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CRM AgriCommodities

UK/EU Crop Tariffs & Import Tariffs – UK & EU

Grains & Oilseeds



Introduction

Brexit negotiations are on-going, and the future relationship between the UK and the EU remains somewhat unknown. The market opinion of the chances for a comprehensive trade deal are swayed by the political statements and rhetoric from both sides of the negotiation.

The EU Import tariffs are at this stage likely to remain in place, and the enacting of them will depend upon negotiated deals, and the proposed UK import tariffs will be subject to alteration. Proposed UK tariffs have the potential to be removed to avoid inflationary pressure and logistical challenges, but for now, remain a distinct possibility and negotiating stand point.

Summary of Terms

Import Tariff

Import tariffs are charged by the nation, or trading bloc into which goods are moving, often expressed as a percentage of the value of the goods, or as a flat price.

From a UK agricultural perspective, the tariffs would end up being applied to ex-farm values, without the ability from merchants and trade to absorb the tariffs.

TRQ

Tariff Rate Quotas or TRQ's, are volume specific agreements, within import tariff legislation, whereby an agreed volume can be imported at a reduced tariff rate.

As an example, the EU currently has a barley TRQ of 307,100T, into which nations can apply from the 1st January, and is re-set annually.

For barley imports applied for within the TRQ, a reduced tariff of €16/T is applied to imports. However, for imports that have not been successfully applied for within this TRQ, or indeed after the TRQ volume limit is reached, an import tariff of €93/T would be applied.

Wheat & Maize

2020/21 will require the importation of maize and wheat to account for the domestic deficit in production. The feed wheat deficit position will reverse in 2021/22, making the potential export tariffs to the EU for wheat, and potential import tariffs of importance to both producers and consumers.

As part of the current proposed UK import tariff changes, the risk that wheat imports (sub 14.6% protein bread wheat) could be subject to a £79/T tariff is a notable risk for flour mills. While, as the 2021/22 season wheat is being planted, the EU common wheat tariff has the potential to risk future domestic wheat profitability.

EU Import Tariff Examples

- Durum wheat - €148/T
- Common wheat €95/T (€12/T 2.5MT TRQ)
- Wheat seed €95/T
- High quality wheat (min 14.6% protein bread wheat) 0%
- Wheat feed pellets €175/T
- Common wheat & spelt groats €186/T
- Maize €94/T
- Wheat Flour €172/T
- Maize starch €166/T
- Wheat gluten €512/T

Potential UK Import Tariff

- Durum wheat – 0%
- Common Wheat (below 14.6% protein) £79/T
- Wheat seed – 0%
- High quality wheat (min 14.6% protein bread wheat) 0%
- Wheat pellets 0%
- Common wheat & spelt groats 0%
- Maize 0%
- Flour £143/T
- Maize starch £138/T
- Wheat gluten £428/T

Barley & Oats

Barley and oats being in surplus in 2020/21 means that market access and the trading relationship with Europe will be critical for maintaining of domestic prices. The potential Brexit disruptions by the end of this calendar year, risk both prices coming under pressure should a deal not be struck with the EU, maintaining tariff free access.

While there is a barley TRQ import volume of 307100T in the EU that could be applied for from the 1st January, with a reduced tariff of €16/T, this falls short of the UK export requirement, and once this globally available potential TRQ is exhausted, the €93/T tariff would apply.

EU Import Tariff Examples

- Barley & seed of barley €93/T
 - €16/T applied to the 307.1KT TRQ import volume
 - Post 1 January TRQ allocation is complete, increasing to €93/T.
- Malt - excluding roasted €131/T
- Oats & seed of oats €89/T
 - No TRQ or other reduced tariff import structure
 - Oat groats €164/T
 - Rolled oats €93/T
 - Flaked oats €182/T

Potential UK Import Tariff

- Barley & seed of barley £77/T
- Malt – excluding roasted £109/T
- Oats & seed of oats £74/T
 - Groats 0%
 - Rolled oats £77/T
 - Flaked oats £152/T

OSR & Oilseeds

The EU is in deficit for OSR, protein and oilseed crops in general, with limited tariffs applied to enable imports. Rapeseed and soybeans currently have a zero rate tariff applied to seeds, and potential UK OSR exports would face only the additional costs associated with potential non-tariff related trade barriers.

However, while there are no tariffs applied to the import of seed into the EU, there are still tariffs applied to the import of meal and oil. From a UK importing position, rapeseed tariffs are proposed to be maintained at 0%, and notably soybean meal import tariffs are proposed to be liberated to 0% as of January.

EU Import Tariff Examples

- Soy Oil 9.6% import tariff
- Crude palm oil EU import tariff 3.8%
- Sunflower oil 6.4% import tariff – non-industrial
- Sunflower seed 9.6% import tariff – non-industrial
- Low erucic acid OSR oil import tariff – 9.6%
- Soybean flour & meal 4.5%

Potential UK Import Tariff

- Soy Oil 8% import tariff
- Crude palm oil 2% import tariff
- Crude sunflower oil 6% import tariff
- Sunflower seed 8% import tariff
- Low erucic acid rape oil 8% import tariff
- Soybean flour & meal 0%