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EU autonomous tariff quotas for certain fishery products (ATQs) Tuna loins for the period 2021-2023

In view of the preparation of the new set of autonomous tariff quotas that will replace those established in Regulation 2018/1977, the fishing industry represented by Europêche would like to present hereunder some facts and policy developments of major concern for the sector. As main conclusion and recommendation, **Europêche requests the elimination of the autonomous tariff quotas for tuna loins at zero-duty tariff.**

The autonomous tariff quotas were defined with the objective of ensuring the supply and allow the European canning industry to have access to raw material without any duty, or with a reduced tariff. ATQ for tuna loins is currently set at 30,000 tons at zero-duty tariff, having increased progressively and continuously since 1997, when it only applied to 1,000 tonnes at a reduced tariff of 12%, representing 2% of the total tuna loin imported into the EU. **Current figures show that the quota for tuna loins represents 20% of the total annual imports of tuna loins into the EU.**

Every year the EU canning industry starts to negotiate the quota volumes earlier, even importing the product several months before January and keeping it in cold storage waiting at EU ports to be declared in the first days of January, as soon as the ATQ entries into force. The requests end up exceeding the initial amount of the available quota, and, since the EU customs eliminated the priority by order of arrival, the quota is allocated on a pro-rata basis. In 2019, the volume that exceeded the quota was 11,843 tonnes, so 41,843 tonnes benefited from the autonomous tariff quotas, representing ~30% of the total EU imports of tuna loins. This year, **in 2020, the volume that exceeded the quota has increased to 19,108 tonnes, thus 49,108 tonnes have benefited of the autonomous tariff quota.** The high volume of tuna loins awaiting to enter in the first days of 2020 resulted in a +60% excess volume over the established 30,000tonnes **exhausting the ATQs by January 3rd.** These record levels of consumption do not exist in any other product from any other industry.

ATQs are granted for raw materials, semi-finished products or components not available in the EU, or which are available but not in sufficient quantities. However, this is not the case for tuna as **there is sufficient raw material to potentially guarantee supply to the EU canning industry in terms of quantity, quality and competitive price** from: 1) the EU and associated fleet, 2) imports of frozen whole tuna, which can be imported duty free regardless of origin, and 3) imports of tuna loins from countries with preferential agreements, which also come with a zero-duty tariff.

- The consumption of cans of tuna in the EU in 2018 was 731,000 tons, -1% less than 2017.
- The production of canned tuna in 2018 by the EU canning industry was ~360,000 tons (being 350,000 tons the average of the last 5 years); which required 560,000-590,000 tons of whole tuna equivalent.

- Catches of tuna in 2018 by the EU fleet (of tuna species used for canning) were 416,000 tonnes, while catches by fleets of third countries controlled by European companies were 342,000 tonnes of whole tuna. Hence, the total EU and associated catches were 758,000 tonnes of whole tuna.
- Imports into the EU of frozen whole tuna, which come with a zero-duty tariff, regardless of origin, were ~172,000 tonnes, out of which the European canning industry used ~95,000 tonnes.
- Imports of tuna loins in 2018 from third countries with preferential agreement, therefore, with zero-duty tariff, were ~100,000 tons, that translated into tuna in live weight equivalent amount ~220,000 tons of whole tuna.

Therefore, there is more than enough raw material to guarantee the supply of the European canning industry today and in the future. The European canning industry's current needs are 560,000-590,000 tonnes of whole tuna, while the supply of European catches plus 0% raw material imports could reach 930,000-950,000 tonnes¹.

The **European canning industry has been progressively increasing its demand of tuna loins** at the expense of whole tuna, thus simplifying its operational process and eliminating the activities of cleaning and gutting the whole fish and **resulting in job losses** in the canning industry. During the period 2015-2018, imports of tuna loins into the EU increased a +5.2% annually, representing 77% of the supply to the canning industry in live weight equivalent in 2018 (in 2002 it represented 60%). Imports of frozen whole tuna, on the other hand, have been reduced by -5.3% per year.

Type of raw material (Ktn)	2015		2016		2017		2018		CAGR ² 15-18 (%)
	LWE	% total	LWE	% total	LWE	% total	LWE	% total	
Fresh whole tuna	4.372	1%	5.095	1%	6.673	1%	6.812	2%	+16,5%
Frozen whole tuna	112.124	27%	108.696	27%	125.872	27%	95.159	21%	- 5,3%
Tuna loins	297.153	72%	294.280	72%	334.463	72%	346.163	77%	+5,2%
Total	413.649	100%	408.071	100%	467.008	100%	448.134	100%	2,7%

LWE: Live weight equivalent

Source: EUMOFA with data from EUROSTAT/COMEXT

Tuna loins imports origins have shifted from South American to Southeast Asian countries and China (e.g. ~5% of total tuna loin imports in 2002 vs. ~50% in 2018) that have a lower price than EU fleet (e.g. 3.5€/kg median CIF price China vs. 4.8€/kg Spain median export price to other EU countries). Particularly, concerning ATQ utilisation, in 2017, 39% of the tuna loins benefiting from autonomous tariff quotas were from China and 45% from Southeast Asian countries (e.g. Thailand, Indonesia, Vietnam, Philippines), where before the majority of the supply came from South-American countries.

¹ Potential supply to the canning industry by adding (a) the catches of EU and third-countries fleet controlled by EU ship-owners without considering the catches in the Pacific, (b) the imports of whole tuna destined to the canning industry without considering those already considered in the catches of third countries and (c) the imports of tuna loins from countries with preferential agreement converted to live weight equivalent with a conversion rate of 42.1% for skipjack loins and 47.4% for yellowfin and bigeye tuna loins

² Compound Annual Growth Rate

Due to this shift, there is a fierce competition from the canning industry to get access to plentiful, cheap and low-standard tuna loins from non-EU countries. However, **the speed at which the quota is exhausted is not correlated with the demand for loins in the canning industry, but instead, with the considerably lower price at which these loins are sold in Europe, further exacerbated by benefitting from the 0% tariff through the autonomous quotas.**

Due to this effect, a large volume of loin imports from China and Southeast Asian countries into the EU is heavily concentrated in the first quarter of the year. However, this pattern is not aligned with tuna consumption in the EU, which presents its consumption peak during the summer period. In contrast, imports of whole tuna and canned tuna to the EU do present an evolution in line with the consumption pattern of canned tuna in Europe.

As a result, there is also a distortion in the price of whole tuna in the EU, since the Vigo price index (reference index in EU) suffers a price decline in the months from October to December, when most of the quota negotiations take place. This causes an anchoring effect on the price of whole tuna that does not recover until the second quarter of the year, reaching normal levels during the summer, when it is mostly consumed by EU citizens.

The decline in whole tuna prices in 2019 led to a price below 1,000 € per ton (same level as in the 1990s), putting at risk the financial sustainability of the European vessel-owners, whose operating costs do not allow sales to the EU at that price. Consequently, the vessel-owners are forced to sell to other international markets, where higher prices are paid for their product.

In summary, Europêche considers that the concession of ATQs for tuna loins is used by the canning industry with the sole purpose to distort and lower the price of tuna as a raw material (both loins and whole tuna). **The price of tuna loins from third-countries with the reduction in tariff (24% to 0%) makes it 45% cheaper, thus causing the price to decline significantly in the EU.**

On the other hand, the important socio-economic relevance of the European fleet must be considered. The EU tuna fleet represents close to 100 purse seine vessels as well as freezer and auxiliary vessels that are almost entirely built in European shipyards with investments of 30,000,000 M€ per tuna vessel, in addition to ~4,000 direct and ~40,000 indirect employments in the EU and in its operating countries, all the port activity they generate and the technological and fishing material companies that depend on the tuna fleet. With the catches alone, the EU tuna fleet generates yearly a gross value added of + ~600-800M€.

The tuna loins entering the EU through the autonomous tariff quota arrive, as mentioned above, from China and other South-East Asian countries, which have no preferential agreement with the EU. These countries compete unfairly in our markets with our fleet, as they lack the standards established by the EU in terms of fishing practices, management and control of fishing activity, working conditions on board, health and hygiene conditions, and the sustainability of fish stocks and the environment.

With regard to working conditions, the EU fleet ensures compliance with EU regulations and the same working conditions even for non-European crews. In contrast, in South-East Asia, only Thailand has ratified the Convention No.188 of the International Labour Organization (ILO) which is still not implemented in national legislation. These countries are famous for their lax attitude towards the respect of environmental standards in fish production and processing.

For all these reasons, the EU fleet competes unequally with the fleets of third countries, in particular with those of China and the countries of South-East Asia. The EU fleet faces significant

investments in its vessels to ensure compliance with the standards of the regional fisheries management organisations (RFMOs) and those imposed by EU legislation.

The EU fleet ensures regular sanitary inspections of the fishing, transport and unloading of tuna, while sanitary inspections in third countries remain at the expense of the national authorities of the vessel's flag, providing very scarce documentation for inspection by the EU customs authorities on their entry to the EU.

The issues mentioned above are relevant to be considered as tuna is the most consumed fish species per capita (mostly canned) in the EU with 3.1 Kg per European and three times higher than the global average.

For these reasons, we believe that the EU should oppose the granting of this quota. In the hypothetical event that it is maintained, every effort should be made to ensure that imported tuna loins, as well as other imports of tuna, whether raw or processed, are subject to similar standards and controls as those adopted for the EU fleet, thus ensuring the same level playing field.

Europêche firmly believes that the processing sector has a legitimate and important role to play in supplying sufficient quantities of seafood to European citizens. However, we consider that the European tuna-catching sector is currently meeting the needs of European processors, providing the best quality whilst maintaining the highest standards. As constantly voiced by the European tuna fishing industry, this instrument must be solely used when there is no sufficient seafood supply for our markets and cannot be intended to put pressure on EU producers' prices. Therefore, and in light of the impact, abuse and misuse of the ATQs for tuna loins, **Europêche requests the elimination of the autonomous tariff quotas for tuna loins at zero-duty tariff.**

In the context of the 'Farm to Fork Strategy' which is a key pillar of the European Green Deal, it is mentioned that this strategy cannot be achieved without addressing the issue of food sustainability. As stated by the European Commission in its Roadmap: *'European citizens' health, the planet's environmental health and the economic and social health of coastal and rural areas go hand in hand'*. In view of this, the EU cannot longer guarantee privileged access to the EU market to products that do not respect social and environmental standards (people and planet) such as those supplied by China or Thailand, while requiring the EU industry to comply with the highest standards of sustainability such as good fisheries management, control, working conditions, health, safety, training, hygiene and sustainability of the resources. What is more, it is not acceptable that countries which are linked to IUU fishing and serious labour abuses benefit from preferential market access; it should be rather the opposite, i.e. banning access to products that harm the marine environment and/or fishermen's rights.

The EU should have the ambition to step up its game and work towards achieving a true level playing field between EU produced and third country produced seafood. With the growing use of ATQs to import tuna loins from Asian countries, the EU is sending the wrong message to the international community rewarding those who have done little for the sustainability of fish stocks and fair treatment of people.

For that purpose, and as a first step, in order to prevent and discourage access of unsustainable fishery products in the EU market, it is necessary to amend Regulation (EC) No. 1005/2008 to include the possibility of establishing safeguard measures for seafood products, such as suspending any tariff preference, including ATQs, until the Commission decides to lift the yellow card for IUU fishing.

Other fish species

We are of the strong opinion that the 10,000 tonnes of flatfish should be reduced to zero as there is plenty of flatfish quota in the EU (e.g. plaice) so no shortage in raw material occurs and therefore there is absolutely no need for extra supply to this market. Particularly, Européche does not recommend the tariff-free imports of yellow-tail flounder, rock sole, pangasius, Alaskan pollack and tilapia which are used as substitute products for a number of sustainably fished species and are used for processing.

We trust you will pay due attention to our views and we thank you in advance.