

Brussels, 20 December 2007

Agriculture: European Union suspends import duties on most cereals

The European Union today unanimously agreed to suspend import duties on all cereals except oats, buckwheat and millet for the current marketing year - which ends on June 30, 2008. The decision, proposed last month by the European Commission, is a reaction to the exceptionally tight situation on the world and EU cereals markets and the record price levels. Although the current levels of border protection for cereals are rather low, import duties are still applied for certain types of grains that are important for the balance of the EU market.

"I'd like to thank the Council for adopting this important measure so quickly," said Mariann Fischer Boel, Commissioner for Agriculture and Rural Development. "Suspending import duties will facilitate cereals imports from outside the EU and take some of the pressure off European grain markets. We have now had two low European harvests in a row and prices are high both at home and on world markets."

Cereals market situation

At the start of the 2007/08 marketing year in July, total stocks (private + intervention) were 13.2 million tonnes below levels at the same time the previous year. This is the result of the modest harvest in 2006/07 and significant withdrawals from EU intervention stocks. In 2007, unfavourable weather conditions reduced the harvest and overall EU production is estimated at 256 million tonnes, a fall of 10 million tonnes or 3.5 percent on the already modest 2006/07 harvest. Output is declining at a time when EU stocks are already low. As a result, the EU will need more imports in 2007/08 than in 2006/07. Traditionally a net exporter, in 2007/08 the EU has become a net importer. European cereals markets have seen a spectacular upsurge in prices since the start of 2007/08. There are tensions on the small-grain cereals and maize markets, as a result of reduced stocks of common wheat and maize, poorer than forecast quality, and the exhaustion of intervention stocks (currently down to 0.5 million tonnes).

Background on import duties

The EU has consolidated the duties for all cereals under the GATT agreement. Duties are governed by the rules in Headnote 6 of EC schedule CXL to the GATT, which originates from the Blair House Agreement with the US. With the exception of barley and medium or low quality common wheat, customs duties are fixed on the basis of world reference prices for clearly defined varieties of cereals. 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 has fluctuated since the beginning of the current marketing year, from a peak of €16.21 per tonne to 0 since 1 October 2007. Outside these quotas, a maximum duty of €93 and €95 per tonne respectively applies.

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.