



Department  
for Environment  
Food & Rural Affairs

# Options for tariff quota administration for garlic imported from China

October 2022

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We work closely with our 33 agencies and arm's length bodies on our ambition to make our air purer, our water cleaner, our land greener and our food more sustainable. Our mission is to restore and enhance the environment for the next generation, and to leave the environment in a better state than we found it.



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[Agri.trade@defra.gov.uk](mailto:Agri.trade@defra.gov.uk)

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## Purpose of the Consultation

The purpose of this consultation is to seek views on the future administration of the Chinese garlic tariff rate quota (TRQ), whether any changes are required, and if so, the form those changes should take. The consultation will give stakeholders the opportunity to share their views and provide evidence on this matter. Once we receive your responses, we will consider these carefully before making any final recommendations to Ministers on whether any changes need to be made to the administration of the Chinese garlic quota. After the consultation has closed, we will share a summary of responses with stakeholders.

The consultation sets out twenty-two questions: seven general questions and fifteen policy related questions. The policy questions relate to the 5 options which will be considered further by Defra, and an additional question invites proposals from stakeholders to suggest further options for the administration of this TRQ for garlic.

The objective of this consultation is to gather views on the best way to administer the garlic TRQ in a fair and transparent way without undue barriers to new entrants.

## Responsible body

This consultation is being carried out by Defra's Agri-Trade team on behalf of the UK government.

## Audiences

This consultation is open to anyone with an interest to provide comments, but the consultation has particular relevance to:

- those who import garlic into the UK or interested in importing Chinese garlic
- national and local interest groups, such as industry federations

## Duration

This consultation runs for eight weeks. The consultation opens 21st October 2022. The consultation closes 16th December 2022. Responses received after this date may not be considered.

During the consultation, if you have any enquiries or wish to receive hard copies of the documents, please contact [agri.trade@defra.gov.uk](mailto:agri.trade@defra.gov.uk)

## How to respond to this consultation

Consultation questions are listed in part 4 of this document. Please focus your responses on the specific questions asked. You can respond to this consultation in one of three ways:

- online (preferred method) by completing this survey at [Citizen Space](#)
- email (specifying which question(s) you are answering) to [agri.trade@defra.gov.uk](mailto:agri.trade@defra.gov.uk)
- post (specifying which question(s) you are answering) to:

Department for Environment, Food and Rural Affairs

Agri-Trade Team

Farming, Food Sectors and Trade,

Seacole Building

2nd Floor

2 Marsham Street

London SW1P 4DF

Responses must be received by 16th December 2022.

Please provide relevant views, evidence and explanation so that proper consideration of your views and any alternative options may be given, including any cases where you have reason to comment upon anything in this consultation.

## After the consultation

Following the end of the consultation period, we will summarise the responses and share the summary of responses with stakeholders. The information and comments submitted through the consultation will be used to help inform and develop the government decision(s) relating to the future administration of the Chinese garlic TRQ. The UK government will respond to this consultation in line with current guidance.

## Part 1: Context

1.1 The UK does not produce significant quantities of garlic and relies on imports to cover demand. As table 1 shows, almost all UK garlic imports originate from the EU (predominantly Spain) or China.

**Table 1: Annual UK imports of garlic<sup>1</sup>**

	Tonnes	Value (£m)	Share of tonnes	Share of value
<b>2019/20</b>				
<b>EU</b>	21,438	£ 32.9	72%	73%
<b>China</b>	8,422	£ 11.8	28%	26%
<b>RoW</b>	64	£ 0.1	0%	0%
<b>Grand total</b>	29,924	£ 44.8	100%	100%
<b>2020/21</b>				
<b>EU</b>	18,794	£ 32.0	59%	72%
<b>China</b>	12,463	£ 12.6	39%	28%
<b>RoW</b>	365	£ 0.1	1%	0%
<b>Grand total</b>	31,622	£ 44.7	100%	100%
<b>2021/22</b>				
<b>EU</b>	15,003	£ 29.6	58%	67%
<b>China</b>	10,354	£ 14.2	40%	32%
<b>RoW</b>	358	£ 0.4	1%	1%
<b>Grand total</b>	25,716	£ 44.2	100%	100%

Source: HMRC Overseas Trade Data

1.2 Garlic imports are subject to the UK Global Tariff (UKGT) which applies to all imported goods, unless there are exceptions such as preferential access through TRQs in the UK's Goods Schedule, Free Trade Agreements (FTAs), or if goods are covered by a Generalised Scheme of Preferences.

1.3 TRQs allow for a fixed volume to be imported at a lower tariff rate than the out-of-quota tariff rate. Garlic imports outside of the quota are subject to the tariff rate in the UKGT.

1.4 Garlic from China is not covered by any FTA, but there is a country specific World Trade Organisation (WTO) TRQ available. Garlic imported under this TRQ is eligible for a reduced tariff rate of 9.6%, compared to the UKGT rate of 8% +

<sup>1</sup> Note: Annual average over the years running June 2019 to May 2020, June 2020 to May 2021, and June 2021 to May 2022. This corresponds to the quota year for garlic, which is relevant for comparisons to quota usage rates. Note: HMRC trade data for 2022 is still subject to revisions. Note: [HMRC data collection changes](#) following EU Exit have impacted trade data uncertainty in 2021 and 2022.

£100/100kg. The Ad Valorem Equivalent (AVE2) rate (which expresses a tariff rate as a simple percentage of that product's value) for the UKGT rate is 65%, significantly higher than the TRQ tariff rate of 9.6%.

1.5 The Chinese garlic quota volume is currently fixed at 7,669 tonnes (1 June – 31 May). This quota forms part of the UK's WTO schedule of commitments. Following the conclusion of negotiations with China under Article XXVIII of the General Agreement on Tariffs and Trade, it is expected that this volume will increase to 10,127 tonnes per quota year starting in the quota year which begins in June 2023. Further details will be published in due course.

1.6 Demand for Chinese garlic quota outstrips supply, (see Table 2: Quota Fill Rates) so the quota volume is allocated using a licence system. The amount of quota each applicant receives depends on the total quantity of garlic they have imported from any country in a preceding two-year period (the 'reference quantity'). Those who have imported the most receive the biggest share of quota.

1.7 Historically, the allocation of Chinese garlic quota was largely determined by the volume of non-EU imports (mainly from China). Since leaving the EU, garlic imported from the EU into the UK is recognised as an import, rather than as a product being moved internally within the Customs Union. Hence, any imports from the EU from January 2021 could count towards reference quantity for the Chinese garlic quota. From quota year 2022/23, this could have a meaningful influence on the reference quantity used in applications and in turn how the TRQ is distributed. As an example, those operators who have traditionally only imported garlic from the EU could use this reference quantity to make applications under the Chinese garlic quota for the first time.

**Table 2: Chinese garlic quota<sup>3</sup>**

Quota year	Fill rate
2019/20 (EU28)	96%
2020/21 (EU28/UK)	100%
2021/22 (UK)	100%

<sup>2</sup> The UKGT rate for garlic is 8% + £100/100kg. It is expressed in this consultation as its ad valorem equivalent (AVE) rate, which expresses a tariff rate as a simple percentage of that product's value. This enables a clearer comparison with the TRQ tariff rate which is already expressed as a percentage of the product's value.

<sup>3</sup> Note: The quota year runs June to May. Prior to 1 January 2021, the quota was operated as a EU28 wide quota. The 100% fill rate in 2020/21 reflects a 100% fill rate for both the EU28 subset of this quota year (June 2020 – December 2020) and a 100% fill rate for the UK subset of the quota year (January 2021 – May 2021).

1.8 The majority of the Chinese garlic TRQ is allocated to relatively few businesses. In quota year 2021/22, there were fewer than 20 applicants who were awarded quota, with just under half of these applicants receiving less than a 1% share each. Without a meaningful share of tariff quota, Defra understands that new applicants have found it difficult to get access to Chinese garlic quota.

1.9 The allocations in quota year 2022/23, (when EU imports could have a meaningful impact on the reference quantity used by applicants) have remained similar, and the same few business were allocated the large majority of the quota. Several businesses used EU imports as part of their reference quantity, but it is too early to conclude how this will affect allocations in the longer term.

## Part 2: Economic Analysis

2.1 It is Defra's understanding that Chinese garlic and EU garlic, after being imported into the UK, are both sold onwards at the price level set by EU garlic<sup>4</sup>. It is therefore considered unlikely that increased competition for the Chinese garlic quota would result in a lower wholesale price.

2.2 It is also considered unlikely that decreased competition, or the concentration of the garlic quota among a small number of importers, would enable these importers to increase the wholesale price. This is because any attempt to increase the wholesale price of Chinese garlic above the wholesale price of EU garlic could be undercut by an importer who could simply import, without limit, more garlic from the EU and offer the lower EU price.

2.3 It is therefore Defra's expectation that, regardless of any change to quota administration, there will likely be no change to the wholesale price of garlic.

2.4 Therefore, absent a change in price, it is considered that the main effect of changing the quota administration will likely be a redistribution of quota licenses among garlic importers – a net zero effect. Any economic costs/benefits associated with a change in the quota administration are expected to be limited and are mainly those deriving from the administrative and adjustment costs of changing the administration.

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<sup>4</sup> Defra welcomes any clarification from industry stakeholders on this point.

## Part 3: Policy Options

3.1 Defra has developed five options for consideration for the administration of the Chinese garlic TRQ. In developing these options, we have considered the WTO principles. Similar methods of administration are already in place in the UK for other agricultural products and are managed by the Rural Payment Agency (RPA). Tariff quotas in the UK are currently administered using either a licence system or a First-Come First-Served (FCFS) system. The licence system tends to be used where quota utilisation is high to provide more certainty to traders. Quotas that are regularly underutilised tend to be administered using the FCFS system. Your views are sought on these options. To aid this, a list of specific consultation questions is provided in Part 4 of this document. We understand that there are potentially many ways that the Chinese garlic TRQ could be administered in the future, and for this reason we welcome any additional evidence that stakeholders wish to submit during this consultation, including any alternative option (please see question 22). We would appreciate it if any new data could be provided as early as possible during the consultation period.

3.2 To note, the main difference between the different policy options for future Chinese garlic TRQ administration is a change to the way in which the number of garlic an individual can import under the quota is calculated. It is not expected to impact the total quantity imported under the quota, nor the price of garlic.

### **Option 1 –Reference quantity (any country): To allocate quota based on reference quantity of imports from any country (the current system).**

3.3 Before the quota period begins, potential importers are invited to apply for import licences subject to meeting the proof of trade requirements. Applicants specify the quantity of imports they want, but this quantity may not exceed the applicant's reference quantity. Applicants are awarded a share of TRQ based on previous garlic import history, including (from 1 January 2021) EU imports. The legislative basis for the current administration of the Chinese Garlic quota is set out in the Customs (Tariff Quotas) (EU Exit) Regulations 2020.

3.4 Under the current TRQ licence administration, where the quantity applied for exceeds the available volume, allocations are scaled back proportionately using a coefficient. Since the end of the EU Exit transition period, imports from the EU can be used in the reference quantity which may enable more new entrants, although allocating using a reference quantity means quota can always be reserved by the largest applicants.



## **Option 2 – Reference quantity (China only): To allocate quota based on reference quantity of imports from China only.**

3.5 To allocate quota as currently but based on the trade history of imports from China only. This would mean only those with a history of importing from China would be eligible to apply for the Chinese garlic quota. Those who import from countries other than China would not be able to use these imports as reference quantity in applying for the Chinese garlic quota. Importers could build reference quantity by importing from China and paying the out-of-quota tariff rate under the UKGT.

3.6 With the requirement to provide a reference quantity based on Chinese import history, it may make it more difficult for new entrants to join the market. This option would remove the option to build up a reference quantity by importing tariff free from the EU that is present in the current administration.

## **Option 3 – Remove reference quantity requirement: To allocate quota in proportion to volume requested and satisfy the proof of trade requirement**

3.7 This would mean all applicants, subject to meeting the standard proof of trade requirement, would get a share of the quota proportional to the quantity they apply for. Where the quantity applied for exceeds the available volume, allocations would be scaled back proportionately using a coefficient.

3.8 The garlic imported from China has demand that outstrips the quantity available. If all reference quantity requirements were to be removed, then it is possible that all operators would apply for the maximum quantity available and receive an equal share of the available volume. Under this option we would likely see the few importers who currently have been allocated a high share of the quota receive significantly less and smaller importers receive more.

## **Option 4 – First come first served system: To allocate quota on a first come first served basis in line with imports. Once quota volume is exhausted out-of-quota tariff would be charged**

3.9 Under this system, the quota is used up as and when goods are customs cleared and in free circulation in the UK. This gives importers flexibility but also a lack of certainty. Once the quota volume is reached (which could happen at any point in the quota period), any additional volumes would incur the out-of-quota tariff.

3.10 If a FCFS quota system were adopted, any operator would be able to import garlic from China to the UK until the quota limit is reached. This removal of the need for a reference quantity could allow the entry of businesses that have no history of

importing garlic. However, there is also the potential for all quota to be utilised early in the year.

### **Option 5 – Maximum quantity for single trader: To allocate quota up to a limit of a maximum volume for a single trader.**

3.11 Under this option, a maximum threshold could be fixed (for example 30% or 40% of quota quantity available) limiting the volume that any one applicant could apply for. This option could be used in conjunction with options 1, 2 or 3.

3.12 Implementing a maximum market share may allow more firms to import garlic from China.

## **Part 4: Consultation Questions**

### **1. Would you like your response to be confidential?**

- Yes
- No

"If you answered Yes to this question, please give your reason."

### **Confidentiality and data protection information**

4.1 A summary of responses to this consultation will be shared in an email to stakeholders. An annex to the consultation summary will list all organisations that responded but will not include personal names, addresses or other contact details.

4.2 Defra may publish the content of your response to this consultation to make it available to the public without your personal name and private contact details (for example, home address, email address, etc).

4.3 If you click on 'Yes' in response to the question asking if you would like anything in your response to be kept confidential, you are asked to state clearly what information you would like to be kept as confidential and explain your reasons for confidentiality. The reason for this is that information in responses to this consultation

may be subject to release to the public or other parties in accordance with the access to information law (these are primarily the Environmental Information Regulations 2004 (EIRs), the Freedom of Information Act 2000 (FOIA) and the Data Protection Act 2018 (DPA)). We have obligations, mainly under the EIRs, FOIA and DPA, to disclose information to particular recipients or to the public in certain circumstances. In view of this, your explanation of your reasons for requesting confidentiality for all or part of your response would help us balance these obligations for disclosure against any obligation of confidentiality. If we receive a request for the information that you have provided in your response to this consultation, we will take full account of your reasons for requesting confidentiality of your response, but we cannot guarantee that confidentiality can be maintained in all circumstances.

4.4 If you click on 'No' in response to the question asking if you would like anything in your response to be kept confidential, we will be able to release the content of your response to the public, but we won't make your personal name and private contact details publicly available.

4.5 There may be occasions when Defra will share the information you provide in response to the consultation, including any personal data with external analysts. This is for the purposes of consultation response analysis and provision of a report of the summary of responses only.

4.6 This consultation is being conducted in line with the Cabinet Office "Consultation Principles" and be found at: <https://www.gov.uk/government/publications/consultation-principles-guidance>.

4.7 Please find our latest privacy notice uploaded as a related document alongside our consultation document.

4.8 If you have any comments or complaints about the consultation process, please address them to:

{Consultation Title}

Consultation Coordinator, Defra

2nd Floor, Foss House, Kings Pool,

1-2 Peasholme Green, York, YO1 7PX

Or email: [consultation.coordinator@defra.gov.uk](mailto:consultation.coordinator@defra.gov.uk)

## **Campaign Responses**

4.9 We recognise that respondents may choose to use some standard text to inform their response. Campaigns are when organisations (or individuals) coordinate responses across their membership or support base, often by suggesting a set of wording for respondents to use. Campaign responses are usually very similar or identical to each other. For this consultation, campaign responses may be analysed separately to other responses to ensure the breadth of views received can be summarised effectively and efficiently. All campaign responses will be taken into account in the final analysis of public views and campaigns help provide an indication of the strength of feeling on an issue. The preferred route for all respondents to provide their views (including where a response is based on a campaign) is via the Citizen Space platform.

## **Section 1: Introduction**

**2. If you would like us to email you a summary of responses, please provide an email address to send the response to (optional)**

**3. Who are you responding as?**

Please select one option. If you have multiple roles, select the one which best represents your interests in this consultation response.

- An individual - You are responding with your personal views, not as an official representative of any organisation
- Business - In an official capacity with the views of an individual business.
- Business association - In an official capacity representing the views of a business organisation
- Other - please specify below

**4. What is the name of your organisation or business?**

**5. If responding on behalf of an organisation or business, how many members does your organisation/business represent currently? Please select one option.**

- 0-9
- 10-100
- 101-250
- 251-1,000
- 1,001-5,000
- 5,001-10,000
- More than 10,001
- Don't know

**6. Please identify if your organisation or business is one of the following. Please select all options that apply.**

- Small and Medium-sized Enterprise (SME)<sup>5</sup>
- Voluntary, community and social enterprise (VCSE)<sup>6</sup>
- None of the above

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<sup>5</sup> For this consultation a Small and Medium-sized Enterprise (SME) is defined as an organisation with fewer than 250 employees and an annual turnover under £50 million.

<sup>6</sup> The voluntary, community and social enterprise sector (VCSEs) includes charities, social enterprises and voluntary organisations

**7. What is your role in the garlic supply chain?** If you have multiple roles, select the one which best represents your interests in this consultation response. Please select all that apply.

- Primary food producer (domestic garlic production)
- Food importer into the UK
- Food manufacturer
- Food wholesaler or distributor
- Retailer
- Other
- If other, please specify below:

## **Section 2: Importing garlic into the UK**

**8. Have you imported garlic into the UK since 1st January 2021? Please select one option.**

- Yes
- No

If you answered “no”, please specify what is stopping you. After answering this question, please move to section 3.

**9. Which location(s) have you imported garlic into the UK from? (Select all that apply)**

- China

- Spain
- EU (excluding Spain)
- Iceland, Lichtenstein and Norway
- Turkey
- Asia (excluding China)
- North America
- Central and South America
- Rest of the world

Rest of the world:

**In an average year, approximately how much garlic have you imported to the UK for each country you selected above?** (Please specify in tonnes and value in GBP for each country)

**10. Is there anywhere you would like to import garlic from but are not currently?**

- No
- Yes

If answered yes, please specify which location(s) and why you are not currently importing from there.

**11. For what purpose do you import garlic?** Please select all that apply.

- Catering service

- Wholesale food distributor
- Retail
- Manufacturing
- Other (specify below)

**12. Which of the following tariff rates applied to your imports since 1st January 2021? Please select all that apply.**

- WTO Tariff Rate Quota
- Free Trade Agreement (Preferential Tariffs or TRQ)
- Most Favoured Nation UKGT
- Don't know
- Other (specify below)

**13. How important are the following considerations when deciding where to import garlic from? Please rank options from 1 to 5 (1 = very important and 4=not important)**

- Price
- Quality
- Lead time
- Preferential tariff arrangements

**14. Do the current arrangements in place for importing garlic to the UK meet your needs?**

- Yes



- No - please explain why below

### **Section 3: Potential Policy Options**

#### **Option 1 – Reference quantity (any country): To allocate quota based on reference quantity of imports from any country (the current system).**

Before the quota period begins, potential importers are invited to apply for import licences subject to meeting the proof of trade requirements. Applicants specify the quantity of imports they want, but this quantity may not exceed the applicant's reference quantity. Applicants are awarded a share of TRQ based on previous garlic import history, including newly qualifying EU imports. The legislative basis for the current administration of the Chinese Garlic quota is set out in the Customs (Tariff Quotas) (EU Exit) Regulations 2020.

- 15. Please outline your views on this option, and if relevant, the impact this policy option would have on your business. Please consider the costs and benefits of this option, considering both monetary and non-monetary impacts.**

#### **Option 2 – Reference quantity (China only): To allocate quota based on reference quantity of imports from China only.**

To allocate quota as currently but based on the trade history of imports from China only. This would mean only those with a history of importing from China would be eligible to apply for the Chinese garlic quota. Those who import from countries other than China would not be able to use these imports as reference quantity in applying for the Chinese garlic quota. Importers could build reference quantity by importing from China and paying the out-of-quota tariff rate under the UKGT.

- 16. Please outline your views on this option, and if relevant, the impact this policy option would have on your business. Please consider the costs and benefits of this option, considering both monetary and non-monetary impacts.**

**Option 3 – Remove reference quantity requirement: To allocate quota in proportion to volume requested and satisfy the proof of trade requirement.**

This would mean all applicants, subject to meeting the standard proof of trade requirement, would get a share of the quota proportional to the quantity they apply for. Where the quantity applied for exceeds the available volume, allocations would be scaled back proportionately using a coefficient.

**17. Please outline your views on this option, and if relevant, the impact this policy option would have on your business. Please consider the costs and benefits of this option, considering both monetary and non-monetary impacts.**

**Option 4 – First come first served system: To allocate quota on a first come first served basis in line with imports. Once quota volume is exhausted out-of-quota tariff would be charged**

Under this system, the quota is used up as and when goods are customs cleared and in free circulation in the UK. This gives importers flexibility but also a lack of certainty. Once the quota volume is reached (which could happen at any point in the quota period), any additional volumes would incur the out-of-quota tariff.

**18. Please outline your views on this option, and if relevant, the impact this policy option would have on your business. Please consider the costs and benefits of this option, considering both monetary and non-monetary impacts.**

**Option 5 – Maximum quantity for single trader: To allocate quota up to a limit of a maximum volume for a single trader.**

Under this option, a maximum threshold could be fixed (for example: 30% or 40% of quota quantity available) limiting the volume that any one applicant could apply for. This option could be used in conjunction with options 1, 2 or 3.

**19. Please outline the possible impact that this policy option would have on your business. Please consider the costs and benefits of this option, considering both monetary and non-monetary impacts.**

**20. Which option do you consider would allow new entrants into the market?**

Please rank options from 1 to 5 (1 = most likely to allow new entrants, 5 = least likely to allow new entrants)

- Option 1
- Option 2
- Option 3
- Option 4
- Option 5

Please give your reason for selection below:

**21. Please select your preferred option: (You can select more than one option)**

- Option 1
- Option 2
- Option 3
- Option 4
- Option 5
- Other (specify in question 22)

**22. Do you have any other options /ideas that you would like to suggest?** (Please contact us directly to supply any further evidence or information you would like us to consider that has not been included in your responses: [agri.trade@defra.gov.uk](mailto:agri.trade@defra.gov.uk))