

Brussels, 26 September 2007

Commission to propose suspension of import duties on cereals

Mariann Fischer Boel, Commissioner for Agriculture and Rural Development, today announced that she will propose in the coming days the total suspension of cereal import duties for the current marketing year - which ends on June 30, 2008 – unless market conditions justify their reintroduction before that date. The proposal, which was put to EU agriculture ministers, is a reaction to the exceptionally tight situation on the cereals markets and the record price levels. Although the actual levels of border protection for cereals are rather low, import duties are still applied for certain types of grains that are relevant for the balance of the EU market. At the same time, there are no export refunds on cereal exports. The proposal would have to be approved by the Council of Ministers.

The cereals market is currently characterised by historically high prices. The 2007 cereals crop is now estimated below last year's level because of dry and unusually hot weather in April followed by adverse summer weather in western Member States and drought and heat-waves in the Southeast of Europe. This outlook is likely to lead to a further reduction in the EU of private cereal stocks by the end of the 2007/2008 marketing year. At global level, closing stocks in 2007/2008 are expected to fall to a historically low level, especially in the major exporting countries.

Background on import duties

The EU has bound tariffs for all cereals set under the GATT agreement. However, applied rates are different. The system originates in the Blair House Agreement between the US and the EU and involves setting tariffs on the basis of separate world reference prices for clearly defined cereals types. The duty is fixed on the basis of the difference between the effective EU intervention price for cereals including monthly increments, multiplied by 1.55 and a representative cif import price for cereals at Rotterdam.

The resulting duty is currently set at 0 for durum wheat, high quality soft wheat, rye and sorghum. The duty for maize is set at €1.93/t since 16 September 2007. It has been fluctuating for several months due to the volatility of the US market reference prices for maize.

Tariff rate quotas were introduced in 2003 on barley and low and medium quality wheat in response to large imports from Community of Independent States countries.

For medium and low quality soft wheat, annual Tariff Rate Quota of 2,989,240 tonnes is open, including a country-specific quota of 572,000 tonnes earmarked for imports originating in the United States and 38,853 tonnes for Canada.

The remaining 2,378,387 million tonnes is split into four equal tranches of 594,597 tonnes, one of which is open each quarter to other third countries. The duty payable on imports under the quota is set at €12/tonne..

For barley, annual Tariff Rate Quota of 306,215 tonnes is open with €16/tonne duty payable. There is another quota of 50,000 tonnes of malting barley at a duty of €8/tonne.

A duty-free quota of 242,074 tonnes of maize was introduced in 2006 which is split into two equal tranches open to all third countries. This quota has been entirely used for 2007.

For maize and sorghum imported into Spain and Portugal, there are reduced tariff import quotas since Spain and Portugal's accession to the EU. An agreement between the EU and the US allows a fixed quantity of third country maize/sorghum to be imported, if necessary at a reduced duty (abatement), to compensate the US for the loss of its Iberian Peninsula markets. The current agreement applies to 2 million tonnes of maize and 0.3 million tonnes of sorghum to be imported annually into Spain. Amounts are reduced by any quantity of grain substitutes (e.g. starch residues, corn gluten feed and citrus pulp) imported into Spain in the same year. A tariff import quota of 0.5 million tonnes of maize into Portugal (tariff fixed to ensure that the quota is filled up to a maximum level of € 50 per tonne) was also agreed. In view of the low levels of the calculated duty and the good pace of maize imports, no abatements has been granted during 2007.