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POSITION PAPER

CELCAA COMMENTS ON REFORM OF TARIFF RATE QUOTAS MANAGEMENT

CELCAA is the voice of the European traders in agricultural products to the European Institutions, media and stakeholders. Our members are the European sectorial associations, representing the trade in wine; meat and meat products; dairy products and ingredients; grains, rice, oilseeds, agro-supply; egg and egg products; general produces and spices; tobacco etc.

The EU is leader in both importing and exporting agri-food products, representing today respectively 18% and 20% of the trade in agri-food and agri-commodities worldwide. Any reform of the horizontal trade mechanisms should strengthen transparency, visibility, predictability, simplification and flexibility for traders, in line with the EU commitment to promote economic growth and jobs, while avoiding red tape and additional burden onto businesses and not harm the position of the traders and EU market.

CELCAA would hereby like to comment on the proposed reform on the tariff rate quota (TRQ) administration currently managed by DG AGRI. CELCAA would like to stress that the current system should be improved and adapted to reflect evolving realities when needed, and for sectors where the current system has provide to work efficiently, the current system should be maintained. CELCAA would like to reiterate that general principles detailed below should be carefully considered in the reform process:

General principles

- **Management with licences**

The management of TRQs with import licences has proved well adapted for the cereal, meat and dairy sectors. This import management has provided stability, simplicity and predictability to traders.

SME companies make up, by number, the core of the cereals, dairy, meat and canned mushrooms markets and in most cases are not able to afford the financial risk linked to the first-come-first-served system. CELCAA members therefore believe that the other proposed options would not necessarily achieve simplification but would on the contrary add uncertainty to business operators for the above mentioned sectors.

While licencing should remain the general rule, CELCAA could support the proposal from the Commission to migrate TRQs with low uses rates to DG TAXUD 'first-come first-served' system. If the quota is not exhausted for temporary reasons, like it is the case for canned mushrooms, the quota management should remain with DG AGRI. CELCAA however would like to see clarification in the legal basis in case the circumstances evolve and the criteria for the TRQs to be managed by DG TAXUD are no longer met: the legal basis should indicate the modalities to shift the TRQs to DG AGRI management system again.

- **Flexibility to apply throughout the year**

Having application for TRQs only once a year would contrast with the seasonality of the cereals, dairy or meat markets. For the vast majority of TRQs, one yearly application is definitely not sufficient as it

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would in practice force operators to make decision up to more than twelve months in advance. Given the ever changing nature of the market and considering the seasonality and volatility of these markets, normally several applications per year are deemed necessary.

In addition, as TRQs are part of the Free Trade Agreement negotiated with third countries, a smooth implementation of the trade concessions should also be promoted; the allocation through licences and periodically over the year allows for such even application.

Nonetheless, for some of the TRQs, on the basis of the experience, one yearly application might be feasible and an approach on a case-by-case basis is recommended.

- **Eligibility and new comers**

CELCAA is of the opinion that participation in quotas should be restricted to companies active in their respective sector, even if the proof of trade should not be limited to the licenced product only. This would strengthen confidence amongst operators when planning their operation and in the supply chain in general.

The trade record (e.g. time and quantity) should give sufficient flexibility to allow both the traditional importers and the new operators in the canned mushrooms sector to apply for licences. .

A discussion between industry and the EU Commission to establish a definition of an active company is highly recommended.

- **Transferability of the rights and licences**

CELCAA is of the opinion that the transferability of the rights and licences should remain the general rule. The transferability provides for a maximum of flexibility, ensuring that licences are fully used and prevent that operators are penalised when not using them (i.e. loss of security).

The second alternative would be that licences be transferred to eligible traders. For TRQs that are over-subscribed, the rules would be transferability to licence holders.

- **Quota usage**

CELCAA strongly encourages the Commission to make publicly available the quantity used, not allocated and available for allocation for all TRQs under licences.

- **Transition period**

CELCAA calls for the transition period to last at least a year. As contractual relations between suppliers and retailers in the EU are established well in advance, importers would need a year of transition period to implement the new rules in a smooth manner.

- **Small and Medium Enterprises**

CELCAA calls on the European Commission to make an impact assessment of the new rules on Small and Medium Enterprises. SMEs, which constitute the majority of the European importers in commodities like meat products, dairy and cereals, will be impacted by the change. If the objective of the reform is to simplify procedures and make the system in line with the Lisbon Treaty, the new system will not necessarily mean simplification for SMEs. Impact of this change shall be addressed and mitigated.

- **Specificities of sectors**

Commodities have different characteristics which require different approaches. There is no form of quota administration that would fit every individual quotas.

- **Bali Ministerial Agreement**

Celcaa asks for a clarification on the impact of the Bali Ministerial Agreement on the current review of the TRQs administration and the consequences for the EU FBOs.

Conclusions

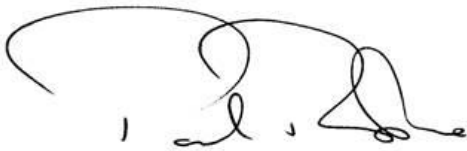
In light of the above, CELCAA considers the reforms should address the current shortcomings of the system so as to provide flexibility when needed, but a fundamental change of the current mechanism is not a viable option. Rather, CELCAA calls for convergence of general principles covering all sectors whenever possible, while respecting the specificities of the different agricultural sectors.

Our members' associations representing the sectors have already addressed their comments relevant to their sectors directly to the Services of the Commission.

We thank you for your consideration and hope to have the opportunity to further discuss with you our comments in the weeks to come,

Paul Rooke

President



CELCAA is the voice of the European traders in agricultural and food commodities to the European Institutions, media and stakeholders. CELCAA is an EU umbrella association representing EU organisations covering the trade in cereals, grains, sugar, oil, animal feed, wine, meat and meat products, dairy and dairy products, fruit and vegetables, potatoes, egg and egg products, poultry and game, tobacco, cut flowers and plants spices and general produces. Members include ASSUC, CEEV, CIBC, COCERAL, EUCOLAIT, EUROPATAT, EUWEP, FC2A, FETRATAB, FRUCOM, GAFTA, Union Fleurs and UECEBV. CELCAA's main objectives are to facilitate understanding of European decision-makers and stakeholders on the role played by the European traders in agri-commodities; to act as a platform of dialogue and communication with the European Institutions and to encourage public and general interests in agri-trade issues.

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