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Assessment of the impact of Regulation (EU) 2016/580 of the European Parliament and Council on the introduction of emergency autonomous trade measures for the Republic of Tunisia

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1. INTRODUCTION

Regulation (EU) 2016/580 of the European Parliament and of the Council of 13 April 2016[1], opened an autonomous annual duty free tariff quota of 35 000 tonnes for 2016 and 2017 for imports of lampante, virgin and extra virgin olive oils (CN codes 15091010 and 15091090) originating in Tunisia. This autonomous trade measure was the urgent response of the Union following the terrorist attack of 26 June 2015 in Tunisia in order to support its economy. This temporary quota shall be made available only after the entire existing bilateral annual quota of 56 700 tonnes opened by Article 3 of Protocol No 1 to the Euro-Mediterranean Agreement establishing an association between the European Communities and their Member States, of the one part, and the Republic of Tunisia, of the other part[2] has been allocated.

The Commission set the modalities for the administration of this new temporary tariff quota of 35 000 tonnes in Commission Implementing Regulation (EU) 2016/605 of 19 April 2016[3].

2. BACKGROUND TO THE INITIATIVE

According to Article 6 of Regulation (EU) 2016/580, the Commission shall conduct an assessment of the impact of this Regulation on the Union olive oil market at mid-term following its entry into force and present the conclusions of that assessment to the European Parliament and to the Council. The aim of this working document is to present the results of such assessment.

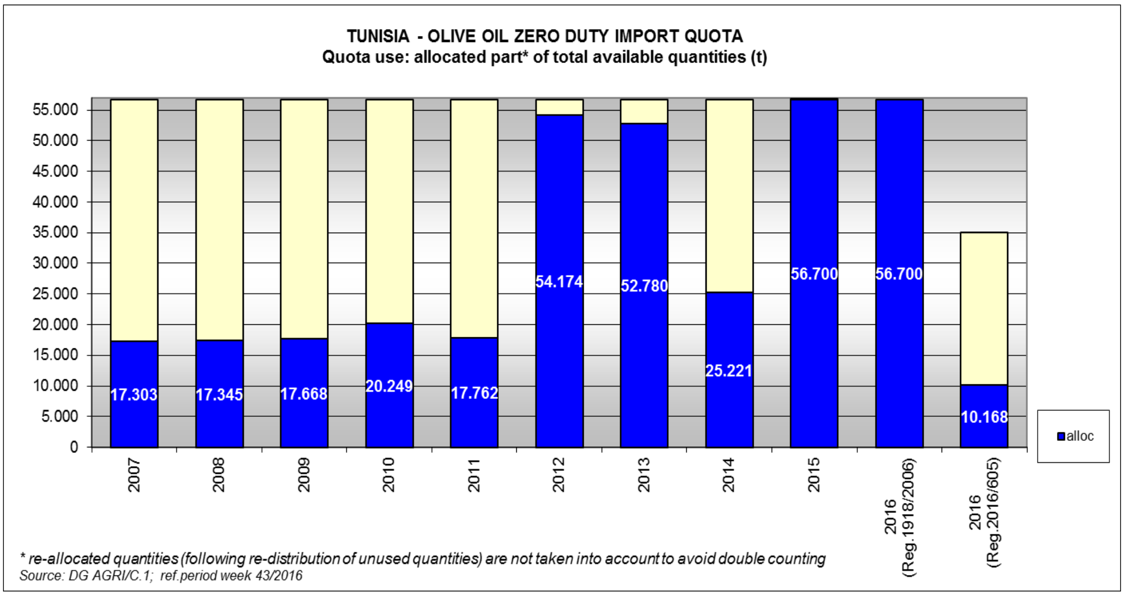
3. TARIFF QUOTA USE

The entire bilateral tariff quota of 56 700 tons provided for in Regulation (EC) 1918/2006 has been allocated in the first week of January 2016. The autonomous temporary tariff quota of 35 000 tons was made available in May 2016 following the adoption of the relevant Regulations referred to in point 1.

From May 2016 until 30 October 2016 **29%** of the total volume available under the autonomous temporary tariff quota of 35 000 tonnes have been allocated, i.e. 10 168 tonnes. However, only **7.3%** of total quantities were effectively imported from January until October 2016.

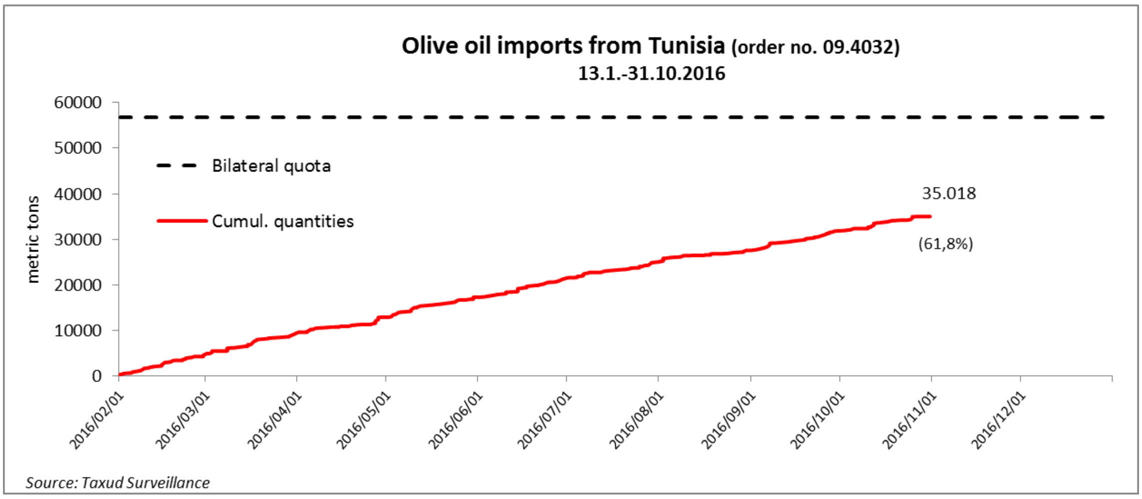
[1] Regulation (EU) 2016/580 of the European Parliament and of the Council of 13 April 2016 on the introduction of emergency autonomous trade measures for the Republic of Tunisia (OJ L 102, 18.4.2016, p. 1).
[2] OJ L 97, 30.3.1998, p. 2. Agreement as last amended by 2014/865/EU : Decision No 1/2014 of the EU-Tunisia Association Council (OJ L 346, 2.12.2014, p. 60)
[3] Commission Implementing Regulation (EU) 2016/605 of 19 April 2016 opening and providing for the administration of a temporary tariff quota for olive oil originating in Tunisia and amending Regulation (EC) No 1918/2006 (OJ L 104, 20.4.2016, p. 11).

Graph 1: Allocated quantities 2007-2016

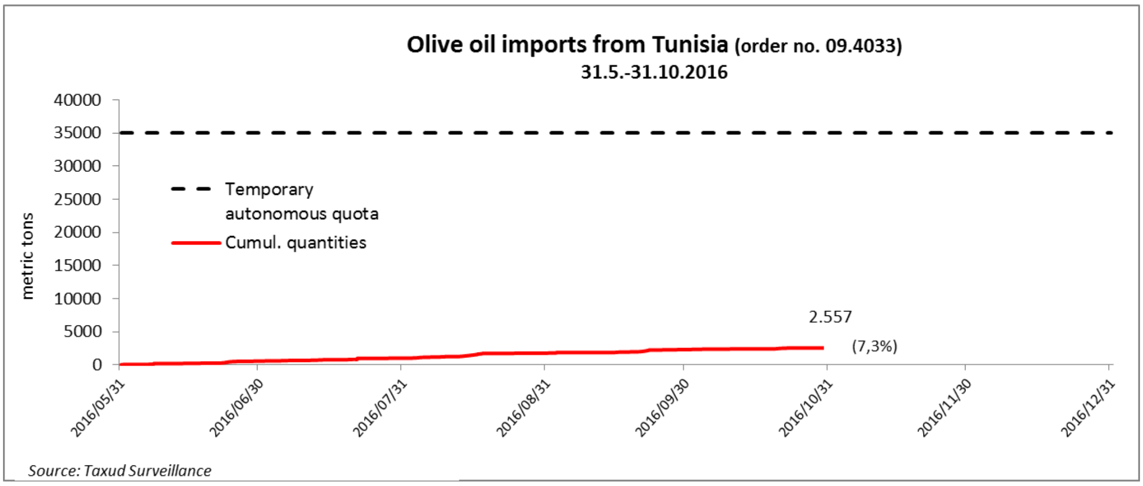


As regards the bilateral tariff quota from Tunisia, from January until October 2016, **62%** of the 56 700 tonnes were effectively imported into the Union according to DG TAXUD Surveillance data.

Graph 2: Bilateral tariff quota of 56 700 tonnes - Imported quantities in 2016



Graph 3: Temporary autonomous tariff quota of 35 000 tonnes - Imported quantities in 2016



Taking into account the allocated volumes as well as the current pattern of use of the import licences for the temporary autonomous tariff quota of 35 000 tonnes, it is probable that this quota will be used only marginally by the end of the year. The main bilateral quota of 56 700 tonnes could also only be partially used by the end of 2016.

4. RECENT EVOLUTION ON THE OLIVE OIL MARKET

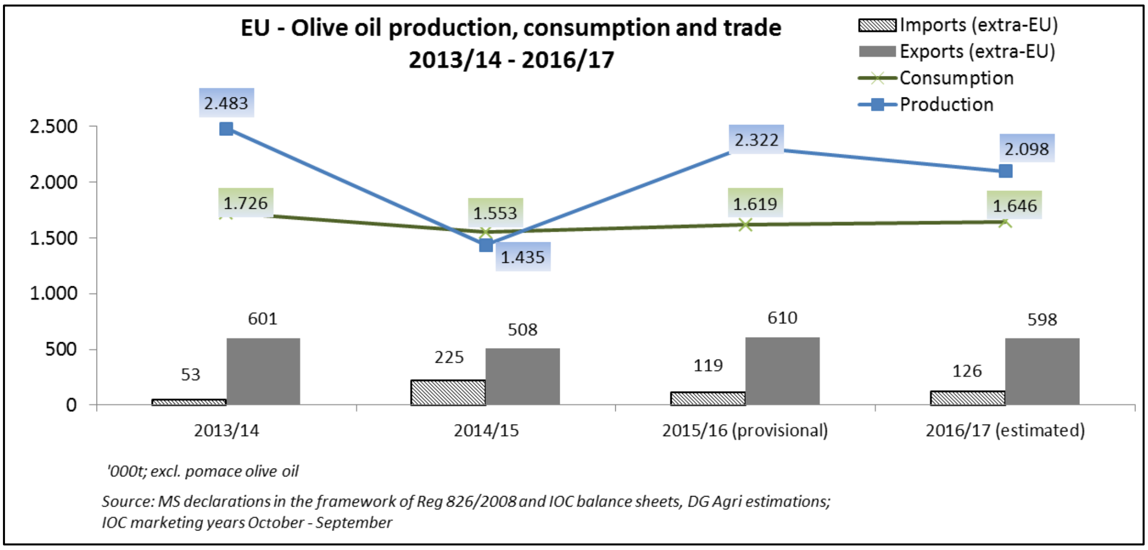
4.1. In the European Union

According to the most recent market data, the 2015/16 olive oil marketing year was marked by a good harvest level of 2.3 million tonnes (62% more than in 2014/15, and 16% above the 5-years average). This was positively reflected in the level of ending stock, which rose to 482 000 tonnes, approximately 79% higher than in the previous year (when the EU olive oil stocks were historically low) but remained 18% below the average level of ending stocks for the last 5 years.

Current estimates for the upcoming campaign are still preliminary. However, it can be expected that EU olive oil production in 2016/17 will only be average. According to the first estimates, the EU olive oil production should amount to around 2.1 million tonnes, which is about 9% less than last year, but 46% more than in 2014/15 and 4% above the 5-years average.

Given the combination of this level of production with a similar level of imports, exports and consumption as in 2015/16, it can be assumed that the market will remain in balance and that a sufficient stock level for the end of marketing year 2016/17 will be guaranteed.

Graph 4: EU olive oil production, consumption and trade



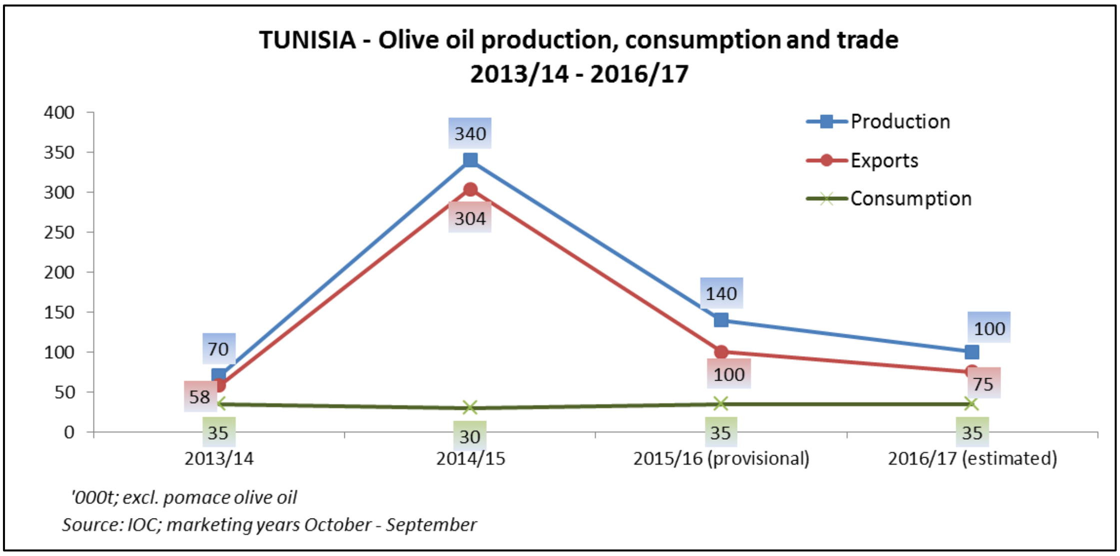
In 2014/15, domestic olive oil prices were at record high levels due to low stock and a very low EU production. Currently the prices stand on average **10% below** last year's levels, however, still around 25% above the 5-year average. Prices at the end of October 2016 ranged between 313 €/100kg for extra virgin and 305 €/100kg for virgin category in Jaén, the most representative market in Spain. Prices recorded in Italian Bari stood at 472 €/100kg and 295 €/100kg respectively for the above mentioned categories and in Greek Chania at 295 €/100kg and 280 €/100kg.

Taking into account the level of estimated production and initial stocks, it is expected that the 2016/17 campaign will evolve towards a balance between supply and demand; and prices are expected to remain reasonably stable.

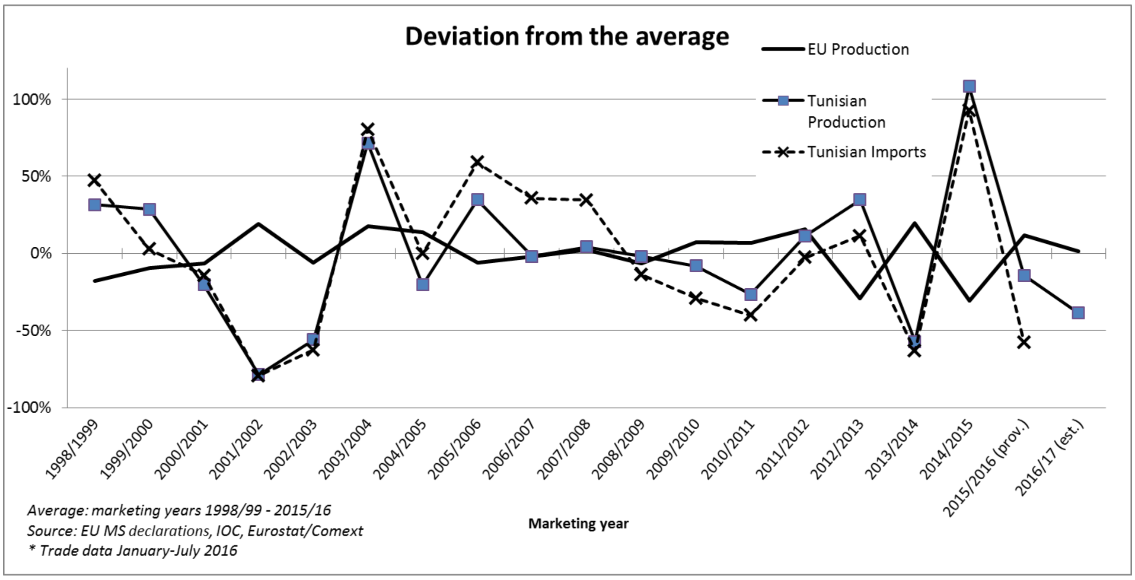
4.2. Tunisia

After an exceptional season 2014/2015 with 340 000 tonnes produced, Tunisia faced, in 2015/2016, a sharp decline in the production of olive oil by 60% to 140 000 tonnes, which is 25% below the 5-years average. According to the most recent estimations communicated to the International Olive Council, Tunisia expects an even more remarkable reduction of production in 2016/17, namely further down to 100 000 tonnes, which is almost 30% below the previous year level and 47% less than the 5 years average. Given that around 75% of Tunisian olive oil production is dedicated for export, the low production level in 2016/17 will undoubtedly result in a significant reduction of export volumes. Graph 6 clearly illustrates the relation between Tunisian olive oil production and its exports to the EU.

Graph 5: Tunisia – olive oil production, consumption and trade

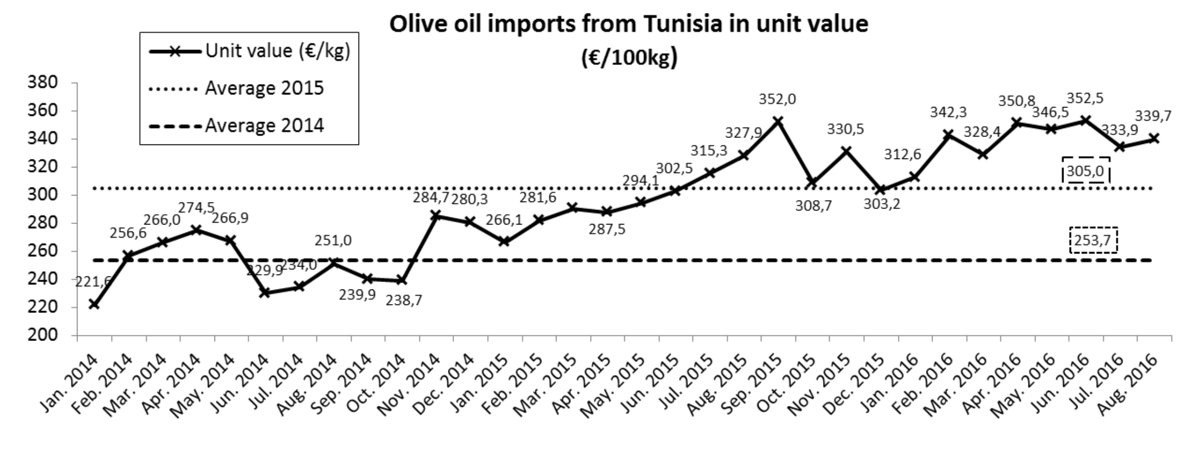


Graph 6: Relation between Tunisian production and level of its exports to the EU



The overall unfavourable situation of the EU olive oil production in 2014/15 led to a considerable price increase for all olive oil categories. Equally, the unit value of olive oil imported from Tunisia rose up to 350 €/100kg in April 2016 and still in August 2016 reached a level of around 340 €/100kg, which is well above the average of 2014 and also 2015. These high prices further diminish the attractiveness of imports of olive oil from Tunisia.

Graph 7: Virgin olive oil imports from Tunisia into the EU – unit value



Source: Eurostat/Comext; incl. inward processing; CN codes 15091010&15091090

5. CONCLUSION

Taking into account the market conditions in 2016 and the pattern of the use of tariff quotas from Tunisia until the end of October, it is expected that the available volumes will not be fully used.

The expected level of production and the initial stocks in the EU point at a balanced market during the current campaign 2016/17, which will easily absorb the expected limited volumes available for exports in Tunisia.

Both market developments and the level of use of these tariff rate quotas show that the implementation of Regulation (EU) 2016/580 has a marginal impact on the EU olive oil market.