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European Union

Grain and Feed

Rice - Overview of the EU Import Regime for Rice 2003

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Report Highlights:

This reports describes the tariffs facing US exporters of rice to the EU as well as the concessions available for US exporters and other third countries exports to the EU.

Includes PSD changes: No
Includes Trade Matrix: No
Unscheduled Report
Brussels USEU [BE2], E2

Introduction

The purpose of this report is to set out the current rice import regime of the EU and how it works.

The system used for imposing tariffs on EU imports of rice is complicated. It is designed to bring the price of imported rice, calculated after tariffs have been paid, to the basic price of EU rice raised by 80%. The system set up by the EU to do this is explained below.

This report also sets out all the trade concessions offered by the EU are set out, including the TRQs that US exporters can take advantage of and the "Everything but Arms" Agreement that will give the least developed countries unlimited duty free access to the EU for all of their exports to the EU in 2009

The European Commission has also tabled a proposed reform of the rice regime that will be discussed by the EU during 2003. The basic principle proposed is to halve the price guaranteed to EU farmers from roughly EUR 300 to EUR 150, compensating most of their loss of income from this measure with direct payments. Please see the links at the end of this report for more details.

The EU Import Regime for Rice

Rice imported into the EU has the following duties, set out in the table below, imposed on it, or the so called 'margin of preference' system, whichever the are lowest. The bound rate is the maximum possible tariff the EU can impose for a product. These levels are fixed under WTO Agreements.

CN	Type	Bound Rate
1006 10	Paddy	EUR 211/mt
1006 20	Brown	EUR 264/mt
1006 30	Semi milled or milled	EUR 411/mt

Margin of Preference System

Under GATT Headnote Seven, the duty paid import price for rice shall not exceed a ceiling.

For brown, indica rice this ceiling level is set at 180% of the EU intervention price for rice. For Japonica varieties the level is set at 188% of intervention. For milled rice, the level is set at 267%. Currently, the intervention price is EUR 298.35/t, so the maximum duty paid import price is EUR 537 (for brown, indica rice).

The duty paid import price is composed of the value (i.e., price) plus the duty. As the actual value of each shipment of rice is not known, a 'reference price' is established by the EU, so that they can calculate what the correct duty should be.

The duty paid import price is calculated from a 'reference price' as opposed to the actual value of a shipment. The reference price system is established under Regulation 1503/96.

The Reference Prices are increased by 8% for duty calculations. This has the effect of lowering the duty to be paid. The 8% measure was introduced in 1999 following the abandonment by the EU of the short lived 'Cumulative Recovery System' an attempt to calculate duties on a per shipment basis.

So the equation for rice duties is as follows:

$$\text{Duty payable} = (\text{EU Intervention Price for Rice} \times 1.80) - (\text{Reference Price} \times 1.08)$$

However, the duty may not exceed the duty fixed in the EU's Common Customs Tariff, which is a maximum of EUR 264/t for brown Indica rice.

The European Commission publishes the import duties for each type of rice valid over the following two week period, as well as the reference price.

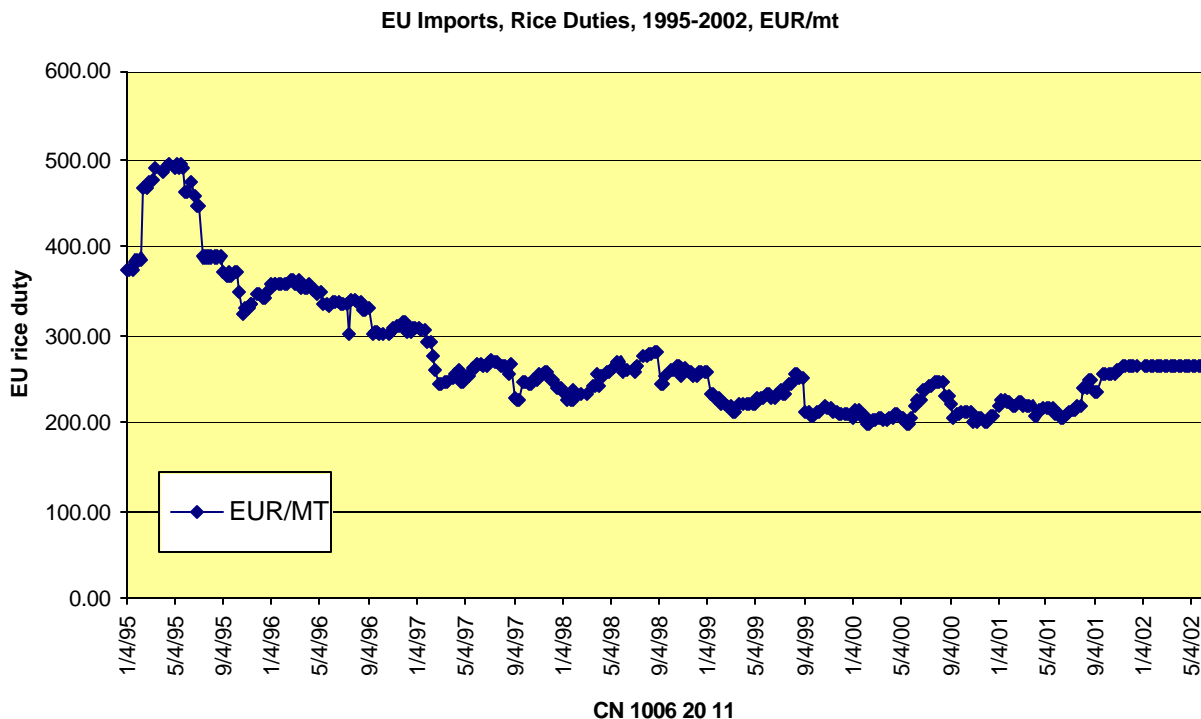
The Reference Price System

A side letter to the original agreement between the EU and the USA establishes the USDA Weekly Rice Prices as the source for the reference prices.

The precise form and type of rice to be used for the reference price system is defined in EC Regulation 1503/96.

	Indica Rice		Japonica Rice	
	Husked	Milled	Husked	Milled
CN Code	1006 20 17 1006 20 98	1006 30 97 1006 30 48 1006 30 67 1006 30 98	1006 20 Other than: 1006 20 17 1006 20 98	1006 30 Other than: 1006 30 27 1006 30 48 1006 30 67 1006 30 98
Reference Quality	US long grain 2/4/73 US long grain parboiled 1/4/88	Thai 100% B	US Gulf medium grain	US Gulf medium grain
Origin	USA	Thailand	USA	USA
Stage	Cif loose ARAG	Cif loose ARAG	Cif loose ARAG	Cif loose ARAG

Source: 1503/96, Consolidated



The current (early 2003) rice import duties for brown rice have continued to be at the same level, EUR 264/mt, the bound rate for this type of rice, for over a year now, due to the low price of rice on world markets. It should be noted that the bound rate was reduced by 36% to EUR 264 under the Uruguay Round tariff liberalizations, which helps to explain why the tariff was much higher in earlier years.

What tariff preferences are available?

US exporters of rice to the EU have access to a concession for export of fixed quantities of rice at reduced tariffs. These Tariff Rate Quotas were negotiated following the accession of Austria, Finland and Sweden to the EU in 1995, and were granted to compensate any possible loss of market share as these countries adopted the (higher) EU external tariff for rice. They concessions were granted on the basis of past trade patterns.

Imports using these TRQs can be sold anywhere in the EU and are not restricted to Austria, Finland or Sweden.

Finland, Austria and Sweden Concessions

CN	Type	Duty	Quota Size (mt)	For the USA
1006 30	Semi and wholly milled rice	Zero	63,000 mt	38,721 mt
1006 20	Husked rice	EUR 88/mt	20,000 mt	7,642 mt
1006 40 00	Brokens	EUR 28	80,000 mt	7,281 mt

		reduction from standard tariff		
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Parts of the quota are reserved for US exports, for example, 38,721 mt of the milled/semi-milled quota. Other countries have 21,279 mt available to them. If they are unable to use this, then the remaining quota becomes available to everybody.

Concessions for other countries

There are other concessions available for other countries detailed below, notably a EUR 250 tariff reduction for basmati rice varieties coming from India and Pakistan, as well as the “Everything But Arms” program, which will give the 48 least developed countries rice exports zero duty access to the EU in 2009.

Everything but Arms

Starting in 2006, import duties for rice from the 48 least developed countries (LDCs) will be progressively reduced to zero by September, 1, 2009. In addition, a zero duty TRQ for all products in the 10 06 category, was opened for these countries from 2001, increasing annually by 15%. (After 2009, all rice imports from these countries will be duty free, so the TRQ will no longer be required). The EU has however maintained a safeguard clause for imports of rice from LDCs should there be ‘serious disturbance’ to EU markets.

Under ‘cumulation’ rules in the EBA Agreement, an LDC can import a product from another country a product and transform or combine it with local production. This could then be exported under EBA rules at zero duty to the EU. For example, if a milling plant were set up in Cambodia, Thai rice could be shipped to Cambodia, milled and then exported to the EU duty free. However, the threat of safeguards from the EU is likely to act as a deterrent to this type of behavior.

Duty Reductions for 10 06 products imported into the EU from LDCs

	Duty Reduction
Until 8/31/2006	none
From 9/1/2006 to 31/8/2007	20%
From 9/1/2007 to 31/8/2008	50%
From 9/1/2008 to 31/8/2009	80%
From 9/1/2009 onwards	100%, i.e. duty free

Source: EC 416/2001

Zero Duty TRQ for LDC Rice exported to the EU

	Volume, mt
2002/03	2,895

2003/04	3,329
2004/05	3,828
2005/06	4,402
2006/07	5,062
2007/08	5,821
2008/9	6,694

Volume given in husked rice equivalent

Source: EC 1401/2002

Basmati from India and Pakistan

Husked Basmati rice imported into the EU from India or Pakistan is eligible for a duty reduction of EUR 250/t. With the bound rate at EUR 264/t, this gives a maximum duty of EUR 11.

Bangladesh

Bangladesh has a concession for 4000 mt of brown rice at a 50% duty reduction.

Egypt

Egypt has been granted concessions for the import into the EU of 39,000 mt of rice at a 25% tariff reduction.

ACP

Africa Caribbean and Pacific countries (ACP) benefit from a TRQ for 163,000 mt with a 65% duty reduction, as well as 20,000 mt of brokens at zero duty. ACP is a grouping of 75 countries, mostly former colonies of England and France, which have been granted trade concessions by the EU under the Cotonou Agreement (formerly the Lomé Convention) to encourage their economic development.

Others

The Balkan countries have been granted zero duty unlimited access for substantially all products exported to the EU, including rice. However, only Macedonia produces any rice, and that in limited quantities. This is not expected to change due to a lack of available investment capital and a shortage of water for the paddy fields.