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# The import effects of the Entry Price System

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## Abstract

*The complexity of the trade policy environment in the European fruit and vegetables (F&Vs) market is mostly due to the Entry Price System (EPS), a non-tariff measure that regulates imports. We investigate the trade effects of the EPS by estimating a structural gravity model of trade flows from major European suppliers of apples, lemons, oranges, peaches, pears, table grapes and tomatoes. We assess how imports react to EPS overshoots, difference between import price and entry price threshold, and to level and volatility in Standard Import Values (SIVs). The EPS limits imports of F&Vs, but differences exist across products. In particular, while the efficacy of the EPS is valid for all products, its effectiveness is greater for less perishable F&Vs.*

**JEL classification:** F13, Q17, Q18.

**Keywords:** Non-tariff measure; Price dynamics; Trade dynamics; EU agriculture; Fruit and vegetables.

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37

## The import effects of the Entry Price System

### 38 1. Introduction

39 The reduction of tariffs, witnessed in the agri-food sector since the mid-1990s, has been balanced out  
40 by the proliferation of non-tariff measures (Martin 2018), particularly in policy-sensitive sectors such  
41 as fruit and vegetables (F&Vs). The complexity of the trade policy environment is particularly evident  
42 for the European F&V market: domestic production and trade are heavily regulated. Countries of the  
43 European Union (EU) are both major producers and top importers of F&Vs: in 2021, the EU accounted  
44 for 6% of world production and 35% of world imports. The EU imports of F&Vs are regulated by a  
45 complex system of interventions (e.g. Fiankor et al., 2019), among which the Entry Price System  
46 (EPS)—the efficacy of which has been called into question—deserves attention. This border protection  
47 mechanism sets a minimum price threshold for imported F&Vs, below which an extra duty is applied.  
48 The EPS is comparable to the import regime for the Japanese pork market, which is protected by  
49 domestic support, several border measures, and a Gate Price System (GPS). According to Bergen and  
50 Kawaguchi (2004), the GPS is the major obstacle to Japanese imports of pork. The EPS and the GPS  
51 are analogous in that both systems apply a charge determined by comparing the import values with a  
52 threshold price<sup>1</sup>. However, the limited coverage of the GPS (applied only to pork imports) and the  
53 constant level of the price threshold in the GPS makes it possible to predict its effectiveness. The EPS,  
54 on the other hand, is more complex: it is applied to numerous products and combines quotas and  
55 seasonally varying entry prices. While the main function of the EPS is to act as a price stabiliser, by  
56 preventing imports of low-priced F&Vs, the EPS may contribute to shaping trade flows.

57 A specific strand of literature has examined the relevance and efficacy of the EPS in terms of price  
58 stabilisation and trade effects: the relevance of the EPS seems to vary across products, suppliers, and  
59 periods (e.g. Goetz and Grethe 2009; Emlinger et al. 2010); the ability of the EPS as price stabiliser is

60 rather limited (e.g. Cioffi et al. 2011; Santeramo and Cioffi 2012); conversely, the impacts of the EPS  
61 on trade are still not well established, in part due to a lack of transparency of this mechanism of  
62 protection (e.g. Cioffi and dell'Aquila 2004). The trade effects have often been evaluated jointly with  
63 other trade policy phenomena, such as tariff protection (e.g. Emlinger et al. 2008), non-tariff measures  
64 (e.g. Kareem et al. 2017), and preferential agreements (Cardamone 2011), with conflicting conclusions.  
65 The existing evidence is highly dependent on the products and countries under study, and on the  
66 proxies used to capture the functioning of the EPS. In addition, previous studies have neglected the  
67 issue of endogeneity between the EPS and trade, which tends to lead to biased results: low Standard  
68 Import Values (SIVs)<sup>2</sup> activate the mechanism of protection and reduce imports, which in turn  
69 influences the process of determining the SIVs.

70 Our focus is primarily on quantifying the role of the EPS in shaping imports of F&Vs. We use monthly  
71 data on EU imports of seven products under the EPS (i.e. apples, lemons, oranges, peaches, pears, table  
72 grapes, tomatoes, selected according to their relevance for the EPS as established by Goetz and Grethe,  
73 2009), originating from twelve non-EU trading countries; for them we collected daily SIVs to proxy  
74 their respective prices at the EU border. We adopt novel indicators capable of capturing the functioning  
75 of the EPS and the dynamics of SIVs. More precisely, the indicators provide information on how long  
76 SIVs stay below the entry price (EP) threshold, on how distant the EP and SIVs are, and on the level  
77 and variability of the SIVs. The first two indices proxies cases in which the extra duty may have been  
78 applied to imports and allows us to quantify the trade effects of the EPS when it effectively works. The  
79 position of the distribution of the SIVs (i.e. the level of SIVs, that is the monthly average SIV) and its  
80 dispersion (i.e. the variability of SIVs, that is the relative difference between the monthly mean and  
81 median SIV) is informative on the likelihood of observing SIVs below the EP, and allow us to quantify,  
82 in terms of trade values, the impact of potential strategic behaviour of suppliers that may temporarily  
83 reduce imports to circumvent tariffs imposed by the EPS. The empirical specification, a gravity-based

84 model, controls for the functioning of the EPS, as well as for omitted variables bias, the endogeneity of  
85 the mechanism of protection, and heteroskedasticity.

86 Our contribution is twofold: first, we quantify and compare the impacts of the EPS for a large set of  
87 countries and products, so as to complement the existing strand of literature based on product- and  
88 country-specific studies; second, we emphasise how the statistics of the SIVs may provide information  
89 on the effects of the EPS.

90 Our research allows us to draw conclusions regarding the trade effects of applying extra duties and the  
91 potential strategic behaviour of suppliers attempting to circumvent higher tariffs (e.g. Cioffi and  
92 dell'Aquila 2004; Santeramo and Cioffi 2012). In addition, our findings open the path for building a  
93 synthetic and simple price index to infer on the efficacy/effectiveness of restrictive trade regimes.

94 The rest of the paper is structured as follows. In Section 2, we review the existing evidence on the EPS  
95 that is related to our research. In Section 3, we explain the estimation process, introducing the  
96 theoretical framework, the empirical setting, and describing the data used. In section 4, we present and  
97 discuss the results obtained. Lastly, in Section 5, we conclude and discuss the policy implications of  
98 our findings.

99

## 100 **2. Existing evidence on the Entry Price System**

101 Early studies on the EPS have analysed its functioning (e.g. Swinbank and Ritson 1995; Grethe and  
102 Tangermann 1999) and highlighted its flexibility and lesser degree of protectiveness as compared to its  
103 predecessor, the Reference Price System<sup>3</sup>.

104 Goetz and Grethe (2009) have examined the impact of the EPS on the 15 products under the EPS,  
105 concluding that the mechanism of protection has the greatest influence on artichokes, courgettes,  
106 cucumbers, lemons, plums, and tomatoes, and on the origin countries closest to the EU. Similar

107 assessments of the EPS have been carried out by Cioffi and dell'Aquila (2004), focusing on apples,  
108 oranges, and tomatoes from countries of the Southern Hemisphere, and by Goetz and Grethe (2010) on  
109 pears and apples from China. To sum up, the influence of the EPS varies on a case-by-case basis and,  
110 as recently demonstrated (e.g. Romdhani and Thabet, 2017), its effects are concentrated in specific  
111 periods.

112 As for the role of the EPS in price stabilisation, i.e. the main function of the mechanism of protection,  
113 the report by Agrosynergie (2008) concludes that the EPS acts as a stabiliser in certain cases (i.e.  
114 tomatoes from Morocco, apples from China, lemons from Turkey). Similarly, Cioffi et al. (2011) and  
115 Santeramo and Cioffi (2012) conclude that the EPS has limited price stabilisation effects. It contributes  
116 to make F&Vs markets more efficient than the neighbouring markets of F&Vs subject, for instance, to  
117 seasonal tariff rate quotas (e.g. Hillen, 2019; Loginova et al., 2021).

118 The role of the EPS in trade flows, a side effect of the EPS, has been analysed as well. García-Álvarez-  
119 Coque et al. (2010) assess the trade effects of phasing out the supplementary tariff related to the entry  
120 price (EP) for tomatoes, cucumbers, clementines and table grapes, and conclude that the EPS has an  
121 effect only in specific periods and for few products: eliminating the EPS would increase exports of  
122 clementines (in December), Moroccan exports of cucumbers (in March and November) and tomatoes  
123 (from November to May). Similarly, the analysis by Agrosynergie (2008) on tomatoes, cucumbers,  
124 table grapes, and clementines reveals that the trade effects are limited to few months and products (e.g.  
125 November for tomatoes).

126 Emlinger et al. (2008) use a gravity-based approach to evaluate the sensitiveness to the EU tariffs of  
127 F&Vs exports from Mediterranean countries. They find that for products under the EPS, the tariffs  
128 hinder exports from Mediterranean countries, with heterogeneous impacts across exporters and periods  
129 of the year: Israel is more sensitive than Morocco to tariffs, Turkey is not sensitive to tariffs, Egypt is  
130 sensitive to tariffs only between March and October. A limitation of the study is that it does not

131 disentangle the effects of the EPS from those of the tariffs. Cardamone (2011) assesses the effect of  
132 different preferential trade agreements granted by the EU on imports of fresh grapes, pears, apples,  
133 oranges and mandarins, showing that the preferential EP has a positive effect on imports of oranges,  
134 but is not relevant for the other products. Kareem et al. (2017) investigate the impact of pesticide  
135 standards and of the EPS on African exports of tomatoes, oranges, limes and lemons, and show that the  
136 EPS reduces the extensive margin of trade for tomatoes, but has no effect on trade of oranges, limes,  
137 and lemons. Table A.1 in the Appendix A summarises main findings of previous studies on the  
138 relevance of the EPS and its effects on price stabilisation and trade flows.

139 To sum up, while the existing literature agrees on the heterogeneous relevance of the EPS across  
140 products and exporters, and on the limited ability of the EPS to act as price stabiliser, current  
141 knowledge on the trade impacts of the EPS seems limited to few product- and country-specific cases,  
142 with contrasting evidence. For instance, Cardamone (2011) suggests the relevance of the EPS for trade  
143 of oranges, in contrast to Kareem et al. (2017), who find no effects for the same product. It is plausible  
144 that the inference regarding the trade effects may be influenced by the type (and pros and cons) of the  
145 proxies used for the EPS. For instance, a dummy variable can capture the existence of preferential EP  
146 (e.g. Cardamone 2011), but does not provide information about cases in which the mechanism of  
147 protection effectively works; the gap between SIVs and the EP (e.g. Kareem et al. 2017) captures the  
148 accumulation of SIVs slightly below the EP, but cannot explain the dynamics of prices over time; the  
149 tariffication<sup>4</sup> of the EPS (e.g. Emlinger et al. 2008) does not capture the pricing behaviour of exporters.

150 A further limitation of the literature on trade effects of the EPS is that it does not take into account the  
151 issue of endogeneity between SIVs and imports. Trefler (1993) argues that treating a mechanism of  
152 protection as exogenous tends to bias the estimated impacts on imports. In the EPS, low SIVs activate  
153 the mechanism of protection and reduce imports, which in turn influences the price determination

154 process of the SIVs: as a result, imports and SIVs are likely to be endogenous, a characteristic that we  
 155 recognise and model in our empirical analysis.

156

### 157 **3. Estimating the trade effects of the Entry Price System**

#### 158 *3.1 Theoretical framework*

159 Evaluations of trade policy measures frequently rely on gravity models, which explain how bilateral  
 160 trade reacts to changes in income, country-specific characteristics of importers and exporters, and  
 161 country-pair specific determinants of trade (Mayer et al. 2019). In line with Peterson et al. (2013) who  
 162 assess the impact of phytosanitary measures on imports of F&Vs, we use a product-level gravity model  
 163 to evaluate how the EPS affects F&Vs imports of the EU countries ( $i$ ) from non-EU countries ( $j$ )<sup>5</sup>. We  
 164 assume that all varieties of each  $k$ -th F&V are differentiated by their destination and source ( $i$  and  $j$ )  
 165 and are imperfect substitutes. Accordingly, consumer preferences in  $i$  are weakly separable and can be

166 represented by a Constant Elasticity of Substitution (CES) function  $\sum_{jk} \left\{ \alpha_{jk}^{\frac{1-\sigma_k}{\sigma_k}} c_{ijk}^{\frac{\sigma_k-1}{\sigma_k}} \right\}^{\frac{\sigma_k}{\sigma_k-1}}$ , where  $\alpha_{jk} >$

167 0 is the exogenous CES preference parameter,  $\sigma_k > 1$  is the elasticity of substitution between all  
 168 varieties of each  $k$ ,  $c_{ijk}$  is the consumption of varieties from  $j$  in  $i$ . We also assume perfect competition  
 169 among all varieties in  $i$  and  $j$  (i.e. prices are marginal cost of production). The total expenditure in  $i$  is  
 170 equal to the total spending on varieties from all countries  $E_{ik} = \sum_j p_{ijk} c_{ijk}$ , where  $p_{ijk} = p_{jk} \theta_{ijk}$  are  
 171 delivered prices depending on prices in the country of origin ( $p_{jk}$ ) and bilateral trade costs ( $\theta_{ijk} > 1$ ).

172 The structural form of the gravity model is as follows<sup>6</sup>:

$$X_{ijk} = \frac{E_{ik}}{\Phi_{ik}^{1-\sigma_k}} \frac{Y_{jk}/Y}{\Omega_{jk}^{1-\sigma_k}} \theta_{ijk}^{1-\sigma_k} \quad (1)$$



173 where the  $i$ -th imports of  $k$  from  $j$  ( $X_{ijk}$ ) depend on the  $i$ -th total expenditure on  $k$  ( $E_{ik}$ , defined as  
 174 above), the  $j$ -th value of production of  $k$  (i.e., the total expenditure on  $j$ 's outputs of product  $k$  in all  
 175 countries in the world, including  $j$  itself,  $Y_{jk} = \sum_l X_{ljk} \forall i$ ) divided by the total value of output ( $Y$ ), the  
 176 relative price indices in  $i$  ( $\Phi_{ik}^{1-\sigma_k}$ ) and  $j$  ( $\Omega_{jk}^{1-\sigma_k}$ ), and bilateral trade costs ( $\theta_{ijk}^{1-\sigma_k}$ ). The terms  $\Phi_{ik}^{1-\sigma_k}$  and  
 177  $\Omega_{jk}^{1-\sigma_k}$  are based on market clearing conditions for each  $k$  and proxy multilateral resistances (Anderson  
 178 and van Wincoop, 2003). The term  $\theta_{ijk}^{1-\sigma_k}$  captures time-invariant (e.g. distance, common language,  
 179 contiguity) and time-varying (e.g. product-specific trade policy measures, such as the EPS) country-  
 180 pair determinants of trade.

181 The relationship between protection and imports may be endogenously determined (Trefler 1993;  
 182 Santeramo and Lamonaca, 2022a; b): low SIVs for a certain product activate the mechanism of  
 183 protection and reduce imports of that product, which in turn influences the price determination process  
 184 of the SIVs for that product. Let us assume that the EU countries are price setters while non-EU  
 185 countries are price takers, and the daily process of price determination in the EU market for a certain  
 186 product under the EPS occurs as shown in figure 1. The EU daily domestic supply for that product  
 187 ( $S^{EU}$ ) is complemented by the import supply of the same product ( $IMP^{EU}$ ). The EU sets a threshold  
 188 entry price (EP) for that product that serves as a benchmark to establish the duty to levy on the imports  
 189 of the product according to their price, the SIV. The EP, set by the EU, is a minimum import price,  
 190 varying according to seasonality, product, and origin. Product- and origin-specific SIVs, a proxy of  
 191 import prices, are computed daily by the European Commission (EC). The SIV is an index built as  
 192 weighted average of representative prices, collected from the EU import markets. For the specific  
 193 product, when the SIVs are above the EP, the EU applies an *ad valorem* duty (i.e. the specific duty  
 194 provided in the EU's list of concessions to the WTO). When SIVs are lower than the EP, the EU  
 195 applies an extra duty, that is the difference between the EP and the SIV: for instance, if the SIV is 2, 4,

196 6 or 8% lower than the EP, the specific customs quota duty shall be equal respectively to 2, 4, 6 or 8%  
197 of the EP. When SIVs fall below 92% of the EP, the extra duty is augmented to the maximum tariff  
198 equivalent (MTE): i.e. the specific customs duty bound within the WTO shall apply.

199 [Figure 1 about here]

200 The mechanism of protection is activated by the dynamics of SIVs, which are determined by the level  
201 of imports. However, the level of imports depends on the dynamics of SIVs, whose position with  
202 respect to the EP may trigger the mechanism of protection.

203

### 204 *3.2 Indexes capturing the functioning of the Entry Price System*

205 The existing literature has proposed several approaches to investigate the functioning of the EPS<sup>7</sup>.  
206 Emlinger et al. (2008, 2010) and Kareem et al. (2017) consider specific duties of the EPS and compute  
207 a global measure of tariff protection, without focusing on the pricing strategies of exporters.  
208 Agrosynergie (2008) and Cardamone (2011) use dummy variables to model the EPS, hence focusing  
209 on the relevance of the system, rather than on its effectiveness and efficacy. Goetz and Grethe (2009,  
210 2010) and García Álvarez-Coque et al. (2010) compute the shares of negative gaps, defined as the  
211 difference between the SIV and the EP, and draw conclusions regarding the relevance of the EPS, and  
212 the accumulation of SIVs (closely) above the EP. Kareem et al. (2017) also focus on gaps to examine  
213 the pricing strategies of exporters. We complement the existing literature, proposing four indicators  
214 based on the empirical distribution of SIVs, to draw conclusions about the functioning of the EPS  
215 (figure 2). Following the standard approach of assuming prices to be log-normally distributed with  
216 positive skewness, the first and the second moment of the distribution are enough to characterise the  
217 entire distribution of the SIVs (Goodwin and Ker 2002). As a result, the four (importer-product-  
218 specific) indicators computed are (i) the overshoot index, i.e. the sum of days in a month in which the  
219 SIVs are below the EP, (ii) the distance index, i.e. the distance between the EP and SIVs when SIVs are

220 below or equal to the EP<sup>8</sup>, (iii) the position index, i.e. the mean of the empirical distribution of the SIVs  
221 (monthly average SIV), and (iv) the dispersion index, i.e. the standard deviation of the empirical  
222 distribution of the SIVs (relative difference between the monthly mean and median SIV).

223 [Figure 2 about here]

224 Firms in non-EU countries export their F&Vs subject to quotas and duties. The extra duty (or MTE) is  
225 applied when the SIVs of the traded F&Vs fall below the EP (or 92% of the EP). The four indicators  
226 mimic the precise functioning of the EPS. The overshoot index represents a proxy of the number of  
227 days in which the extra duty may have been applied to imports of the product. The distance between  
228 the EP and SIVs if SIVs are below or equal to the EP further capture the effect of the mechanism of  
229 protection when it works: it is referred to the potential deterrence mechanism of the EPS<sup>9</sup>. The  
230 expectation is that imports tend to be limited when the extra duty (or MTE) is applied; thus, frequent  
231 overshoots and larger distance between the EP and SIVs should lower the imports. The position and  
232 dispersion of SIVs are referred to the general behaviour of SIVs. The position index provides  
233 information on the likelihood of observing SIVs below the EP for a certain product: our approach  
234 extends that adopted by Cioffi and dell'Aquila (2004) who describe the daily distribution of SIVs  
235 compared with the EP. The higher the level of SIVs, the higher the likelihood that SIVs are above the  
236 EP and the extra duty is avoided to the benefit of imports. The dispersion index provides information  
237 on the variability of the product-specific distribution of SIVs: *ceteris paribus*, the higher the variability,  
238 the higher the likelihood of observing SIVs below the EP and the extra duty applied to the detriment of  
239 imports.

240

### 241 3.3 Empirical setting

242 Model (1) is estimated in its log-linearised form:

$$X_{ijk,t} = e^{\left\{ \underbrace{\frac{E_{ik}}{\Phi_{ik}^{1-\sigma_k}}}_{\beta_{ikt}} + \underbrace{\frac{Y_{jk}/Y}{\Omega_{jk}^{1-\sigma_k}}}_{\beta_{jkt}} + \underbrace{\theta_{ijk}^{1-\sigma_k}}_{\beta_{ijk} + EPS'_{ijk,t} \delta} \right\} \eta_{ijk,t}} \quad (2)$$

243 where the dependent variable is the value of the  $i$ -th imports of  $k$  from  $j$  in a period ( $X_{ijk,t}$ ).

244 We include importer-product-time and exporter-product-time fixed effects ( $\beta_{ikt}$  and  $\beta_{jkt}$ ) to proxy

245 multilateral resistances in the importing and exporting countries (Yotov et al., 2016): they remove

246 cross-section and time series correlation (Baldwin and Taglioni 2006). Country-pair fixed effects at the

247 product level ( $\beta_{ijk}$ ) capture time-invariant determinants of trade (e.g. distance, common language,

248 contiguity) and do not prevent the estimation of the effects of time-varying bilateral trade policies

249 (Egger and Nigai, 2015). The use of country-pair fixed effects also allows us to circumvent the

250 endogeneity problems since they account for unobservable relationships between covariates proxying

251 the endogenous trade policy (i.e. overshoot, distance, position and dispersion indices) and the error

252 term (Baier and Bergstrand, 2007).

253 The variable of interest (in log) proxying the functioning of the EPS ( $EPS'_{ijk,t}$ )<sup>10</sup> is, alternately, the

254 overshoot, the distance, the position and the dispersion indices. In particular, we use (i) the number of

255 days in a month in which SIVs are below the EP ( $'SIV < EP'$ ) as overshoot index, (ii) the distance

256 between 92% of EP and monthly average SIVs if SIVs are below or equal to the EP as distance index,

257 (iii) the monthly average ( $'\overline{SIV}'$ ) of the empirical distribution of SIVs as position index, and (iv) the

258 relative difference between the monthly mean and median of the SIVs ( $'\frac{\overline{SIV} - Me(SIV)}{SIV}'$ ) as dispersion

259 index. The vector  $\delta$  contains the parameters of interest, while  $\eta_{ijk,t}$  stands for an error term assumed to

260 be independently and identically distributed.

261 Equation (2) allows us to establish the overall protectionist effect on imports of the EPS when the

262 mechanism of protection is triggered. We also perform product-specific analyses to identify potential

263 heterogeneity in trade effects: in particular, we interact the explanatory variables with specific dummies

264 that consider each product. All specifications are estimated using the Poisson Pseudo-Maximum-  
 265 Likelihood (PPML) estimator, which is robust to heteroskedastic errors and provides a natural way to  
 266 deal with zeros in trade data (Silva and Tenreyro, 2006). We compute the trade volume effects for  
 267 indices proxying the functioning of the EPS and the associated change in the average import values.  
 268 The interpretation of the estimate of the coefficient on the logarithm of the indices ( $\delta$ ) is the elasticity  
 269 of the value of imports with respect to the indices (Yotov et al., 2016).

270

### 271 3.3.1 Robustness check

272 To test if the use of country-pair fixed effects properly accounts for potential reverse causality between  
 273 imports and indices used to proxy the functioning of the EPS, we add forwarded variables,  $EPS_{ijk,t+3}$   
 274 (Baier and Bergstrand, 2007). In the absence of reverse causality, the parameter associated with the  
 275 forwarded variables should be statistically not different from zero.

276 To further address the endogeneity issue, we follow the approach used by Trefler (1993) and estimate  
 277 the following equations:

$$EPS'_{ijk,t} = e^{\{\beta_{it} + \beta_{jt} + \beta_{ij} + \beta_{kt} + X_{ijk,t}\gamma\}} \varepsilon_{ijk,t} \quad (3.1)$$

278 and

$$X_{ijk,t} = e^{\left\{ \frac{E_{ik}}{\phi_{ik}^{1-\rho}} \frac{Y_{jk}}{\Omega_{jk}} \frac{\theta_{ijk}^{1-\rho}}{\theta_{ijk}^{1-\rho}} \right\}} \eta_{ijk,t} \quad (3.2)$$

279 Equation (3.1) captures the effects of imports on the functioning of the EPS: indicators based on the  
 280 empirical distribution of SIVs ( $EPS'_{ijk,t}$ ) are regressed against time-varying importer, exporter, and  
 281 product fixed effects ( $\beta_{it}$ ,  $\beta_{jt}$ , and  $\beta_{kt}$ ), time-invariant country-pair fixed effects ( $\beta_{ij}$ ), and bilateral  
 282 imports ( $X_{ijk}$ ). The regressors control for the strategic trading decisions made by importers (e.g. to  
 283 avoid imports of low-priced F&Vs) and exporters (e.g. to circumvent EPS duties), for product

284 characteristics (e.g. perishability, seasonality), and for country-pair factors (e.g. quotas, preferential EP,  
285 trade agreements).

286 Equation (3.2) captures the effects of the functioning of the EPS on imports: imports ( $X_{ijk,t}$ ) are a  
287 function of time-varying importer and exporter fixed effects ( $\beta_{it}$  and  $\beta_{jt}$ ), and time-invariant country-  
288 pair fixed effects ( $\beta_{ij}$ ). The vectors  $\delta$  and  $\gamma$  contain the parameters of interest, whereas  $\varepsilon_{ijk,t}$  and  $\eta_{ijk,t}$   
289 are error terms. In the absence of reverse causality, results of this specification should be comparable to  
290 results of the baseline model (equation 2).

291 To test the robustness of our indicators, we use additional variables proxying the functioning of the  
292 EPS. To complement the indicator on the distance between EP and SIVs, we also control for the effect  
293 of the distance between monthly average SIVs and 92% of EP if SIVs are above the EP. The proxies  
294 for the position index are monthly average ( $\overline{SIV}$ , the baseline), monthly median value ( $Me(SIV)$ ),  
295 and monthly minimum value ( $Min\{SIV\}$ ). The rationale is that the higher the average (or median or  
296 minimum), the higher the likelihood that the SIVs are above the EP. The proxies for the dispersion  
297 index are the relative difference between the mean and the median ( $\frac{\overline{SIV}-Me(SIV)}{\overline{SIV}}$ , the baseline),  
298 between the mean and the minimum ( $\frac{\overline{SIV}-Min\{SIV\}}{\overline{SIV}}$ ), and between the median and the minimum  
299 ( $\frac{Me(SIV)-Min\{SIV\}}{Me(SIV)}$ ). The second and third dispersion indexes are more variable due to their dependence  
300 on extreme values of the distribution.

301

### 302 3.4 Data description

303 We compiled a rich dataset comprising monthly data, from January 2000 to December 2019, for seven  
304 out of fifteen F&Vs covered by the EPS, originating in twelve exporting countries in the world. As also  
305 done in Cardamone (2011), we use monthly data in order to account for seasonality. Goetz and Grethe  
306 (2009) found a heterogeneous relevance of the EPS among products and countries of origin: on the

307 basis of their findings, we selected F&Vs with high (i.e. lemons and tomatoes), medium (i.e. apples and  
308 pears), and low (i.e. oranges, peaches, and table grapes) relevance. The selected exporters are direct  
309 competitors of the EU domestic producers (Cioffi and dell'Aquila 2004): we consider Southern  
310 Mediterranean countries (i.e. Egypt, Israel, Morocco, Tunisia, Turkey), exporters of the Southern  
311 Hemisphere (i.e. Argentina, Brazil, Chile, New Zealand, South Africa, Uruguay), and the top global  
312 producer of F&Vs (i.e. China). By adopting a wide-ranging set of suppliers, we are able to gain a  
313 deeper understanding of the functioning of the EPS: the majority of previous studies on the trade  
314 effects of the EPS focus on few countries, such as Southern Mediterranean countries (Emlinger et al.  
315 2008), or African countries (Kareem et al. 2017).

316 Monthly trade data are collected from ComExt and refer to F&Vs imports of five EU countries (i.e.  
317 France, Germany, Italy, Spain, United Kingdom) from the selected exporting countries<sup>11</sup>. We work at  
318 the six-digit level of the Harmonised System classification (HS 6-digit), an aggregation level detailed  
319 enough to keep variance among groups of products (Disdier et al., 2008): in particular, we focus on  
320 imports of 'Vegetables; tomatoes, fresh or chilled' (HS 1996: 070200), 'Fruit, edible; oranges, fresh or  
321 dried' (HS 1996: 080510), 'Fruit, edible; lemons (Citrus limon, Citrus limonum) limes (Citrus  
322 aurantifolia, Citrus latifolia), fresh or dried' (HS 1996: 080550), 'Fruit, edible; grapes, fresh' (HS 1996:  
323 080610), 'Fruit, edible; apples, fresh' (HS 1996: 080810), 'Fruit, edible; pears, fresh' (HS 1996:  
324 080830), 'Fruit, edible; peaches, including nectarines, fresh' (HS 1996: 080930).

325 Bilateral trade data are combined with data on monthly EP and daily SIVs for each product originating  
326 in each exporting country. Using daily data on SIVs, we constructed monthly average, median, and  
327 minimum values for SIVs to study the relationship between imports and the trends observed in the  
328 SIVs<sup>12</sup>. The monthly frequency of data in the final dataset is coherent with the shipping decisions of  
329 firms which can take several days and can be adjusted as a reaction to the potential application of the  
330 extra duty (or MTE) implied by the EPS.

331 The descriptive statistics (i.e., mean and standard deviation) for the main variables are presented in  
332 table C.1 of the Appendix C.

333

## 334 **4. Results and discussion**

### 335 *4.1 Overall effect*

336 The results of the PPML estimation of the gravity equation are reported in table 1. They are robust to  
337 the use of different estimators: we estimate the gravity equation in (2) through least squares. The results  
338 show that the OLS and the PPML estimates are similar in terms of signs and statistical significance  
339 (table S.2 in the Online Supplementary Material).

340 The overshoot index has a negative effect on imports: the more the days in which SIVs are below the  
341 EP, the lower the imports. For instance, a 100 percent increase in the number of days in which SIVs are  
342 below the EP (say from 1 to 2 days) should be accompanied by a 15 percent reduction in the value of  
343 imports (say from 1,240 mln € to 1,054 mln € on average). The EPS acts as a barrier to F&Vs imports  
344 from non-EU countries when it effectively works, that is when SIVs falls below the EP (92% of EP)  
345 and the extra duty (maximum tariff equivalent) is applied. In fact, the coefficient estimated for the  
346 distance between 92% of EP and monthly average SIVs, if SIVs are below or equal to the EP, implies  
347 that a 10 percent increase in distance decreases import values by 4 percent (-50 mln € on average).  
348 Differently, when SIVs are above the EP thus when the mechanism of protection is not triggered,  
349 import values benefit of a 1 percent increase (+12 mln € on average) for a 10 percent increase in the  
350 distance between monthly average SIVs and 92% of EP. The position and dispersion indexes, referred  
351 to the general behaviour of SIVs, tend to be not correlated with trade flows.

352

[Table 1 about here]

### 353 *4.1.1 Sensitivity analyses*



354 Sensitivity analyses<sup>13</sup> are performed to control if the use of country-pair fixed effects in the gravity  
355 equation properly account for the endogeneity between imports and the mechanism of protection (Baier  
356 and Bergstrand, 2007). The results confirm the absence of reverse causality between imports and  
357 indices proxying the functioning of the EPS (tables S.3-S.5 in the Online Supplementary Material). Our  
358 results are in line with Trefler (1993), who suggests that treating mechanisms of protection as  
359 exogenously set policy instruments yields downward-biased estimates of the impact of protection on  
360 imports.

361 To draw conclusions regarding the overall effect on imports of the EPS, and regarding the protectionist  
362 effect on imports, when the EPS is triggered, we simultaneously estimate the EPS equation in (3.1) and  
363 the import equation in (3.2) by including separately the number of overshoots and, alternatively, the  
364 indexes of position and dispersion (tables S.6 and S.7 in the Online Supplementary Material). The  
365 overshoots reduce imports: a 1 percent increase in the number of days in which SIVs are below the EP  
366 reduces imports by 0.3 percent. By interacting the indexes with the number of overshoots, we find  
367 lower estimates: a 1 percent increase in average SIVs increases imports by 0.015 percent. When the  
368 analysis is not controlling for the number of overshoots, the equivalent increase is 1.059 percent.  
369 Similarly, the higher the variability of SIVs, the lower the imports: the equivalent marginal reduction is  
370 9 percent by interacting the indexes with the number of overshoots, and 19 percent without interaction  
371 term.

372 Our results are robust to different econometric specifications that control for alternative measures of the  
373 level and the variability of SIVs (tables S.6-S.11 in the Online Supplementary Material). The greatest  
374 coefficients are estimated for the position indices proxied by minimum SIV: it is plausible to suppose  
375 that the higher the minimum value of SIVs, the higher the likelihood that SIVs will be above the EP.  
376 The greatest impacts are found for the dispersion index computed as relative difference between the  
377 mean and the median. Notably, the relative difference between the mean and median is a better proxy

378 for skewness than the dispersion index computed as relative difference between the mean and  
379 minimum: the larger the difference between average and median SIVs, the greater the likelihood of  
380 having imports. Higher values for the dispersion indices indicate higher volatility of SIVs, which are  
381 more likely to fall below the EP.

382 To control for seasonality, in a sensitivity analysis we introduce country-pair-product-month fixed  
383 effects. The results confirm the baseline results (table S.12 in the Online Supplementary Material).

384

#### 385 *4.2 Product-specific effects*

386 The results of analyses by products, reported in tables 2 (estimation results) and 3 (trade volume effects  
387 and change in average import values), show the regularity of the trade effects of the EPS although with  
388 different magnitude across products.

389 [Tables 2 and 3 about here]

390 The coefficients estimated for the overshoot index are negative in all but one case (lemons, for which  
391 imports are positively correlated with the regressor). Put differently, in all but one specific case, the  
392 higher the number of days in which SIVs are low (below the trigger EP), the lower the imports of  
393 F&Vs from non-EU countries. The EPS is relevant for apples, pears, oranges, and tomatoes, but table  
394 grapes is the most affected with a 337% reduction in the value of imports (-2,891 mln € on average).  
395 When the mechanism of protection is triggered, that is when SIVs falls below the 92% of EP, import  
396 values of products tend to be hindered: the greater the distance between 92% of EP and monthly  
397 average SIVs, the lower the imports. The most and less impacted products are respectively apples (-140  
398 mln € on average) and pears (-58 mln € on average), whereas oranges are favoured +40 mln € on  
399 average). Our results are in line with Goetz and Grethe (2009), who highlight the relevance of the EPS  
400 for apples and pears. However, our results differ from the evidence provided by Cioffi and dell'Aquila  
401 (2004), who find no relevance of the EPS for oranges, and support the findings of Cardamone (2011),

402 who suggest a positive effect of the EPS on imports of oranges. The divergences are partly due to the  
403 differences in the methodological approaches: Cioffi and dell'Aquila (2004) limit their analysis to  
404 descriptive statistics and conclude that the EPS is not effective for oranges as the imports occur in  
405 periods in which the EPS is not working (late spring and summer).

406 Besides the general tendency in the behaviour of SIVs (see table 1), products have different responses  
407 to higher (lower) level and variability of the SIVs (i.e. position and dispersion indices). We observe  
408 that higher variability of SIVs does not impede imports of less perishable F&Vs. For instance, imports  
409 of apples and lemons increase, respectively, by 14% (+178 mln € on average) and 7% (+43 mln € on  
410 average) for a 10% increase in the dispersion index. Our findings are in line with previous studies:  
411 Emlinger et al. (2008, 2010) suggest that the relevance of the EPS depends on the perishability of the  
412 products in question. These patterns point to the existence of strategic behaviour: when the SIVs are  
413 below the EP, importers may delay imports of less perishable F&Vs until SIVs once again rise above  
414 the EP, a strategy that deprives the EPS of its efficacy (Goetz and Grethe 2009; Cioffi et al. 2011). The  
415 rationale is that when the SIVs are more variable tend to be below the EP only for a few periods, as  
416 compared to the SIVs that are less variable. The strategic behaviour of exporters would consist in  
417 storing products when the SIV is below the EP and market them when SIV is again above the EP. Such  
418 a strategic behaviour is feasible only for low perishable products and for distant countries. In support of  
419 this rationale, we found that the overshoot index is negatively correlated with the importer-exporter-  
420 distance and with low or medium perishable products (table S.13, figure S.1 in the Online  
421 Supplementary Material): SIVs of storable F&Vs and of products from distant countries tend to be  
422 durably above the EP, thus systematically avoiding levying the extra-duty.

423 To sum up, the results reveal the efficacy of the mechanism of protection. The EPS is a barrier to trade  
424 of F&Vs: imports tend to decrease when SIVs are below the EP and the effects are observed on imports  
425 of most of F&Vs. While the EPS is able to accomplish its protection aim for all F&Vs, its efficacy is

426 more evident for products characterised by low perishability.

427

## 428 **5. Concluding remarks and policy implications**

429 The European fruit and vegetables (F&Vs) market is governed by a complex and widely debated set of  
430 regulations. In particular, the Entry Price System (EPS), which attempts to control imports by setting a  
431 minimum price for imported goods, has been under the spotlight due to its doubtful effectiveness in  
432 limiting trade and stabilising the domestic market. The intervention requires daily monitoring of the  
433 SIVs in representative markets: this procedure makes the EPS expensive, complex, and of questionable  
434 usefulness (Goetz and Grethe 2009; Santeramo and Cioffi 2012). We investigated the extent to which  
435 the EPS affects imports of F&Vs from major suppliers, focusing on novel indicators: the overshoot, the  
436 distance, the position, and the dispersion indices.

437 We found the EPS to be an effective trade barrier that contributes to limit imports of F&Vs. On  
438 average, for each day of overshoot (i.e. Standard Import Values –SIVs– below the entry price –EP–),  
439 imports decrease by 15 percent (-186 mln €). The imports of less perishable F&Vs (e.g. apples, pears,  
440 and lemons) are the most affected by variable SIVs. It is plausible that less perishable products are  
441 traded in longer distances and countries in longer distances may have less preferences, boosting the  
442 effects of the mechanism. More distant countries are also developing economies whose agricultural  
443 exports tend to be highly affected by duties (Emlinger and Guimbard, 2021). The negative relationships  
444 we found between imports and the variability of SIVs suggest that suppliers may tend to adopt strategic  
445 behaviours in order to (temporarily) reduce imports, until SIVs once again rise above the threshold EP.  
446 While these strategies have been hypothesised in previous studies (García Álvarez-Coque et al. 2010;  
447 Cioffi et al. 2011), our analysis quantifies their impact in terms of trade values. In addition, the use of a  
448 novel approach opens the path for building a synthetic and simple price index, based on the moments of

449 price distribution, that would be useful to infer on the efficacy/effectiveness of restrictive trade  
450 regimes.

451 The barrier effect of the EPS for imports of F&Vs, revealed by our analysis, calls attention to the  
452 effectiveness of this measure and the usefulness of keeping it in force. This is particularly relevant for  
453 regional trade negotiations involving the EU. Our findings support the bilateral negotiations of  
454 agricultural trade preferences. Many more procedures and barriers that hinder trade among countries  
455 persist in agri-food than in manufacturing sectors (e.g. Santeramo and Lamonaca, 2019; Beghin and  
456 Schweizer, 2020). Therefore, gaining a better understanding of the overall consequences of a non-tariff  
457 barrier such as the EPS for agricultural trade among countries, which has been the main aim of this  
458 research, is of great policy relevance.

459 Further related research might focus on the analysis of the dynamics of the SIVs mechanism over time.  
460 In addition, access to firm-level and transaction data might shed light on other interesting issues, such  
461 as the strategy of the exporters, who can wait for a higher SIV to enter into the European market.

462

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<sup>1</sup> A detailed comparison between the EPS and the GPS is provided in the Online Supplementary Material (table S.1).

<sup>2</sup> The SIV is a synthetic import price calculated by the European Commission for each product and origin as the weighted average of prices collected in representative markets, reduced by a marketing margin and costs of transport and insurance within the customs territory. Details on the calculation of the SIV are specified in Commission Regulation (EC) No 3223/94.

<sup>3</sup> Introduced in the first Common Market Organization (CMO) of F&Vs in 1972, the Reference Price System worked as minimum import prices: imports from specific non-EU countries were subject to the payment of an extra duty, if the import price of their products fell below the reference prices (Cioffi and dell'Aquila, 2004). When countervailing charges began to be applied on a product from a country,

---

they increased as long as import flows tended to disappear, to detriment of extra-EU exporters (Swinbank and Ritson, 1995).

<sup>4</sup> The tariffication is the conversion of all existing non-tariff barriers to trade into bound tariffs.

<sup>5</sup> The motivation for treating trade as a country decision, that aggregate the economic decisions of heterogeneous firms in that country, has a theoretical foundation in the model of international trade in differentiated products in which firms face fixed and variable trade costs developed by Helpman et al. (2008). They argue that, since only the more productive firms find it profitable to export, trade flows from a country aggregate exports over heterogeneous firms. Accordingly, trade flows aggregated at the country level predict the selection of heterogeneous firms into export markets and their associated aggregate trade flows.

<sup>6</sup> Time period ( $t$ ) subscript is initially suppressed for ease of notation.

<sup>7</sup> The indicators that have been adopted in recent empirical studies are summarised in table B.1 of the Appendix B.

<sup>8</sup> This indicator measures the deviation between the monthly EP and the monthly average SIV, when SIVs are below or equal to the EP at least once in a month.

<sup>9</sup> The EPS deters low priced imports from main EU partner countries, as explained in Santeramo and Cioffi (2012).

<sup>10</sup> Note that the EP is product-specific and does not vary across origins and destinations, SIVs are product- and origin-specific but do not vary across EU countries.

<sup>11</sup> Although the EPS is defined at the EU level, we account for five EU country separately in order to consider differences in the magnitude of import flows for each product originating in each exporting country.

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<sup>12</sup> Although daily SIVs are correlated (Cioffi et al., 2011), the focus of this analysis is not on the structure of prices but on the positioning of prices with respect to the EP, that is correlated with the application of the extra duty.

<sup>13</sup> Sensitivity analyses are run on a sample covering the period between 2000 and 2014.

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549 **Tables**550 **Table 1. Standard import values (SIVs) below entry price (EP) reduce imports; imports increase with higher level of SIVs and decrease with variable SIVs.**

Variables	Overshoot index	Distance	Distance	Position index	Dispersion index
	(A)	92% of EP – SIV	SIV – 92% of EP		
EPS	-0.1498***	-0.3528***	0.1406**	0.1821	-1.1801
	(0.0459)	(0.0412)	(0.0550)	(0.1938)	(1.0386)
Observations	10,007	10,007	10,007	10,007	10,007

551 Notes: Poisson Pseudo-Maximum-Likelihood (PPML) estimation of the gravity equation in (2). The dependent variable is value of imports. The explanatory variables of interest (in  
552 log) are, alternatively, the number of days in a month in which SIVs are below the EP (A), the distance between 92% of EP and monthly average SIVs if SIVs are below or equal to the  
553 EP (B), the distance between monthly average SIVs and 92% of EP if SIVs are above the EP (C), the monthly average SIVs (D), the relative difference between the monthly mean and  
554 median SIVs (E). All specifications include a constant, importer-product-time, exporter-product-time, and country-pair-product fixed effects. Robust standard errors are in parentheses.

555 \*\*\* indicates statistical significance at 1%.

556 \*\* indicates statistical significance at 5%.

557 \* indicates statistical significance at 10%.

558 **Table 2. Product-specific analysis: Standard import values (SIVs) lower than entry price (EP) reduce import values.**

Variables	Overshoot index (A)	Distance index (B)	Position index (C)	Dispersion index (D)
Apples	-0.732*** (0.00063)	-1.114*** (0.00605)	-0.456*** (0.00058)	1.358*** (0.00204)
Lemons	0.130*** (0.00081)	-1.248*** (0.00143)	1.597*** (0.00089)	0.716*** (0.00069)
Pears	-0.692*** (0.00365)	-1.426*** (0.02250)	-0.554*** (0.00376)	-5.843*** (0.01430)
Oranges	-0.566*** (0.00006)	0.787*** (0.00085)	-1.019*** (0.00022)	0.335*** (0.00102)
Table grapes	-3.371*** (0.00200)	-0.734*** (0.00049)	1.918*** (0.00092)	-0.0372*** (0.00099)
Tomatoes	-0.192*** (0.00194)	-0.322*** (0.00005)	-0.0387*** (0.00021)	-1.932*** (0.00669)
Observations	10,001	10,001	10,001	10,001

559 Notes: Poisson Pseudo-Maximum-Likelihood (PPML) estimation of the gravity equation in (2). The dependent variable is value of imports. The explanatory variables of interest  
560 (interacted with a product-specific dummy) are, alternatively, the log number of days in a month in which SIVs are below the EP (A), the log distance between 92% of EP and monthly  
561 average SIVs if SIVs are below or equal to the EP (B), the log monthly average SIVs (C), the log relative difference between the monthly mean and median SIVs (D). All specifications  
562 include a constant, importer-product-time, exporter-product-time, and country-pair-product fixed effects. Robust standard errors of the order of  $10^{-12}$  are in parentheses.  
563 \*\*\* indicates statistical significance at 1%.

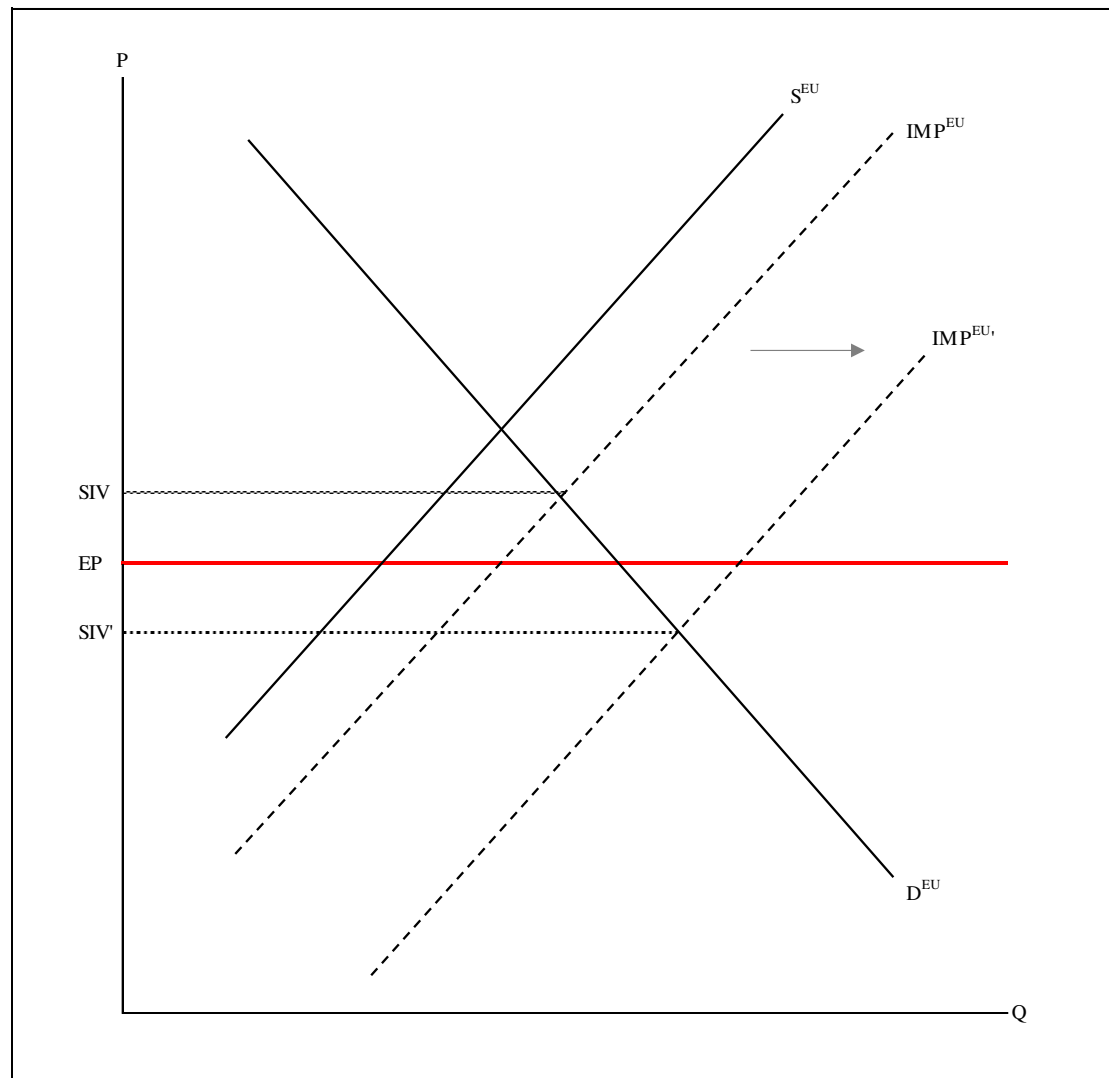
564 **Table 3. Trade volume effect and change in average import values.**

Product	Perishability (months)	Avg imports (mln €)	Overshoot index	Distance index	Position index	Dispersion index
			SIV < EP (+1 day)	92% of EP – SIV (+10%)	Avg SIV (+10%)	(Avg–Me) / Avg SIV (+10%)
F&Vs		1,240	-15%; -186 mln €	-4%; -50 mln €	0%; 0 mln €	0%; 0 mln €
Apples	12	1,270	-73%; -927 mln €	-11%; -140 mln €	-5%; -64 mln €	+14%; +178 mln €
Lemons	6	617	+13%; +80 mln €	-12%; -74 mln €	+16%; +99 mln €	+7%; +43 mln €
Pears	3-6	411	-69%; -284 mln €	-14%; -58 mln €	-5%; -21 mln €	-58%; -238 mln €
Oranges	3	503	-57%; -287 mln €	+8%; +40 mln €	-10%; -50 mln €	+3%; +15 mln €
Table grapes	0.5-1	858	-337%; -2,891 mln €	-7%; -60 mln €	+19%; +163 mln €	-0.4%; -3 mln €
Tomatoes	1.5	3,185	-19%; -605 mln €	-3%; -96 mln €	-0.4%; -13 mln €	-19%; -605 mln €

565 Notes: Perishability based on shelf-life at the optimum storage conditions (by temperature or controlled atmosphere) (Gross et al., 2016).

566 **Figures**

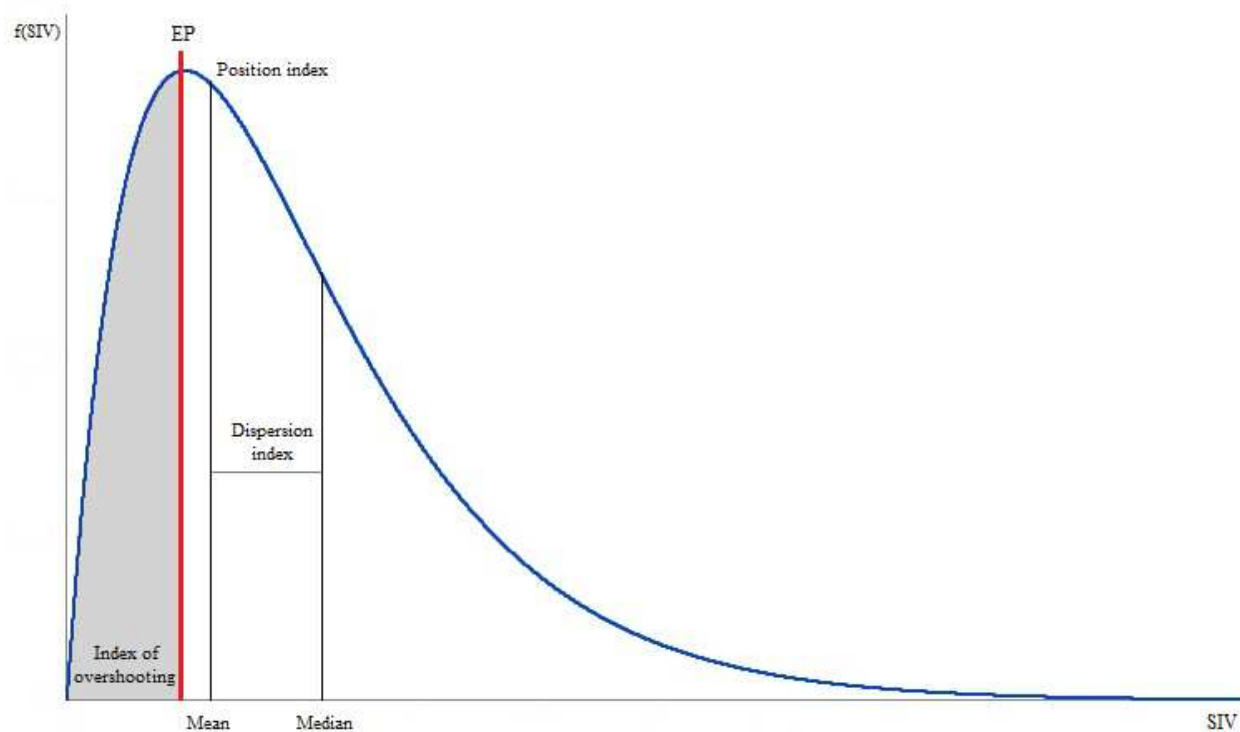
567 **Figure 1. The daily import price determination process for a generic product under the Entry Price System.**



568

569 Notes: Acronyms are domestic demand ( $D^{EU}$ ), domestic supply ( $S^{EU}$ ), imported supply ( $IMP^{EU}$ ), entry price ( $EP$ ), Standard Import Value ( $SIV$ ).

570 **Figure 2. Three indexes to capture the functioning of the Entry Price System.**



571

572 Notes: Acronyms are Standard Import Value (SIV) and entry price (EP).



573 **Appendix A. Existing evidence on the Entry Price System**574 **Table A.1. Previous studies on the Entry Price System (EPS), by effects under investigation.**

Reference	Product	Country of origin	Methodology	Main findings
<b>Influence of the EPS</b>				
Cioffi and dell'Aquila (2004)	Apples, oranges, tomatoes	Countries of Southern Hemisphere (Argentina, Brazil, Chile, Israel, Morocco, New Zealand, South Africa)	Analysis of data related to the application of the EPS	Varying influence on a case-by-case basis
Goetz and Grethe (2009)	All F&Vs under the EPS	Main exporters (81 origin-product combinations)	Cluster analysis based on indicators measuring the influence of the EPS	Heterogeneous influence among products and countries of origin
Goetz and Grethe (2010)	Apples, pears	China	Cluster analysis based on indicators measuring the influence of the EPS	The relevance is temporary for apples and general for pears originating in China
<b>Price stabilisation effects of the EPS</b>				
Agrosynergie (2008)	F&Vs under the EPS	Main origins	Analysis of price elasticities of demand	The stabilisation effect occurs for tomatoes from Morocco, apples from China, lemons from Turkey
Cioffi et al. (2011)	Lemons, tomatoes	Argentina, Morocco, Turkey	Econometric analysis of the effects of the EPS on the EU prices of F&Vs	The stabilisation effect is rather small, particularly, in the case of tomatoes imported from Morocco
Santeramo and Cioffi (2012)	Apples, lemons, tomatoes	Argentina, Morocco, Turkey	Econometric analysis of the effects of the isolation effect of	The EPS plays an insulation effect when the SIVs of Moroccan tomatoes drop below the

			an endogenous price threshold	estimated threshold
Trade effects of the EPS				
Agrosynergie (2008)	Apples, artichokes, clementines, courgettes, cucumbers, oranges, pears, tomatoes, table grapes	Main origins	Analysis based on a gravity model and on a partial equilibrium model	The trade effects are product- and season- specific
Emlinger et al. (2008)	70 products included F&Vs under the EPS	232 origins	Analysis based on a gravity model, considering the tarification of the EPS	The trade effect of tariffs is negative for products under the EPS
Cardamone (2011)	Apples, fresh grapes, mandarins, oranges, pears	191 origins	Analysis based on a gravity model, using the preferential EP (proxied by a dummy) as explanatory variable	The preferential EP has a positive effect on imports of oranges only
García-Álvarez- Coque et al. (2010)	Clementines, cucumbers, table grapes, tomatoes	Brazil, Israel, Morocco, Turkey	Analysis based on a partial equilibrium model	Trade impacts of eliminating EP are significant for particular origins, during specific seasons, most notably for Moroccan tomatoes.
Kareem et al. (2017)	Limes and lemons, oranges, tomatoes	African countries	Analysis based on a gravity model, using the gaps between SIVs and EP	Negative effects occur for the extensive margins of trade of tomato

575

576 *References*

577 Agrosynergie. 2008. Evaluation of the system of entry prices and export refunds in the fruit and vegetables sector. European  
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## Appendix B. Indexes capturing the functioning of the Entry Price System in literature

**Table B.1. Indexes used in the literature to capture the functioning of the Entry Price System.**

Indicator	Description	References
Ad valorem equivalent (AVE)	$ad\ valorem\ tax + \frac{specific\ duty}{import\ price}$	Emlinger et al. (2008, 2010)
Dummy	1 with EP (0 otherwise)	Agrosynergie (2008), Cardamone (2011)
Share of negative gap	$\frac{GAP_{<0}}{GAP_{tot}}$	Goetz and Grethe (2009, 2010)
Distribution's 0.05-quantile of positive gap	$\ln\left(\frac{Q_{0.05}}{sd(GAP)}\right)$	
Relative gap	$-5\% \leq \frac{SIV - EP}{EP} \leq +5\%$	García Álvarez-Coque et al. (2010)
Absolute gap	$SIV - EP$	Kareem et al. (2017)

### References

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Cardamone, P. 2011. The effect of preferential trade agreements on monthly fruit exports to the European Union. *European Review of Agricultural Economics* 38(4): 553-586.

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### Appendix C. Data description

Over the period between 2000 and 2014, in our sample, on average imports of apples originate mostly in New Zealand, South Africa and Chile; while Argentina is the greatest exporter of lemons and pears, Morocco is the most important suppliers of tomatoes; imports of oranges mostly come from Tunisia and Egypt; similarly, Egypt is a relevant exporter of table grapes, joint with Brazil and Morocco. The EP quotas hold for apples, pears, oranges originating from Egypt, Israel, and Morocco, and tomatoes originating from Morocco. For lemons and tomatoes, it is more frequent to have a number of consecutive days (“max length”) in which the SIVs are below the EP: this is in line with Goetz and Grethe (2009) who suggest that the relevance of the EPS is highest for lemons and tomatoes. Across origins, the average monthly SIV is less variable for apples (from 74 €/100 kg of Uruguay to 106 €/100 kg of New Zealand) and lemons (from 62 €/100 kg of Egypt and 91 €/100 kg of Chile). Overall, SIVs are more dispersed for tomatoes.

**Table C.1. Mean and standard deviation (in parentheses) for variables of interest over the period 2000-2014, classified by product and origin.**

	EU imports (mln €)	SIV<EP (days per month)	$\overline{SIV}$ (€/100 kg)	$\frac{\overline{SIV} - Me(SIV)}{\overline{SIV}}$
Apples				
ARG	501 (± 679)	0 (± 1)	93 (± 32)	.006 (± .067)
BRA	650 (± 746)	0 (± 2)	79 (± 13)	.002 (± .045)
CHL	1,993 (± 2,537)	0 (± 1)	91 (± 18)	-.003 (± .042)
CHN	267 (± 345)	1 (± 2)	88 (± 23)	.008 (± .063)
NZL	2,874 (± 5,079)	0 (± 0)	106 (± 23)	-.002 (± .026)
TUR	6 (± 4)	0 (± 1)	84 (± 21)	.021 (± .061)
URY	95 (± 93)	1 (± 2)	74 (± 22)	-.001 (± .053)
ZAF	2,726 (± 5,186)	0 (± 0)	98 (± 21)	.002 (± .044)
Lemons				

ARG	2,454 (± 3,361)	4 (± 6)	68 (± 24)	.002 (± .034)
BRA	62 (± 75)	3 (± 4)	69 (± 32)	-.007 (± .024)
CHL	306 (± 437)	0 (± 1)	91 (± 32)	-.004 (± .036)
EGY	31 (± 39)	1 (± 2)	62 (± 14)	.021 (± .072)
ISR	57 (± 70)	0 (± 0)	81 (± 28)	.007 (± .032)
MAR	61 (± 79)	2 (± 4)	69 (± 31)	.003 (± .056)
TUR	274 (± 497)	1 (± 3)	68 (± 20)	.006 (± .045)
URY	326 (± 278)	3 (± 5)	72 (± 25)	-.006 (± .061)
ZAF	510 (± 845)	2 (± 4)	76 (± 23)	.008 (± .036)
Peaches				
ISR	147 (± 205)	0 (± 1)	146 (± 48)	.001 (± .046)
MAR	197 (± 295)	0 (± 0)	250 (± 118)	.000 (± .000)
TUR	65 (± 133)	0 (± 0)	130 (± 24)	.000 (± .018)
Pears				
ARG	2,213 (± 5,015)	0 (± 1)	95 (± 39)	.008 (± .065)
CHL	738 (± 1,313)	0 (± 2)	92 (± 38)	.010 (± .042)
CHN	53 (± 45)	2 (± 3)	68 (± 21)	.022 (± .074)
NZL	58 (± 64)	0 (± 0)	145 (± 33)	-.024 (± .039)
TUR	18 (± 15)	0 (± 0)	118 (± 30)	-.005 (± .036)
URY	204 (± 267)	0 (± 1)	74 (± 25)	-.013 (± .031)
ZAF	1,112 (± 1,318)	0 (± 0)	94 (± 20)	-.0001 (± .029)
Oranges				
BRA	1 (± 2)	2 (± 4)	35 (± 15)	-.002 (± .020)
EGY	1,145 (± 1,856)	0 (± 1)	49 (± 8)	.002 (± .042)
ISR	301 (± 459)	0 (± 0)	68 (± 11)	.001 (± .027)
MAR	683 (± 744)	0 (± 0)	56 (± 12)	.004 (± .051)
TUN	1,411 (± 1,409)	0 (± 1)	54 (± 11)	.019 (± .038)
TUR	156 (± 419)	0 (± 1)	62 (± 8)	-.008 (± .044)
ZAF	176 (± 525)	1 (± 2)	56 (± 15)	.005 (± .063)
Table grapes				
BRA	3,175 (± 5,013)	0 (± 0)	224 (± 82)	-.002 (± .054)

CHL	88 (± 84)	1 (± 1)	104 (± 46)	.020 (± .073)
EGY	1,261 (± 3,354)	0 (± 0)	145 (± 35)	.007 (± .065)
ISR	465 (± 727)	0 (± 0)	148 (± 29)	.005 (± .045)
MAR	1,058 (± 1,096)	0 (± 0)	147 (± 38)	.006 (± .060)
TUN	56 (± 95)	0 (± 0)	189 (± 45)	-.008 (± .016)
TUR	377 (± 631)	0 (± 0)	120 (± 27)	.003 (± .035)
ZAF	509 (± 686)	0 (± 0)	138 (± 106)	-.009 (± .035)
<hr/>				
Tomatoes				
<hr/>				
BRA	3 (± 0.2)	3 (± 2)	32 (± 0)	.000 (± .000)
ISR	487 (± 739)	1 (± 2)	129 (± 41)	.013 (± .095)
MAR	5,385 (± 9,730)	5 (± 6)	64 (± 20)	.020 (± .061)
TUN	467 (± 556)	2 (± 4)	112 (± 24)	.002 (± .053)
TUR	143 (± 234)	4 (± 5)	88 (± 24)	.016 (± .047)

Notes: Standard deviations are in parentheses. Acronyms are Argentina (ARG), Brazil (BRA), Chile (CHL), China (CHN), Egypt (EGY),

Israel (ISR), Morocco (MAR), New Zealand (NZL), South Africa (ZAF), Tunisia (TUN), Turkey (TUR), Uruguay (URY).



## The import effects of the Entry Price System

### Online Supplementary Material

**Table S.1. The Entry Price System (EPS) vs. the Gate Price System (GPS).**

	EPS	GPS
Area of implementation	EU	Japan
Markets	Fruit and vegetables	Meat
Commodity	Apples, apricots, cherries, clementines, lemons, mandarins, oranges, peaches (including nectarines), pears, plums, table grapes, artichokes, courgettes, cucumbers, tomatoes	Pork
Entry into force	1995	1971
Previous regime	Reference Price System	Quota system
Import value	Standard Import Value (SIV): proxy of import price, computed daily by the European Commission	Standard Import Price (SIP): 482.5 yen/kg, fixed by the government as the arithmetic average between upper stabilisation price (515 yen/kg) and lower stabilisation price (450 yen/kg)
Threshold price	Entry Price (EP): set by the government, variable according to product, supplier, seasonality  Variable: <i>ad valorem</i> tariff with $SIVs < EP$	Gate Price (GP): Fixed  $SIP/1.05 = 459.5$ yen/kg  Mixed:
Import tariff	<i>ad valorem</i> tariff + $(EP - SIV)$ with $EP < SIVs < 0.92EP$  <i>ad valorem</i> tariff + MTE with $SIVs < 0.92EP$	5% <i>ad valorem</i> tariff  Variable levy = $GP - CIF$ price

Source: Cioffi and dell'Aquila (2004) and Godo (2014).

**Table S.2. Ordinary Least Square (OLS) estimation of the gravity equation in (2).**

	Overshoot index	Overshoot index (lag)	Position index	Dispersion index
Variables	(A)	(B)	(C)	(D)
EPS	-0.120*** (0.037)	-0.118*** (0.036)	0.917*** (0.109)	-0.211*** (0.023)
Observations	6,485	6,432	6,485	3,223
R-squared	0.619	0.618	0.623	0.708

Notes: The dependent variable is log of import values. The explanatory variables of interest are, alternatively, the number of days in a month in which SIVs are below the EP at time  $t$  (A) and  $t-1$  (B), the monthly average SIVs (C), the relative difference between the monthly mean and median SIVs (D). All specifications include a constant, importer-product-time, exporter-product-time, and country-pair-product fixed effects. Standard errors are in parentheses.

\*\*\* indicates statistical significance at 1%.

**Table S.3. Addressing potential reverse causality (Baier and Bergstrand, 2007).**

	Overshoot index	Position index	Dispersion index
Variables	(A)	(B)	(C)
EPS	-0.117*** (0.038)	0.842*** (0.114)	-0.484 (0.474)
EPS (forwarded)	-0.013 (0.034)	-0.147 (0.094)	-0.193 (0.384)
Observations	6,252	6,252	6,252
R-squared	0.618	0.622	0.617

Notes: Ordinary least Square (OLS) estimation of the gravity equation in (2). The dependent variable is log of import values. The explanatory variables of interest (in log) are, alternatively, the number of days in a month in which SIVs are below the EP (A), the monthly average SIVs (C), the relative difference between the monthly mean and median SIVs (C). All specifications include a constant, importer-product-time, exporter-product-time, and country-pair-product fixed effects. Standard errors are in parentheses.

\*\*\* indicates statistical significance at 1%.

**Table S.4. Addressing potential reverse causality (Trefler, 1993): EPS equation.**

	Overshoot index	Position index	Dispersion index
	(A)	(B)	(C)
Variables	$(SIV < EP)$	$((SIV < EP) * \overline{SIV})$	$((SIV < EP) * \frac{\overline{SIV} - Me(SIV)}{SIV})$
Log of imports	-0.010 (0.015)	-0.085 (0.075)	-0.007 *** (0.001)
Observations	1,346	6,485	6,485
R-squared	0.533	0.464	0.132

Notes: Ordinary Least Squares (OLS) estimation of the EPS equation in (3.1). The dependent variables are, alternatively, the number of days in a month in which SIVs are below the EP (A), the monthly average SIVs interacted with the number of overshoots (A), the relative difference between the monthly mean and median SIVs interacted with the number of overshoots (C). All specifications include a constant, time-varying importer, time-varying exporter, country-pair, and time-varying product fixed effects. Standard errors are in parentheses.

\*\*\* indicates statistical significance at 1%.

**Table S.5. Addressing potential reverse causality (Trefler, 1993): import equation.**

Variables	Overshoot index (A)	Position index (B)	Dispersion index (C)
Overshoot index ( $SIV < EP$ )	-0.180 *** (0.059)	-0.261 *** (0.063)	0.0003 (0.059)
Position index ( $(SIV < EP) * \overline{SIV}$ )		0.015 *** (0.004)	
Dispersion index ( $(SIV < EP) * \frac{\overline{SIV} - Me(SIV)}{\overline{SIV}}$ )			-9.391 *** (0.557)
Observations	6,485	6,485	6,485
R-squared	0.369	0.371	0.397

Notes: Ordinary Least Squares (OLS) estimation of the import equation in (3.2). The dependent variable is logs of imports. The explanatory variables of interest are, alternatively, the number of days in a month in which SIVs are below the EP (A), the monthly average SIVs interacted with the number of overshoots (B), the relative difference between the monthly mean and median SIVs interacted with the number of overshoots (C). All specifications include a constant, time-varying importer, time-varying exporter, and country-pair fixed effects. Standard errors are in parentheses.

\*\*\* indicates statistical significance at 1%.

**Table S.6. A rise in imports increases the level of the Standard Import Values (SIVs) but lowers its variability when SIVs are below entry price (EP).**

Variables	Position index		Dispersion index	
	Without	With	Without	With
	interaction term $(\overline{SIV})$	interaction term $((SIV < EP) * \overline{SIV})$	interaction term $(\frac{SIV - Me(SIV)}{\overline{SIV}})$	interaction term $((SIV < EP) * \frac{SIV - Me(SIV)}{\overline{SIV}})$
Log of imports	0.008 *** (0.002)	-0.085 (0.075)	-0.0005 (0.0003)	-0.007 *** (0.001)
Observations	6,485	6,485	6,485	6,485
R-squared	0.684	0.464	0.133	0.132

Notes: Ordinary Least Squares (OLS) estimation of the EPS equation in (3.1) without (and with) interacting the dependent variables with the number of overshoots. The dependent variables are, alternatively, the monthly average SIVs not interacted and interacted with the number of overshoots (position index), the relative difference between the monthly mean and median SIVs not interacted and interacted with the number of overshoots (dispersion index). All specifications include a constant, time-varying importer, time-varying exporter, country-pair, and time-varying product fixed effects. Standard errors are in parentheses.

\*\*\* indicates statistical significance at 1%.

**Table S.7. The estimated effects of the level and the variability of Standard Import Values (SIVs) are lower when the estimation is limited to periods in which SIVs are below the entry price (EP) than when the estimation is not limited.**

Variables	Position index		Dispersion index	
	Without interaction term	With interaction term	Without interaction term	With interaction term
Index of overshoots	-0.315 *** (0.061)	-0.261 *** (0.063)	-0.196 *** (0.059)	0.0003 (0.059)
Position index	1.059 *** (0.110)	0.015 *** (0.004)		
Dispersion index			-19.120 *** (3.019)	-9.391 *** (0.557)
Observations	6,485	6,485	6,485	6,485
R-squared	0.379	0.371	0.373	0.397

Notes: Ordinary Least Squares (OLS) estimation of the import equation in (3.2). The dependent variable is logs of imports. The explanatory variables of interest (in log) are, alternatively, the monthly average SIVs not interacted and interacted with the number of overshoots (position index), the relative difference between the monthly mean and median SIVs not interacted and interacted with the number of overshoots (dispersion index). All specifications include a constant, time-varying importer, time-varying exporter, and country-pair fixed effects. Standard errors are in parentheses.

\*\*\* indicates statistical significance at 1%.

1 **Table S.8. A rise in imports increases the level of the Standard Import Values (SIVs).**

Variables	Position index					
	Without interaction term			With interaction term		
	$\overline{SIV}$	$Me(SIV)$	$Min\{SIV\}$	$(SIV < EP) * \overline{SIV}$	$(SIV < EP) * Me(SIV)$	$(SIV < EP) * Min\{SIV\}$
Log of imports	0.008 *** (0.002)	0.009 (0.002)	0.014 *** (0.002)	-0.085 (0.075)	-0.077 (0.075)	-0.064 (0.070)
Observations	6,485	6,485	6,485	6,485	6,485	6,485
R-squared	0.684	0.664	0.657	0.464	0.465	0.461

2 Notes: Ordinary Least Squares (OLS) estimation of the EPS equation in (3.1) using different position indexes. The dependent variables are, alternatively, the monthly average SIVs, the  
3 monthly median SIVs, and the monthly minimum SIVs not interacted and interacted with the number of overshoots. All specifications include a constant, time-varying importer, time-  
4 varying exporter, country-pair, and time-varying product fixed effects. Standard errors are in parentheses.

5 \*\*\* indicates statistical significance at 1%.

6 **Table S.9. The greatest impacts are estimated for the position indexes proxied by minimum SIV.**

Variables	Position index					
	Without interaction term			With interaction term		
	$\overline{SIV}$	$Me(SIV)$	$Min\{SIV\}$	$(SIV < EP) * \overline{SIV}$	$(SIV < EP) * Me(SIV)$	$(SIV < EP) * Min\{SIV\}$
$SIV < EP$	-0.315 *** (0.061)	-0.321 *** (0.061)	-0.305 *** (0.060)	-0.261 *** (0.063)	-0.264 *** (0.063)	-0.268 *** (0.063)
Position index	1.059 *** (0.110)	1.102 *** (0.110)	1.253 *** (0.105)	0.015 *** (0.004)	0.016 *** (0.004)	0.017 *** (0.004)
Observations	6,485	6,485	6,485	6,485	6,485	6,485
R-squared	0.379	0.379	0.383	0.371	0.371	0.371

7 Notes: Ordinary Least Squares (OLS) estimation of the import equation in (3.2) using different position indexes. The dependent variable is logs of imports. The explanatory variables  
8 (in log) are, alternatively, the monthly average SIVs, the monthly median SIVs, and the monthly minimum SIVs not interacted and interacted with the number of overshoots. All  
9 specifications include a constant, time-varying importer, time-varying exporter, country-pair, and time-varying product fixed effects. Standard errors are in parentheses.  
10 \*\*\* indicates statistical significance at 1%.



11 **Table S.10. A rise in imports lowers the variability of the Standard Import Values (SIVs).**

Variables	Dispersion index							
	Without interaction term				With interaction term			
	$\frac{\overline{SIV} - Me(SIV)}{\overline{SIV}}$	$\frac{\overline{SIV} - Min\{SIV\}}{\overline{SIV}}$	$\frac{Me(SIV) - Min\{SIV\}}{Me(SIV)}$	$(SIV < EP) * \frac{\overline{SIV} - Me(SIV)}{\overline{SIV}}$	$(SIV < EP) * \frac{\overline{SIV} - Min\{SIV\}}{\overline{SIV}}$	$(SIV < EP) * \frac{Me(SIV) - Min\{SIV\}}{Me(SIV)}$	$(SIV < EP) * \frac{\overline{SIV} - Me(SIV)}{\overline{SIV}}$	$(SIV < EP) * \frac{\overline{SIV} - Min\{SIV\}}{\overline{SIV}}$
Log of imports	-0.0005 (0.0003)	-0.003 *** (0.001)	-0.003 *** (0.001)	-0.007 *** (0.001)	-0.014 *** (0.005)	-0.008 * (0.004)		
Observations	6,485	6,485	6,485	6,485	6,485	6,485		
R-squared	0.133	0.283	0.255	0.132	0.438	0.436		

12 Notes: Ordinary Least Squares (OLS) estimation of the EPS equation in (2.1) using different dispersion indexes. The dependent variables are, alternatively, the monthly average SIVs,  
 13 the monthly median SIVs, and the monthly minimum SIVs not interacted and interacted with the number of overshoots. All specifications include a constant, time-varying importer,  
 14 time-varying exporter, country-pair, and time-varying product fixed effects. Standard errors are in parentheses.

15 \*\*\* indicates statistical significance at 1%.

16 \* indicates statistical significance at 10%.

17 **Table S.11. The greatest impacts are found for the dispersion index computed as relative difference between the mean and the median.**

Variables	Dispersion index					
	Without interaction term			With interaction term		
	$\frac{\overline{SIV} - Me(SIV)}{\overline{SIV}}$	$\frac{\overline{SIV} - Min\{SIV\}}{\overline{SIV}}$	$\frac{Me(SIV) - Min\{SIV\}}{Me(SIV)}$	$(SIV < EP)$ $* \frac{\overline{SIV} - Me(SIV)}{\overline{SIV}}$	$(SIV < EP)$ $* \frac{\overline{SIV} - Min\{SIV\}}{\overline{SIV}}$	$(SIV < EP)$ $* \frac{Me(SIV) - Min\{SIV\}}{Me(SIV)}$
<i>SIV &lt; EP</i>	-0.196 *** (0.059)	-0.053 (0.061)	-0.087 (0.062)	0.0003 (0.059)	-0.183 *** (0.064)	-0.226 *** (0.064)
Dispersion index	-19.120 *** (3.019)	-5.958 *** (0.735)	-4.256 *** (0.754)	-9.391 *** (0.557)	0.009 (0.071)	0.155 ** (0.076)
Observations	6,485	6,485	6,485	6,485	6,485	6,485
R-squared	0.373	0.376	0.373	0.397	0.369	0.370

18 Notes: Ordinary Least Squares (OLS) estimation of the import equation in (3) using different position indexes (specification (iii)). The dependent variable is logs of imports. The  
 19 explanatory variables (in log) are, alternatively, the monthly average SIVs, the monthly median SIVs, and the monthly minimum SIVs not interacted and interacted with the number of  
 20 overshoots. All specifications include time-varying importer, time-varying exporter, country-pair, and time-varying product fixed effects. Constant included. Standard errors are in  
 21 parentheses.

22 \*\*\* indicates statistical significance at 1%.

23 \*\* indicates statistical significance at 5%.

24 **Table S.12. Sensitivity analysis: controlling for seasonality.**

Variables	Overshoot index	Distance 92% of EP – SIV	Distance SIV – 92% of EP	Position index	Dispersion index
	(A)	(B)	(C)	(D)	(E)
EPS	-0.125*** (0.006)	-0.124*** (0.001)	0.154*** (0.024)	0.767*** (0.159)	-0.143 (0.155)
Observations	6,485	6,485	6,485	6,485	6,485
R-squared	0.948	0.943	0.951	0.951	0.941

25 Notes: Poisson Pseudo-Maximum-Likelihood (PPML) estimation of the gravity equation in (2). The dependent variable is value of  
 26 imports. The explanatory variables of interest (in log) are, alternatively, the number of days in a month in which SIVs are below the EP  
 27 (A), the distance between 92% of EP and monthly average SIVs if SIVs are below or equal to the EP (B), the distance between monthly  
 28 average SIVs and 92% of EP if SIVs are above the EP (C), the monthly average SIVs (D), the relative difference between the monthly  
 29 mean and median SIVs (E). All specifications include a constant, importer-product-time, exporter-product-time, and country-pair-  
 30 product-month fixed effects. Robust standard errors are in parentheses.

31 \*\*\* indicates statistical significance at 1%.

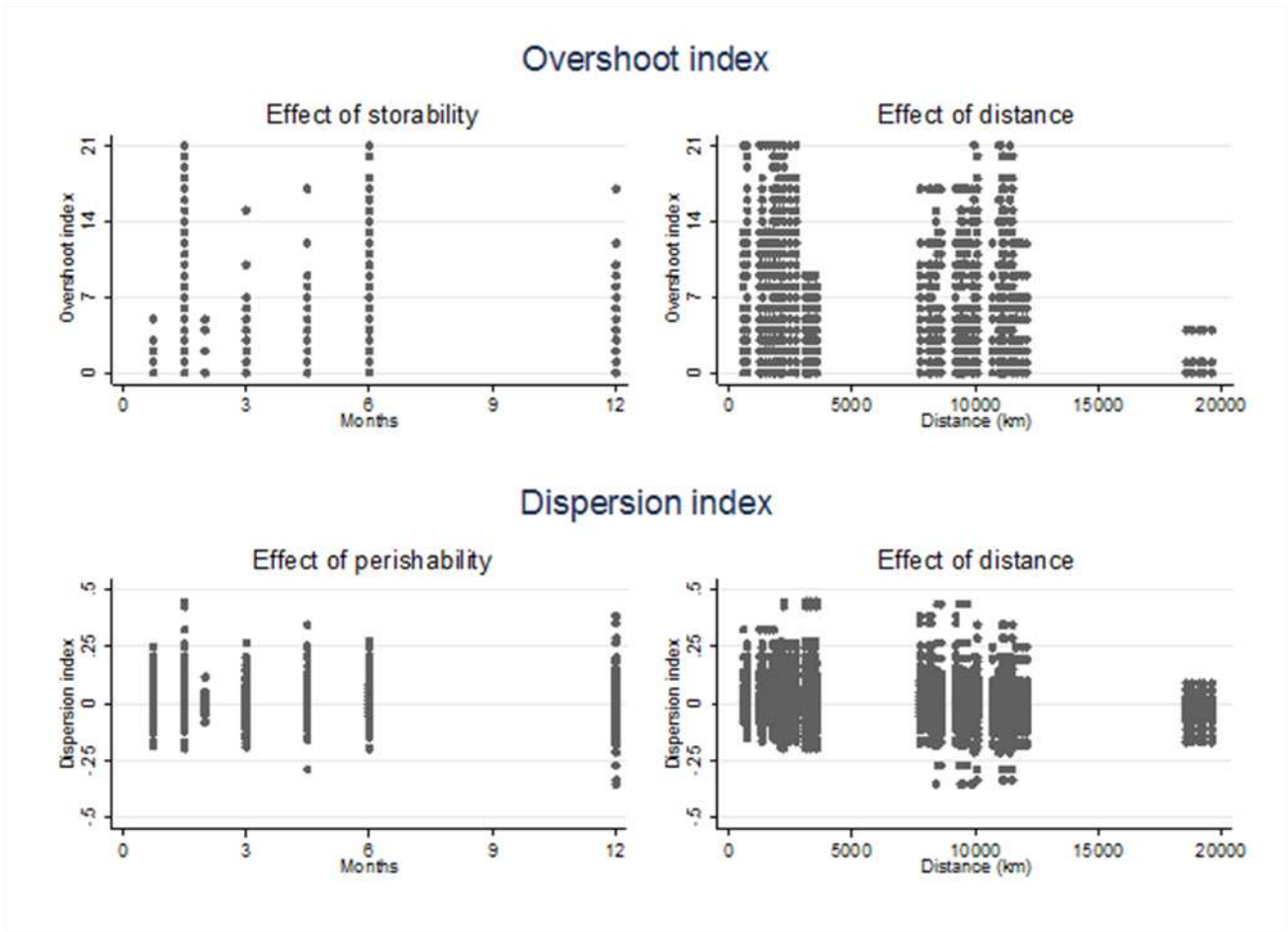
32 **Table S.13. Effects of products' perishability and distance on the overshoot and dispersion indices.**

Dependent variable	Overshoot index		Dispersion index	
	(A)	(B)	(A)	(B)
Distance	-0.031*** (0.008)	0.006 (0.007)	-0.002*** (0.001)	-0.002*** (0.001)
Low perishability	-0.271*** (0.017)		-0.004*** (0.001)	
Medium perishability	-0.456*** (0.016)		-0.005*** (0.001)	
High perishability		0.378*** (0.015)		0.005*** (0.001)

33 Notes: Ordinary Least Square (OLS) estimate. The log of importer-exporter distance is in km. Low, medium, high perishability are  
 34 dummies indicating, respectively, products with a shelf life of 6-12 months, 1-6 months, less than one month. All specifications include a  
 35 constant. Observations are 15,290. Standard errors are in parentheses.

36 \*\*\* indicates statistical significance at 1%.

37 **Figure S.1. Effects of products' storability and distance on the overshoot and dispersion indices.**



38

39 Notes: Storability based on shelf-life at the optimum storage conditions (by temperature or controlled atmosphere) (Gross et al., 2016).

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