



The Estey Centre Journal of
**International Law
and Trade Policy**

Technical Annex

**Details of the EU's AMS Calculations for Fresh Fruits
and Vegetables**

Alan Swinbank

*Emeritus Professor of Agricultural Economics, School of Agriculture, Policy and
Development, University of Reading*

This document is the technical annex to the full paper "Fruit and Vegetables, and the Role
They Have Played in Determining the EU's Aggregate Measurement of Support" which is
available separately.

Brink (2011) provides perhaps the most detailed and authoritative account of the WTO's domestic support commitments under the URAA. In brief, in developed countries, all "domestic support measures in favour of agricultural producers" are allocated to one of three boxes (but four for developing countries). The *green box* (Annex 2 of the URAA) houses policies that are deemed to have no, or at most minimal, impact on production and trade, and meet policy-specific criteria. There are no expenditure limits. Non-green box measures in developed countries are then either blue or amber. The *blue box* (Article 6(5) of the URAA) houses certain payments under "production limiting programmes". Pending conclusion of the Doha Round, no expenditure limits apply to blue-box payments. By default, all other support falls into the *amber box*.

All WTO members had to calculate for the 1986-88 base period an *Aggregate Measurement of Support* (AMS) for each basic agricultural product, made up of an estimate of the gross financial benefit of market price support – outlined in greater detail below – and any direct subsidies. To these individual AMSs was added an AMS for any "non-product specific" support (fertilizer subsidies for example). This aggregate was then reduced by 20 percent during the implementation period (1995-2000) to produce the *Bound Total AMS* (of €67.2 billion) shown in figure 1 of the main article (subsequently increased to €72.2 billion following EU enlargement in 2004 and 2007). On an annual basis a very similar exercise is undertaken to compute that year's *Current Total AMS*; and the URAA commitment is that, on an annual basis, the Current Total AMS must be less than the Bound Total AMS.

The EU calculated an AMS for each of 16 fresh fruits and vegetables, as detailed in the following table. In particular it calculated for each of them an "Equivalent Measurement of Support". Separate AMSs were determined for a number of processed fruits and vegetables (notably tomatoes and peaches) and bananas.

First the Table A1 reports the external price for the base period, which remains unchanged throughout. Apart from mandarins and satsumas, which do not appear in the 1990 list, these are identical to the numbers reported in the EU's November 1990 GATT offer (European Communities, 1990), which reported: "The external reference price has been calculated as a 1986 to 1988 average representative world market or import price." They then appear in supporting table 9 (in European Communities, 1994b), for the determination of the base period AMSs, where they are curtly referred to as "external price Ø 86-88". They are not reproduced in the subsequent annual determinations of the AMSs, but they are implicit in the calculations.

Table A1 EU12 Base Level, and EU27 2006/07, AMSs for Fresh Fruit and Vegetables

	External price 1986-88	EU12 Base Period (1986-88)			EU27 2006/07		
		AA price	000t	Annual AMS reported m.ecu	AA price	000t	AMS reported m.euro
Apples	330.0	626.6	8,839	2,621.8	568.0	11,157	2,651.9
Pears	272.7	569.3	2,569	761.8	510.0	2,687	637.7
Apricots	843.3	1,127.6	558	158.6	1,071.0	695	158.3
Cherries	1,220.0	1,562.2	672	229.9	1,494.0	790	216.5
Peaches/ nectarines	753.0	916.4	2,553	417.2	883.0	3,763	489.2
Table grapes	450.3	570.3	2,306	276.7	546.0	2,116	202.5
Plums	593.4	722.2	953	123.1	696.0	950	97.5
Lemons	302.7	622.3	1,399	447.3	558.0	983	251.0
Clementines	543.3	675.2	1,015	133.9	649.0	2,015	213.0
Mandarins	179.9	311.8	347	45.8	286.0	828	87.9
Satsumas	179.9	311.8	432	56.9	286.0	241	25.6
Oranges	283.0	372.0	4,238	377.2	354.0	4,535	322.0
Cucumbers	726.7	1,200.0	1,186	563.1	1,105.0	2,108	797.3
Courgettes	540.0	730.2	776	147.5	692.0	831	126.2
Artichokes	713.3	999.5	944	270.1	943.0	756	173.6
Tomatoes	828.0	1,200.0	5,631	2,094.6	1,126.0	7,212	2,149.2
TOTAL				8,725.5			8,599.4

AA price: applied administered price

Sources: *base period*: EU12: European Communities, 1994b, supporting table 9; *2006/07, EU27*: WTO, 2010, supporting table DS: 8. (This document, on page 2, reports: “This notification covers support to EU27 for the full 12-month period 2006/2007, both in terms of price gap calculations as well as in terms of budgetary outlays.”)

For the base period AMS calculations for EU12 (data for EU15 do not appear to be publicly available) the table also reports: i) the “applied administered price” for 1986-88 and ii) the average annual “production eligible to receive the applied administered price” for the base period. From this is derived “market price support” in million ecu (reported here as “annual AMS reported”), with some rounding errors. The total of 8.7 billion ecu reported compares to a Total AMS, over all products, of 73.5 billion ecu. The “applied administered price” is, basically, the peak entry price for the product concerned listed in the EU’s tariff schedule in European Communities

(1994a). Despite the fact that the EU operated a withdrawal mechanism for some other fruits and vegetables (for example, cauliflowers) no other price support for fresh fruits and vegetables was reported.¹

For the 2006/07 EU27 calculations (supporting table DS: 8 in WTO, 2010) the formulation is very similar, apart from the fact that the external price is not reported. Thus it reports the applied administered price, EU estimates of the volume of “production eligible to receive the applied administered price”, and the “equivalent measurement of support” (shown as “AMS reported” in table A1 in this annex).

Although it is not immediately obvious from this table, the price gap (applied administered price *minus* the external price) has in each instance fallen by 20 percent between 1986-88 and 2006/07, in line with the EU’s URAA commitment to reduce its tariffs *and* tariff equivalents on these products by 20 percent.

Endnotes

1. However, in subsequent annual notifications, expenditure on withdrawals has been notified; but this is very small compared to the sums reported above. In 2007/08 expenditure on withdrawal was reported for apples, tomatoes and other fresh fruits and vegetables, but all bar the €1.7 million reported in table 1 in the main article fell out of the calculation following the *de minimis* rule.