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Trade Policy Monitoring

EU safeguard trigger volume calculations for fruit and vegetables - revised

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Report Highlights:

The Commission Regulation (EC) No 1242/2006 of 17 August 2006 (amending Regulation (EC) No 1555/96) introduced some changes on the rules of application for additional import duties on fruit and vegetables. Additionally, some safeguard trigger volumes for certain products are updated. This report explains the mechanism for updating the trigger volumes and comments the amendment on the trigger conditions.

Includes PSD Changes: No
Includes Trade Matrix: No
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THE EU FRUIT AND VEGETABLE IMPORT SYSTEM

Within the current framework of the Fruit and Vegetable Common Market Organization, EU import measures include an entry price system, a special safeguard provision, tariff rate quotas, as well as sanitary and phytosanitary measures. All these measures were established after the 1995 Uruguay Round Agreement on Agriculture (AoA).

ENTRY PRICES (COMMISSION REGULATION (EC) NO 3223/94 AND [1719/2005](#))

The EU entry price system is a tariffication of the previous reference price system. It applies to a certain period, for a certain list of products (tomatoes, cucumber, gherkins, artichokes, courgettes, oranges, mandarins, lemons, table grapes, apples, pears, quinces, apricots, cherries, peaches, plums, sloes, fruit juices and wine).

When a product's import price is equal or higher than the fixed EU entry price, an ad valorem duty is applied. When the import price is lower than the fixed entry price, a tariff equivalent is added to the ad valorem duty.

Additional Import Duty (Commission Regulation (EC) No [1555/96](#))

Additional import duties are levied on imports when the import volume exceeds a "trigger volume." In the case of products containing added spirits or sugar (HS 20083019, 20089921 and 20099071), additional import duties are levied when the import price falls below an established trigger price. The safeguard clause is only applicable to products already subject to the "Maximum Tariff Equivalent," which is the maximum countervailing charge that can be levied. In most cases, the additional import duty is equal to 1/3 Maximum Tariff Equivalent + 1/3 normal ad valorem duty.

Quotas

For some products, (i.e. garlic, carrots and turnips, cucumbers, sweet peppers, dried onions, manioc, sweet potatoes, almonds, bananas, citrus, table grapes, apples, pears, apricots, cherries) there is a system of tariff quotas for specific countries.

TRIGGER VOLUME CALCULATIONS

According to the Uruguay Round Agreement on Agriculture, the trigger level is based on market access defined by imports as a percentage of the corresponding domestic consumption during the three preceding years:

- (a) where such market access opportunities for a product are less than or equal to 10 percent, the base trigger level shall equal 125 percent;
- (b) where such market access opportunities for a product are greater than 10 percent but less than or equal to 30 per cent, the base trigger level shall equal 110 percent;
- (c) where such market access opportunities for a product are greater than 30 percent, the base trigger level shall equal 105 percent.

As import and consumption data are continuously revised, trigger volumes are periodically recalculated following the WTO procedure. For the European Union, the updated trade data published by EUROSTAT ([Comext](#)) are typically released in the month just before the start of the trigger period, which coincides with the European production season of each product:

Description	Trigger period	Update
Tomatoes	1 Oct. to 31 May	September/October
	1 June to 30 Sept.	May
Cucumbers	1 May to 31 Oct.	April/May
	1 Nov. to 30 April	October
Artichokes	1 Nov. to 30 June	October
Courgettes	1 Jan. to 31 Dec.	December
Oranges	1 Dec. to 31 May	October
Clementines	1 Nov. to end of Feb.	October
Mandarins	1 Nov. to end of Feb.	October
Lemons	1 June to 31 Dec.	May
	1 Jan. to 31 May	December
Table grapes	21 July to 20 Nov.	May
Apples	1 Jan. to 31 Aug.	December
	1 Sept. to 31 Dec.	August
Pears	1 Jan. to 30 April	December
	1 July to 31 Dec.	May
Apricots	1 June to 31 July	May
Cherries	21 May to 10 Aug.	April/May
Peaches, including nectarines	11 June to 30 Sept.	May
Plums	11 June to 30 Sept.	May

CHANGES IN THE TRIGGER CONDITIONS FOR THE SAFEGUARD CLAUSE

Commission Regulation (EC) No [1242/2006](#) of 17 August 2006 (amending Regulation (EC) No [1555/96](#) on rules of application for additional import duties on fruit and vegetables) introduced some changes, which appear to provide some greater flexibility in the triggering mechanism of the safeguard. Specifically, in Article 3.1, the trigger condition has been modified. Under EC 1555/96, "If it is found that the quantity imported (...) exceeded (...) the trigger level (...), the Commission shall impose an additional duty." Under the new provisions of EC 1242/2006, "If it is found that, for one of the products (...) the quantity put into free circulation exceeds the corresponding triggering volume the Commission shall levy an additional duty **unless** the imports are unlikely to disturb the Community market, or the effects would be disproportionate to the intended objective."

This amendment allows for the possibility of not implementing the safeguard measures even though a trigger volume has been exceeded.

EXAMPLE: EU TRIGGER VOLUMES FOR APPLES

After the “apple crisis” of 2005, the French government asked the European Commission to reevaluate the trigger conditions for the special safeguard clause.

Although the European Commission ruled out the option of changing the conditions for safeguard measures, the Commission suggested that some market problems could have resulted from the lack of timely (and adequate) import data. The European Commission promised to conduct closer monitoring of imports during the 2006 campaign, and subsequently established a temporary system of import licenses for apples. This temporary system will disappear when the new foreseen custom system came into force. The Commission is expected to launch an electronic custom system (System II) in January 2007, which will register the entry of all commodities. Both data procedures will run together until the new method proves its reliability. The collected [import data](#) is regularly reported on the European Commission website. The Commission also committed itself to provide [data](#) on production, prices, import, exports and market measures (i.e. withdrawals) (See GAIN Report [E36009](#)).

The increased flow of information has facilitated a better understanding of market conditions, helping to avert the pitfall of large surpluses. According to industry sources presented at the 30th Prognosfruit Congress, EU-25 apple output is expected to fall 5 percent from 2005, to 9.6 million tons (not official EU or USDA data). The reasons for this decrease may be attributed to crop alternation, the frosts during the spring, and the drought during this past summer. France and Spain have also made use of grubbing-up measures.

While safeguard trigger conditions have not been altered, the EU trigger volumes are updated both in December and in August to take into account the two entry price periods for apples. The most recent update on August 17, 2006, set new trigger volume levels at 922,228 tons (for January 1 to August 31), and 51,920 tons (from September 1 to December 31).

As already noted, the trigger volume is defined by a percentage of the previous three-year average imports. This percentage, which varies from 105 to 125 percent, depends on the level of market access, defined as the share of imports with respect to total consumption. The following table serves as an indicative guideline of how the calculation is made. The figures shown do not match the Commission calculation exactly since the data does not correspond to the EU marketing year.

Year	Imports MT	Consumption MT	3-year Avg Imports	3-Avg. Consumption	Market access: Import % Consumption	Avg. Import x 1.25
1997	622,222	7,807,239				
1998	612,695	7,765,810				
1999	742,817	9,105,262				-
2000	585,326	8,471,559	659,245	8,226,104	8%	824,056
2001	656,485	7,775,271	646,946	8,447,544	8%	808,683
2002	717,065	7,760,842	661,543	8,450,697	8%	826,928
2003	817,237	7,352,630	652,959	8,002,557	8%	816,198
2004	907,483	7,965,826	730,262	7,629,581	10%	912,828
2005	830,953		813,928	7,693,099	11%	1,017,410

Source: COMEXT

	Jan-Aug	Sep-Dec
2003	766,903	50,334
2004	853,506	53,976
2005	798,714	33,958
Avg.	806,374	46,089
Avg. x 1.15	927,330	53,002

Previous trigger levels were set as follows:

Jan 1- Aug 31	Sep 1 – Dec 31	
▶ 730,999	32,266	Commission Reg. 2246/04 of 27 December 2004
▶ 804,433	117,107	Commission Reg. 1344/05 of 16 August 2005
▶ 805,913	80,454	Commission Reg. 2123/05 of 22 December 2005
▶ 922,228	51,920	Commission Reg. 1242/06 of 17 August 2006

Tons	1997	1998	1999	2000	2001	2002	2003	2004	2005	96-04	05/96-04
Hemisph.South	527,174	539,557	655,927	484,327	598,100	648,469	734,660	793,620	737,308	619,062	19,1%
New Zealand	161,195	130,623	183,851	167,070	175,819	206,039	198,628	213,740	207,612	182,739	13,6%
South Africa	131,135	179,818	158,341	121,631	152,725	148,023	181,893	180,089	152,122	157,021	-3,1%
Chile	131,712	144,788	179,905	91,159	143,362	158,094	177,697	178,972	178,173	150,484	18,4%
Argentina	79,806	68,462	77,051	41,329	87,427	73,372	97,682	90,860	105,944	76,104	39,2%
Brazil	19,721	10,308	49,679	57,052	31,662	57,486	68,994	122,627	85,246	46,715	82,5%
Australia	2,643	2,543	2,693	3,489	3,571	2,312	4,546	2,010	2,136	2,737	-22,0%
Uruguay	936	3,008	4,406	2,595	3,534	3,142	5,219	5,321	6,053	3,240	86,8%

Tons	1997	1998	1999	2000	2001	2002	2003	2004	2005	96-04	05/96-04
Hemisph.North	95,048	73,138	86,891	100,998	58,385	68,596	82,576	113,863	93,646	82,841	37,4%
USA	36,528	46,188	55,454	32,384	33,957	28,749	28,258	37,208	39,833	37,864	5,2%
Canada	8,057	8,439	7,540	7,477	6,506	6,209	3,436	5,222	5,558	6,723	-17,3%
Slovenia	5,103	1,837	1,450	1,999	291	1,564	331	368	-	1,926	-100,0%
Poland	2,389	2,509	819	312	1,455	1,234	6,843	6,609	-	2,638	-100,0%
Czech Rep.	23,129	8,326	14,336	50,016	1,085	7,413	8,143	615	-	12,711	-100,0%
Hungary	6,850	986	958	927	1,108	2,410	2,481	125	-	2,312	-100,0%
China	877	1,219	1,900	4,010	7,949	14,922	28,409	62,261	46,731	13,513	245,8%

Source: DG AGRI. European Commission

Imports from South Hemisphere's countries are concentrated between March and August, not overlapping with North Hemisphere harvest, with almost no imports the rest of the year, representing 82% of the total imports.

The Northern countries have exports more homogenously distributed, with a peak between November and April. Some adjustments were necessary for trigger volumes after the enlargement in May 2004, when some of the most important importers became part of the EU. Regarding the Northern countries, the U.S. was the most important supplier until 2003, when Chinese exports exceeded American ones. Therefore, although there is no risk of safeguard measures in a short term, Chinese exports can cause difficulties in the future if its growing trend continues like until now.

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Report Number	Title	Date Released
UK6034	Fresh Deciduous Fruit Annual – United Kingdom	10/23/2006
IT6038	Fresh Deciduous Fruit Annual - Italy	10/16/2006
SP6023	Fresh Deciduous Fruit Annual - Spain	09/12/2006
PL6061	Fresh Deciduous Fruit Annual - Poland	09/11/2006
HU6010	Fresh Deciduous Fruit Annual - Hungary	09/11/2006
LO6006	Fresh Deciduous Fruit Annual - Slovakia	09/11/2006
GM6033	Fresh Deciduous Fruit Annual - Germany	09/07/2006
E36009	EU Import License System for Apples	01/24/2006
E35173	EU Authorizes a Reduction in the Frequency of Phytosanitary Inspections for US apples	09/01/2005
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