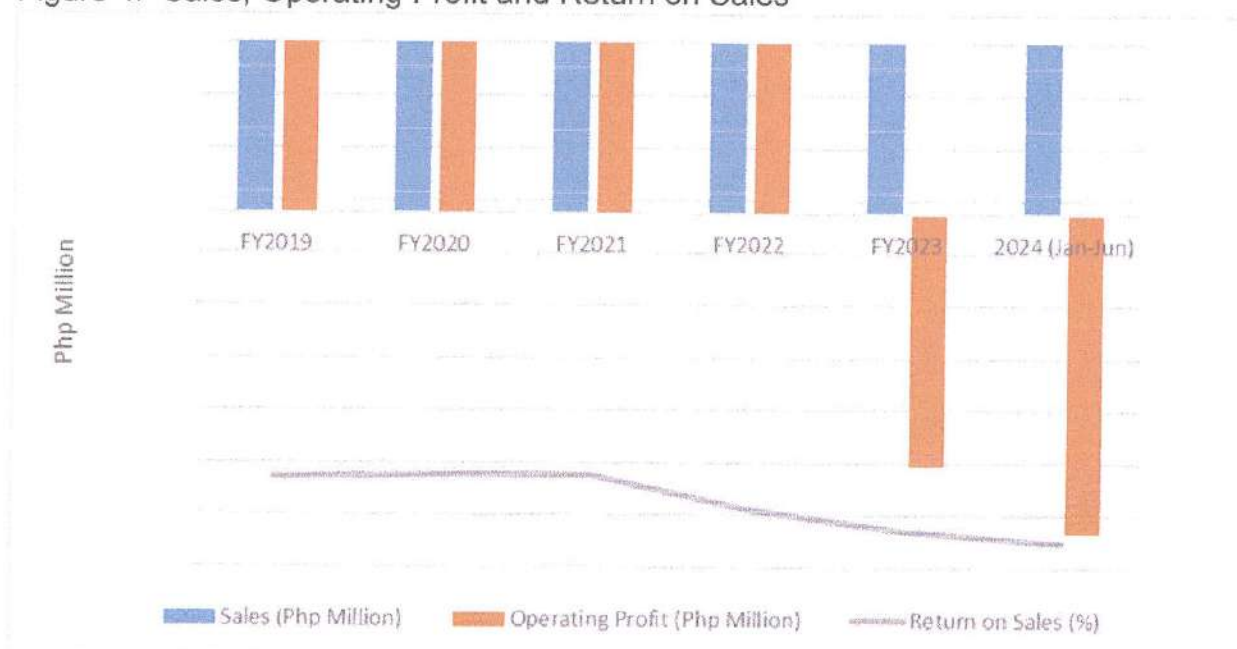
Source: Domestic Industry

*Figures indexed due to confidentiality

Return on Sales (ROS) is a profitability ratio which provides insight into how much profit is being produced per peso of sales.

Return on sales (ROS) based on operating profit increased from 2019 to 2021 ranging from 10% to 11% before it declined to less than 4% in 2022 and recorded a loss on sales in 2023.

Figure 4: Sales, Operating Profit and Return on Sales



The figure above shows a steady ROS from 2019 to 2021 while the industry faced a declined ROS in 2022. In 2023 and in the first half of 2024, they experienced loss on sales.

D. Employment and Labor Productivity

D.1 Employment

Table 12: Employment

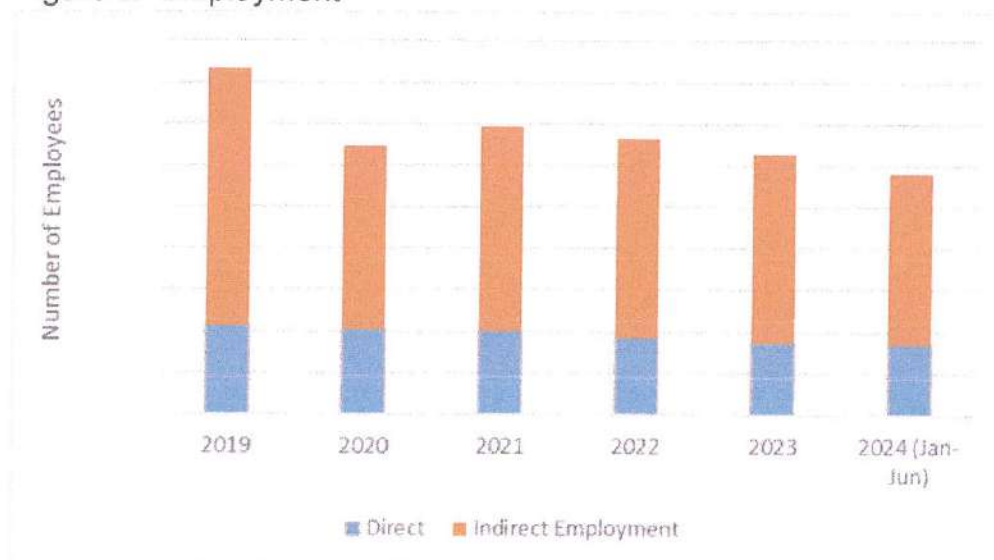
Year	Employees for Production*	Indirect Employees*	Total*	% Increase (Decrease)
2019	100	100	100	-
2020	96	71	78	(22.30)
2021	95	79	83	7.23
2022	88	78	80	(3.78)
2023	82	73	75	(5.95)
2024 (Jan-Jun)	81	66	70	(7.51)

Source: Domestic Industry

*Figures indexed due to confidentiality

The table above shows the direct and indirect labor personnel in the cement industry. The total employment in 2020 decreased by 22% while it increased by 7% in 2021. From 2021 to the first half of 2024, employment declined by 4% in 2022, declined further by 6% in 2023 and declined by 8% in the first half of 2024 compared to the 2023 level.

Figure 5: Employment



Based on the figure above, the level of direct employees slightly declined but relatively maintained, while, the indirect employees sharply declined, recording the highest-level pre-pandemic.

D.2 Productivity

Table 13: Labor Productivity

Year	Production Volume (MT)*	Employees for Production*	Labor Productivity (MT/employees)	% Increase (Decrease)
2019	100	100	xxx	-
2020	94	96	xxx	(2.90)
2021	107	95	xxx	15.48
2022	92	88	xxx	(6.19)
2023	83	82	xxx	(3.65)
2024 (Jan-Jun)	41	81	xxx	-

Source: Domestic Industry

*Figures indexed due to confidentiality

The labor productivity declined throughout the POI except for the increase of 15% in 2021 due to the highest recorded production on that year.

E. Price Effects

E.1 Cost to Produce

Table 14: Cost to Produce per MT

Particulars	2019	2020	2021	2022	2023	2024 (Jan-Jun)
Raw Materials (M Php)*	100	86	93	81	77	34
Direct Labor (M Php)*	100	95	96	99	86	43
Manufacturing Overhead (M Php)*	100	81	97	120	110	52
Cost to Produce (M Php)*	100	84	95	103	95	44
Cost to Produce per MT*	100	89	89	112	115	109
% Increase (Decrease)-COP per MT	-	(10.57)	0.07	24.85	2.60	-

Source: Domestic Industry

*Figures indexed due to confidentiality

The industry's production cost per MT declined by 11% in 2020, slightly increased by 0.07% in 2021, drastically increased in 2022 by 25% and slightly increased in 2023 by 3%. The drastic increase in manufacturing cost in 2022 is a combination of increase in raw materials cost and manufacturing overhead cost.

F. Prices

F.1 Price Undercutting

Price undercutting reflects the extent at which the imported product is consistently sold at a price below the domestic selling price of the like product.

Table 15: Comparison between Landed Cost of Imports and Average Ex-plant Price of Domestic Product in 2023 to 2024 (Jan-June)

YEAR	*Landed Cost of Imports (PhP/MT)	**Ex-factory Price of Domestic Industry (PhP/MT)	% Difference
Viet Nam	xxx	xxx	18.37
Japan	xxx	xxx	16.12
Indonesia	xxx	xxx	17.44
2023	xxx	xxx	24.17
Viet Nam	xxx	xxx	17.92
Japan	xxx	xxx	19.67
Indonesia	xxx	xxx	14.66
2024 (Jan-June)	xxx	xxx	11.64

Source: * BOC – SAD

** Domestic Industry

There is price undercutting of 24% in 2023 and 12% in 2024 (Jan-June). The major sources from 2023 to January to June 2024 are Viet Nam, Japan and Indonesia with recorded price undercutting.

F.2 Price Depression

Price depression reflects the extent at which the domestic producer decreases its selling price in order to compete with the imported product.

Table 16: Price Depression of Local Cement (P/MT)

Year	Ave. Ex-factory Price of Domestic Industry (P/MT)*	% Increase/ (Decrease)
2019	100	-
2020	93	(7.15)
2021	92	(1.02)
2022	102	10.98
2023	100	(2.27)
2024 (Jan-June)	92	-

Source: Domestic Industry

*Figures indexed due to confidentiality

During the period of investigation, price depression were recorded in 2020 at 7.15%, in 2021 at 1.02%, and in 2023 at 2.27%.

F.3 Price Suppression

Price suppression refers to the extent to which the imported product prevents the domestic producer from increasing its selling price to a level that will allow full recovery of its cost of production.

Table 17: Price Suppression of Locally Produced Cement (₱/MT)

Year	Ave. Selling Price of Domestic Product (Php/MT)* (a)	Cost of Production		Gross Margin (Php/MT)* (d) (a-b)	% Gross Margin (e) [(a-b)/b]	Average % Gross Margin (f) (2019-2022)
		Php/MT* (b)	% Increase/ (Decrease) (c)			
2019	100	100	-	100	34.15	33.42
2020	93	89	(10.57)	103	39.28	
2021	92	89	0.07	99	37.76	
2022	102	112	24.82	74	22.49	
2023	100	115	2.61	56	16.67	16.67
2024(Jan-Jun)	92	109	-	42	13.25	-

Source: Cement Industry

*Figures indexed due to confidentiality

Price suppression was recorded in 2023. The cost of production increased by almost 3% in 2023. However, since the average landed cost of imported cement from major sources was xxx, the domestic industry was not able to pass on the increased cost. The gross margin went down to 17% in 2023, indicating a price suppression of 16% compared to the 33% average gross margin for the last four years.

V. SUMMARY AND CONCLUSIONS

A. Volume of Imports

A.1 In Absolute Terms

- Continuously increased from 2019 to 2023.
- In 2023, cement imports rose by 317,514 MT or 5% over 2022 level.
- In January to June 2024, imported cement was recorded at 3.7M MT or 52% of 2023 level.
- Viet Nam, PROC, and Japan were the major suppliers of the imported product.

A.2 In Relative Terms

- The share of imports continuously increased during the POI (2019 to June 2024).
- The share of imports in January to June 2024 rose to its highest level at 51% from 30% in 2019.

B Serious Injury

B.1 Market Size

- The total apparent Philippine market showed a declining trend during the POI, except in 2021.
- In 2021, the apparent Philippine market recorded its highest growth at 14%.
- In 2023, the total apparent consumption declined by 6%, but import grew by 5% and the share of domestic sales dropped by 10%.

B.2 Market Share

- The share of imports to total Philippine market increased from 22% in 2019 to 32% in 2023, and further to 34% in 2024 (January to June).
- The market share of domestic cement decreased during the POI from 78% in 2019 to 68% in 2023.

B.3 Domestic Sales

B.3.a Sales Volume

- Sales volume declined year-on-year throughout the POI from 2019 to 2023 except a remarkable increase in 2021 by 12%.
- In the first half of 2024, sales volume is less than half compared to the 2023 level.

B.3.b Sales Value

- Sales value declined by 15% in 2020, increased in 2021 by 10% but declined by 3% in 2022 and further by 9% in 2023.

B.4 Production

B.4.a Total Production

- Production declined by 14% in 2022 and further by 10% in 2023.
- In the first half of 2024, production volume is less than half compared to the 2023 level.

B.4.b Capacity Utilization

- Capacity utilization declined by 14% in 2022 and further by 10% in 2023.
- In the first half of 2024, capacity utilization declined by 2% compared to the 2023 level.

B.4.c Inventories

- Inventory volume declined by 9% in 2021, 12% in 2022 and further by 2% in 2023.
- Value declined by 3% in 2020, by 1% in 2021, increased in 2022 by 18% while slightly declined by less than 1% in 2023.

B.4.d Cost of Production

- Increased in 2022 by 25% and further increased in 2023 by 3%.

B.5 Profitability

B.5.a Profit and Loss

- Operating profit declined during the POI recording its first operating loss in 2023.

B.5.b Return on Sales

- Return on sales (ROS) based on operating profit increased from 2019 to 2021 before it declined in 2022 and recorded a loss on sales in 2023.

B.6 Employment

- Employment declined by 4% in 2022, declined further by 6% in 2023 and declined by 8% in the first half of 2024 compared to the 2023 level.

B.7 Productivity

- Labor productivity declined throughout the POI except for the increase of 15% in 2021 due to the highest recorded production on that year.

B.8 Prices

B.8.a Price Undercutting

- Price undercutting were recorded at 24.17% in 2023 and 11.64% in 2024 (Jan-June).

B.8.b Price Depression

- Price depression were recorded in 2020 at 7.15%, in 2021 at 1.02%, and in 2023 at 2.27%.

B.8.c Price Suppression

- Cost of production increased by almost 3% in 2023. Cement manufacturers were unable to pass on the increased cost in view of lower-priced imported cement.

VI. CAUSATION

The above evidence shows that serious injury to the domestic industry was caused by increased imports based on the following:

1. Significant increases in the volume of imported cement from 2019 to 2023 preceded the serious injury to the industry in 2023;
2. The conditions of competition showed that the market share of local cement producers decreased during the POI from 78% in 2019 to 68% in 2023, as imports in the domestic market displaced locally produced cement.

VII. THE WORLD TRADE ORGANIZATION AGREEMENT ON SAFEGUARDS

Article XIX (Emergency Action on Imports of Particular Products) of the General Agreement on Tariffs and Trade (GATT) 1994 provides that: *"If, as a result of unforeseen developments and of the effect of the obligations incurred by a contracting party under this Agreement, including tariff concessions, any product is being imported into the territory of that contracting party in such increased quantities and under such conditions as to cause or threaten serious injury to domestic producers in that territory of like or directly competitive products the contracting party shall be free, in respect of such product, and to the extent and for such time as may be necessary to prevent or remedy such injury, to suspend the obligation in whole or in part or to withdraw or modify the concession."*

The WTO Appellate Body in **Argentina – Footwear and Korea – Certain Dairy Products** established that safeguard measures may be applied only when the prerequisites of Article XIX of GATT 1994 and the conditions of the Agreement on Safeguards (both Multilateral Trade Agreements and as such are integral parts of the WTO Agreement) are clearly demonstrated.

Cement is not the subject of any tariff concession under the WTO Agreement. The investigation is also governed by RA 8800, the Safeguard Measures Act, and the terms and conditions of the Agreement on Safeguards.

VIII.a. Unforeseen Developments

The global cement industry, a cornerstone of modern construction, is grappling with a significant challenge: overcapacity. This phenomenon, characterized by the production of more cement than is demanded by the market, has far-reaching implications for both producers and consumers.

China has the largest excess capacity in the world, with 45% of the global overcapacity. China is the world's largest producer and consumer of cement, and is also the leading contributor to global cement emissions. <https://www.linkedin.com/pulse/overcapacity-major-problem-world-cement-industry-ali-emir-adiguzel#:~:text=Currently%20China%20has%20the%20greatest,to%20higher%20inland%20logistics%20costs>.

India, the world's largest democracy and second-largest cement market, will reportedly struggle to exceed 70% capacity utilisation in the forthcoming 2020-2021 fiscal year, according to the credit ratings agencies ICRA, India Ratings and Crisil. <https://www.globalcement.com/news/itemlist/tag/Overcapacity>

Indonesia has a cement production capacity of 119.1 million tons, but domestic demand only reached 65.5 million tons in 2023. Indonesia is transitioning to more sustainable cement production, including investigating ways to make production carbon neutral. <https://www.cemnet.com/News/story/175339/indonesia-remains-gripped-by-cement-overcapacity.html>

Viet Nam is the second-largest cement-producing country in Southeast Asia. The cement industry is facing a capacity surplus due to lower demand from the construction industry. The cement industry is also a major contributor to global carbon dioxide emissions, with global cement manufacturing producing 1.6 billion metric tonnes of CO₂ in 2022. <https://arc-group.com/asia-cement-industry/#:~:text=Production%20and%20consumption%20of%20cement,tons%20of%20production%20per%20year>

South Africa imposed provisional anti-dumping duties on Pakistani cement imports after an investigation by the International Trade Administration Commission (ITAC). The duties ranged from 14.29% to 77.15%. <https://www.aggbusiness.com/node/128775>

In 2022, the anti-dumping duties on Portland cement imports from Pakistan were extended for another five years. <https://www.moneyweb.co.za/mymoney/moneyweb-tax/new-concerns-about-agreements-for-protection-against-anti-dumping/#:~:text=The%20anti%20dumping%20duties%20on%20Portland%20cement%20imports,but%20only%20in%20the%20nick%20of%20time>

VIII.b. Notification Requirement

Article 12.1 of the WTO Agreement on safeguards states that a Member shall immediately notify the Committee on Safeguards upon:

- (a) initiating an investigatory process relating to serious injury or threat thereof and the reasons for it;

IX. RECOMMENDATIONS

Based on the above findings, there are indications that increased imports of cement are the substantial cause of serious injury to the domestic industry in terms of declining market share, production, sales, capacity utilization, profitability, price depression, suppression and undercutting.

Wherefore, premises considered, the Department, finds *prima facie* evidence to motu proprio initiate and conduct a preliminary safeguards investigation to determine whether cement is being imported into the Philippines in increased quantities and is causing serious injury to the domestic industry.

Let the notice of initiation of a preliminary safeguards investigation be published in two (2) newspapers of general circulation and individual notices be sent to all interested parties including the country members concerned.

SO ORDERED.

28 October 2024



MA. CRISTINA A. ROQUE
Secretary



ANNEX A

LIST OF EXPORTERS SOURCED FROM BUREAU OF CUSTOMS (BOC-SAD)

	Exporters	Country
1	VISSAI NINH BINH JSC	Viet Nam
2	NCL TRADING JOINT STOCK COMPANY	Viet Nam
3	OMANCO MATERIAL VIETNAM COMPANY LIMITED	Viet Nam
4	VIETNAM TRADING SERVICES AND IMPORT EXPORT LIMITED COMPANY	Viet Nam
5	VICEM TAM DIEP CEMENT ONE MEMBER COMPANY LIMITED	Viet Nam
6	CHINFON CEMENT CORPORATION	Viet Nam
7	LHP VIET NAM TECHNOLOGY INVESTMENT COMPANY LIMITED	Viet Nam
8	VICEM HAI PHONG CEMENT COMPANY LIMITED	Viet Nam
9	PT CONCH NORTH SULAWESI CEMENT	Indonesia
10	NAM PHUONG IMEX IMPORT & EXPORT JSC	Viet Nam
11	NAM ANH TRADE AND EXPORT JOINT STOC	Viet Nam
12	AN VIETNAM INTERNATIONAL TRADING COMPANY LIMITED	Viet Nam
13	SUMITOMO OSAKA CEMENT CO., LTD.	Japan
14	TOKUYAMA CORPORATION	Japan
15	NHUAN PHAT TST CO., LTD	Viet Nam
16	THANG LONG CEMENT JOINT STOCK	Viet Nam
17	CAM PHA CEMENT JOINT STOCK COMPANY	Viet Nam
18	HA LONG CEMENT JOINT STOCK COMPANY	Viet Nam
19	LONG SON COMPANY LIMITED (THANH HOA BRANCH LONG SON CEMENT PLANT)	Viet Nam
20	LUCKY CEMENT LIMITED	Pakistan
21	VIET HP IMPORT EXPORT AND INVESTMENT JSC	Viet Nam
22	JALAPRATHAN CEMENT PUBLIC CO LTD	Thailand
23	SCHLUMBERGER OVERSEAS S A	Thailand
24	TPI POLENE PUBLIC COMPANY LIMITED	Thailand
25	VINTRADE TRADING JOINT STOCK COMPANY	Viet Nam
26	JALAPRATHAN CEMENT PUBLIC COMPANY	Viet Nam
27	DOWELL SCHLUMBERGER EASTERN INC.	Brunei Darussalam
28	BAKER HUGHES OPERATIONS LTD.	Thailand
29	GUANGZHOU YUANJUN IMP. & EXP.	China
30	BOSTIK FINDLEY MALAYSIA SDN BHD	Malaysia
31	GUANGZHOU CITY BEILEIMAO TRADE CO.	China
32	XYPER CHEMICAL CORPORATION	Canada
33	GUANGDONG XINGHUOYUNTU TRADING CO LTD	China
34	POWER ENTERPRISES CO.LTD.	Taiwan
35	GUANGZHOU HAOQI TRADING	China
36	WELLSTON TRADING CORPORATION	Japan
37	GILSON COMPANY	USA
38	NIST	USA

ANNEX B

LIST OF IMPORTERS SOURCED FROM THE BUREAU OF CUSTOMS (BOC-SAD)

Importers	
1	PHILCEMENT CORPORATION
2	FORTEM CEMENT CORPORATION
3	DAVAO TRADING
4	NGC MARKETING CORPORATION
5	NEWGATE IMPORT EXPORT CORPORATION
6	MARLUSA CONSTRUCTION SUPPLY
7	COHACO MERCHANDISING & DEVT. CORP
8	DAVAO MULTIBUILD CORPORATION
9	ZAENNA TRADING
10	SAMSTONE MULTI RESOURCES INC.
11	UNLISTEEL DEPOT CORPORATION
12	FULLWAY RESOURCES INC.
13	DEQUINA CONSTRUCTION
14	ILOILO GRAND EMPEROR TRADING CORP.
15	HONGHUI PIONEER S CEMENT INTERNATIONAL
16	SUMMIT KONCRETE PRODUCTS CORP.
17	NGC LAND CORPORATION
18	FENIX(CEZA) INTL INC.
19	OBBO HOLDINGS INC.
20	BLUE STAR TECHNOLOGY CORPORATION
21	SENERGY POWER AND TECHNOLOGIES INC.
22	GRACE CONSTRUCTION CORP.
23	ST. JOHN PAUL COUNTERTRADE CORPORATION
24	MULTIGROWELL TRADING INC.
25	GLOBALINK EXIMPORT TRADING CORP.
26	GLOBAL TRANSIT TRADING PHILS. INC.
27	ABBAH KING CEMENT CORPORATION
28	RIVER VALLEY DISTRIBUTION INC.
29	PHILIPPINE SUPER METRO CEMENT CORP.
30	HA LONG PILIPINAS INC.
31	SCHLUMBERGER ASIA SERVICES LIMITED
32	CSA RESOURCES CORPORATION
33	LEMERY CEMENT SILO TANK CORPORATION
34	UZMA ENGINEERING LIMITED PHILIPPINE
35	E A VALENZUELA IMPORT EXPORT INC.
36	NOVTEK CORPORATION
37	BOSTIK PHILIPPINES INC.
38	ARRO SPECIALIZED GOODS TRADING
39	RICHMOND WATERPROOFING INC.
40	NECTAR STEEL TRADING
41	KOTEN ENTERPRISES CO INC.
42	SOLID CHARM TRADING
43	TAGANITO HPAL NICKEL CORPORATION
44	XPRT VENTURES INC.