



Department
for Environment
Food & Rural Affairs

Consultation on Options for Tariff Quota Administration for Garlic Imported from China

Government Response including the Summary of Responses and Decision.

Date: 3 March 2023

We are the Department for Environment, Food and Rural Affairs. We're responsible for improving and protecting the environment, growing the green economy, sustaining thriving rural communities and supporting our world-class food, farming and fishing industries.

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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Introduction and Context

1. The Department for Environment Food and Rural Affairs conducted a consultation from 21 October to 16 December 2022 on the future administration of tariff rate quota (TRQ) for garlic imported from China. The full consultation document can be read [here](#).
2. The objective of the consultation was to gather views on the best way to administer the Chinese garlic TRQ in a “fair and transparent way without undue barriers to new entrants”. The consultation put forward five possible options for administration of the quota and invited any further proposals.
3. The consultation was open to anyone but given the nature of the subject matter, the consultation had particular relevance to those who import garlic into the UK. The consultation was accessible by anyone in possession of a link to the online portal where it was hosted (Citizen Space) and respondents were able to respond online, by email or by post. The link to the consultation was distributed via the following means:
 - a. Direct email to anyone who has held, or applied for, Chinese garlic quota from quota year 2021/22 onwards.
 - b. Direct email to national and industry federations.
 - c. Inclusion in the Defra Agri-Food Weekly Bulletin.In addition, recipients were asked to forward the link to any potentially interested parties.
4. We received a total of 18 responses to the consultation. The numbers provided in this summary of responses do not always sum to 18 as not all respondents answered all questions in the consultation. For some questions respondents could select more than one option, so totals may sum to a larger number than the number of responses from individual respondents for that question. Due to the small number of respondents, in some cases the detail of responses has been withheld in order to avoid potentially identifying individual respondents.
5. The first question in the consultation (question 1) related to confidentiality of responses. Section 1 (questions 2 to 7) sought information on the profile of the respondent, including contact details, size and type of organisation and role in the garlic supply chain. Section 2 (questions 8 to 14) related to the respondent’s garlic import history, preferences and applicable tariff rates. Section 3 (questions 15 to 22) sought views on five policy options, and any other options or ideas.
6. We are grateful to everyone who took the time to respond and share their views and suggestions. This document highlights the main issues raised but is not an exhaustive commentary on every response received. We have considered all responses to this consultation. The government response and decision relating to the future administration of the Chinese garlic TRQ draws on analysis of the consultation responses completed by Defra.
7. A summary of the decision taken in relation to the future administration of the Chinese garlic TRQ can be found at the end of this document, (paragraph 44). The

decision is effective immediately and will also affect quota allocations from quota year 2023/24 onwards (subject to review).

Summary of Responses and Government Response

Section 1: Introduction (Questions 2 to 7)

8. Questions 1, 2 and 4 are related to confidentiality and personal information of stakeholders, such as contact details and name of organisation to send the summary of responses.
9. Question 3 asked: 'Who are you responding as?'. Fifteen respondents answered this question, all of whom indicated that they were responding as businesses in an official capacity with views of an individual business.
10. Question 5 asked: 'If responding on behalf of an organisation or business, how many members does your organisation or business represent currently?' There were 15 responses to this question. Most respondents (10) stated that their organisation represents 0-9 members. While a few respondents (3) answered that their organisation represents 10-100 members. One respondent each said that their organisation represents 101-250 members and 251-1,000 members.
11. Question 6 asked respondents to identify their business as a Small and Medium-sized Enterprise (SME)¹, Voluntary, Community and Social Enterprise (VCSE) or none of the above. There were 15 responses to this question. Eleven respondents stated that they were SMEs. Four respondents said none of the options available represented their organisation or business.
12. Question 7 asked about the respondent's role in the garlic supply chain. There were 15 responses to this question. All 15 respondents described themselves as food importer into the UK, 7 of whom had a dual role as a food wholesaler or distributor.

Government response to Section 1: (Questions 2 to 7)

13. The government acknowledges all the respondents to this section stated that they were businesses involved with importing food into the UK, and most of these businesses were SMEs.

Section 2: Importing garlic into the UK (Questions 8 to 14)

14. Question 8 asked whether respondents had imported garlic into the UK since 1 January 2021. There were 15 responses to this question, of which 13 had imported

¹ An SME was defined in the consultation as an organisation with fewer than 250 employees and an annual turnover under £50 million.

garlic into the UK since 1 January 2021. The 2 that had not indicated that they had imported previously specified the following reasons stopping them from importing:

- Complicated administration system.
- Prohibitive cost of administration (TRQ deposit).
- Inability to access TRQ for Chinese garlic.
- Inability to gain a meaningful amount of quota (at least one full container).

15. Question 9 asked for information on the location(s) from which garlic had been imported and the approximate volume and value of imports from each location in an average year. There were 13 responses to this question. Of those who had imported garlic, in an average year, all had imported from China, 6 had imported from Spain, 3 had imported from the EU (excluding Spain), 3 from Egypt, and 2 had imported from Central & South America. Respondents declared importing a total of 12,605 Metric Tonnes (MT) of garlic. This constitutes 43% of the approximately 29,000 MT imported into the UK annually.²

16. Question 10 asked whether there are other locations from which respondents would like to import garlic but are not currently. There were 13 responses to this question, of which 2 would like to import garlic from somewhere they were not importing from currently. Only one respondent explained why they were not currently importing from where they would like to, and this related to freight costs.

17. Question 11 asked: 'For what purpose do you import garlic?' There were 13 responses to this question, some of which indicated multiple purposes. Eleven had recently imported garlic into the UK for the purposes of distribution. Seven had imported for catering, 3 for retail, and 3 for manufacturing.

18. Question 12 asked: 'Which of the following tariff rates applied to your imports since 1 January 2021?' There were 13 responses to this question. Only one respondent reported that they had imported at the UK Global Tariff (UKGT) rate. Four did not know or did not answer the question. Seven respondents stated that they had imported garlic under the World Trade Organization (WTO) TRQ and 7 had used Free Trade Agreements (FTAs).

19. Question 13 sought information on the importance of different considerations when deciding where to import garlic from. There were 13 responses to this question. The majority ranked quality as the most important consideration, followed by price, preferential tariff arrangements and finally lead time.

20. Question 14 asked whether the current arrangements in place for importing garlic to the UK meet the needs of respondents. There were 13 responses to this question. Four said the current tariff administration arrangements for importing garlic met their needs and 9 said they did not. Those that said they did not, commented on the difficulty in gaining a meaningful share of quota.

Government Response to Section 2: (Questions 8 to 14)

² Import figure via HMRC Trade Data, Average of quota years: 19/20, 20/21 and 21/22, HMRC data)

21. The government notes that most respondents import from China and/or Spain using preferential tariff arrangements. When importing from China, some respondents reported they were not able to obtain the TRQ quantity they would like. It is possible that none of the options proposed, nor any other solution, would completely resolve this as there is insufficient quota to meet demand.

Section 3: Potential Policy Options (Questions 15 to 22)

22. Questions 15 to 19 sought respondents' views on each of the five policy options, including, if relevant, the impact each option would have on their business, considering costs and benefits of the option and monetary and non-monetary impacts.

Section 3: Option 1 (Question 15) – Reference quantity (any country): To allocate quota based on reference quantity of imports from any country (the current system).

23. There were 18 responses to this question. A substantial number of these responses indicated support for this option. Several highlighted that building reference quantity had been difficult historically, and this had led to quota being held by a few businesses. They noted that by including EU imports in the reference quantity calculation, this option provides the most opportunity for new applicants to build reference quantity.

24. Those that were critical of this option highlighted that under the current system, their 'typical' quota allocation would be likely to reduce as an effect of EU imports being used as reference quantity. They noted they were predominantly SMEs and expressed concerns they would be squeezed out of importing Chinese garlic under this option. Some forecast the consolidation of Chinese garlic quota into the hands of small number of quota holders who would be able to use large imports from the EU to expand their quota share.

Government Response to Section 3: Option 1 (Question 15)

25. As respondents to this option noted, including imports from any country as reference quantity gives UK importers the maximum opportunity to build reference quantity. It gives importers the most sourcing flexibility and encourages importers to consider all markets.

26. The government recognises that the ability to use EU imports as reference quantity following the UK's departure from the EU is likely to influence allocations of Chinese garlic quota. However, all businesses can access the opportunity to use EU imports as reference quantity and there is evidence in the consultation responses that some importers have prepared to do so.

27. Whilst Option 1 may result in some consolidation in the allocation of quota, available evidence does not suggest any of the options presented in the consultation would significantly impact the availability or price of garlic in the UK, although there may be commercial impacts for some individual businesses. However, it is too early to say how the long-term future of quota allocations will be

affected as it is partly dependent on how all businesses choose to react and adapt to a new environment. As such, it would be appropriate alongside this option to keep quota allocations and any impact on the availability and price of garlic under review.

28. The way that the Chinese garlic quota is currently administered (using a reference quantity based on imports from any country) is consistent with the way in which all oversubscribed TRQs are administered.

Section 3: Option 2 (Question 16) – Reference quantity (China only): To allocate quota based on reference quantity of imports from China only.

29. There were 18 responses to this question. Like Option 1, a substantial number of responses indicated support for this option. Slightly more indicated support for Option 2 than Option 1. The reasons for supporting this option largely centred on the protection of existing quota holders, in particular smaller players, from bigger EU garlic importers. This group also highlighted that this option would recognise the investment that importers had made in previous years by importing garlic at the full duty rate from China to build up reference quantity. As for option 1, there were strong references to the risks of a few holders becoming dominant. Of those who indicated support for Option 2, several requested further modifications to make access easier for new entrants.
30. The criticisms of this option were that it protects a small group of existing quota holders and 'locks out' anyone who does not import from China.

Government Response to Section 3: Option 2 (Question 16)

31. Restricting the reference quantity to Chinese garlic imports would introduce a barrier to acquiring Chinese garlic TRQ for all applicants, both for new entrants and existing quota holders wanting to grow share. Importers would be prevented from using imports from any source except China as reference quantity, and these other sources may be more commercially viable. The effect of this would be to make it very difficult for any importer who does not already hold quota to gain reference quantity (as importing from China out of quota is uncommercial). This point was made by several respondents who were critical of this option and said they would be 'locked out' of importing from China. This option may help to avoid the risk of further consolidation arising out of competition for quota between those who source from the EU and elsewhere. But in doing so, existing quota holders would face the same difficulties in increasing reference quantity.
32. Quota allocations for any year are based on the pre-determined reference quantity period only. Any business decisions made to accumulate reference quantity from Chinese imports in previous quota years were taken at the discretion of the importer and did not constitute an assurance of quota for future years.

Section 3: Option 3 (Question 17) – Remove reference quantity requirement and allocate in proportion to volume requested.

33. There were 15 responses to this question. Most responses were critical of this approach. They argued it would result in speculative behaviour amongst applicants who would apply for all the quota, and it would create uncertainty for business. In addition, respondents argued that this option would likely favour bigger traders who could fund the security required and those with storage facilities. A small number responded positively to this question.

Section 3: Option 4 (Question 18) – 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.

34. There were 15 responses to this question. All responses were strongly critical of this option. They referenced the uncertainty for business that this option would generate and predicted all the quota would be utilised early in the year and that it would favour those who have storage facilities.

Government Response to Section 3: Option 3 (Question 17), and Option 4 (Question 18).

35. Option 3 and Option 4 both simplify importer requirements from the current administration system, (including removing the reference quantity). This would reduce some bureaucracy in the import process and move importers to a more equal footing in the application process. However, both options would make the amount of quota businesses would receive significantly more unpredictable. This was reflected in consultation responses, where importers raised strong concerns that Option 3 and Option 4 would create uncertainty in the business planning process. Respondents also noted that larger importers would still have scale advantages meaning the benefits of removing the reference quantity, (equal opportunity to gain quota) still may not be realised.

Section 3: Option 5 (Question 19) – Maximum quantity for single trader: To allocate quota up to a limit of a maximum volume for a single trader.

36. There were 14 responses to this question. Most respondents were critical of this approach. Respondents noted that it would be difficult to implement this option from a business and administration perspective and could stifle growth. A small number of respondents commented this option could work if combined with Option 2.

Government Response to Section 3: Option 5 (Question 19)

37. Option 5 proposed a government intervention to ensure an even spread of quota amongst applicants and potentially make it easier for new entrants and smaller importers to access viable quota volumes. The government understands that the disadvantage of such interventions is that they can be onerous to manage, administratively burdensome for business, and can reward inefficiency or stifle growth. Previous attempts to guarantee quota for new applicants have proved unsuccessful.

Section 3: Questions 20 to 22

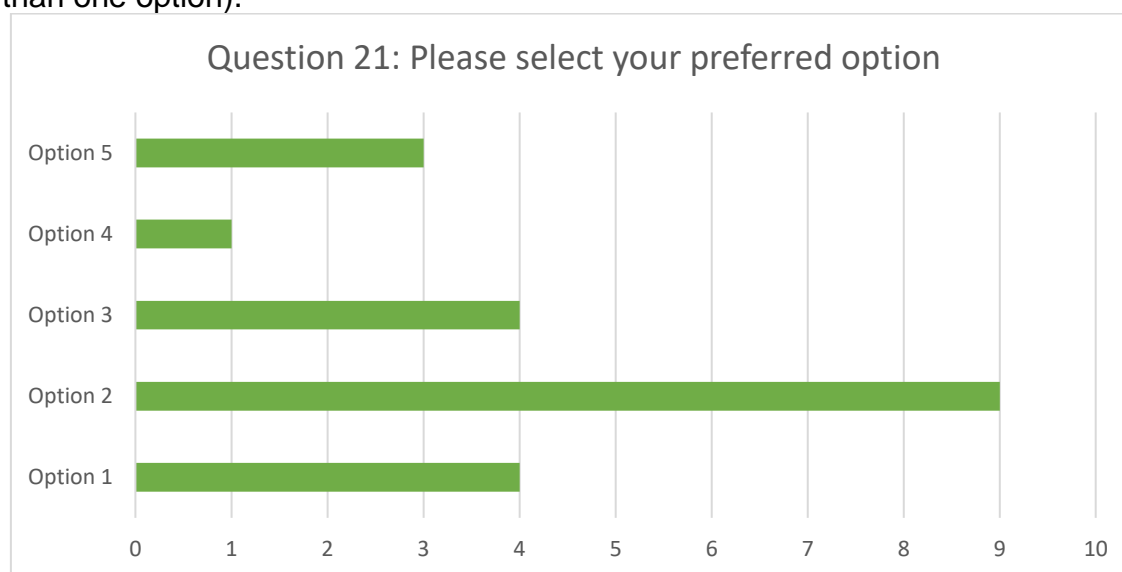
38. Question 20 asked respondents to rank the options that would allow new entrants into the market. There were 15 responses to this question. Many respondents ranked Option 3 highly in terms of being likely to allow new entrants. Option 2 was ranked equally highly, but many respondents also ranked it as 'least likely'.

Table 1: Number of respondents rating likelihood (1-5) of new entrants per option.

	1 = most likely to allow new entrants	2	3	4	5 = least likely to allow new entrants
Option 1	2	2	4	3	3
Option 2	5	2	1	1	6
Option 3	5	3	5	0	1
Option 4	1	1	3	9	1
Option 5	2	4	1	2	3

39. Question 21 asked respondents to select their preferred option. Respondents were able to select more than one option. There were 15 responses to this question. Most respondents selected Option 2, all of whom were existing quota holders.

Chart 1: Respondents' preferred option, (respondents were able to select more than one option).



40. Question 22 asked for any other options /ideas that respondents would like to suggest. There were 13 responses to this question. Several other options/ideas were put forward by respondents. Most responses were variations of policy options contained within the consultation (for example, a designated cap for new entrants). However, there was no common consensus or direction. Other options/ ideas suggested included:

- quota allocation should favour those who have historically paid import duty
- better controls needed to prevent the re-sale of licenses
- a maximum limit to application volume
- option 2 with a cap for new entrants (one respondent specified that 10% of quota need to be allocated to new entrants)
- separate license systems for imports from different locations

Government Response to Section 3: Questions 20 to 22

41. The government notes that there was no consensus amongst respondents on which option would be most likely allow new entrants to apply for quota.
42. The government acknowledges that most respondents selected Option 2 as the preferred option, all of whom were Chinese garlic quota holders.
43. Most alternative options suggested by respondents of the consultation were variations of the policy options proposed and responded to in Questions 15 to 19. One alternative suggestion was to reserve a percentage of the quota specifically for new applicants. This option has been trialled previously and not taken forward as it experienced the same operational challenges as those discussed in Option 5.

Decision and Next Steps

44. The government has carefully considered the views expressed in the consultation and has decided to maintain the current system to administer Chinese garlic quota (Option 1 in the consultation). Of the options proposed, none satisfy the wants of all importers. However, as noted by respondents of the consultation, Option 1 compared to Option 2 has fewer barriers to building reference quantity. This is particularly beneficial to new entrants looking to acquire quota. In response to the risk raised by importers that quota could become concentrated into the hands of a few importers, the government will keep the administration of the quota under review. This decision is aligned with the objective stated in the consultation that Chinese garlic quota should be administered in a “fair and transparent way without undue barriers to new entrants”.
45. A Notice to Traders (NTT) explaining how the rules are applied to quota year 2023/24 and how to apply for a licence will be issued in due course. The decision to maintain the current administration system in response to this consultation does not preclude the possibility of future changes.