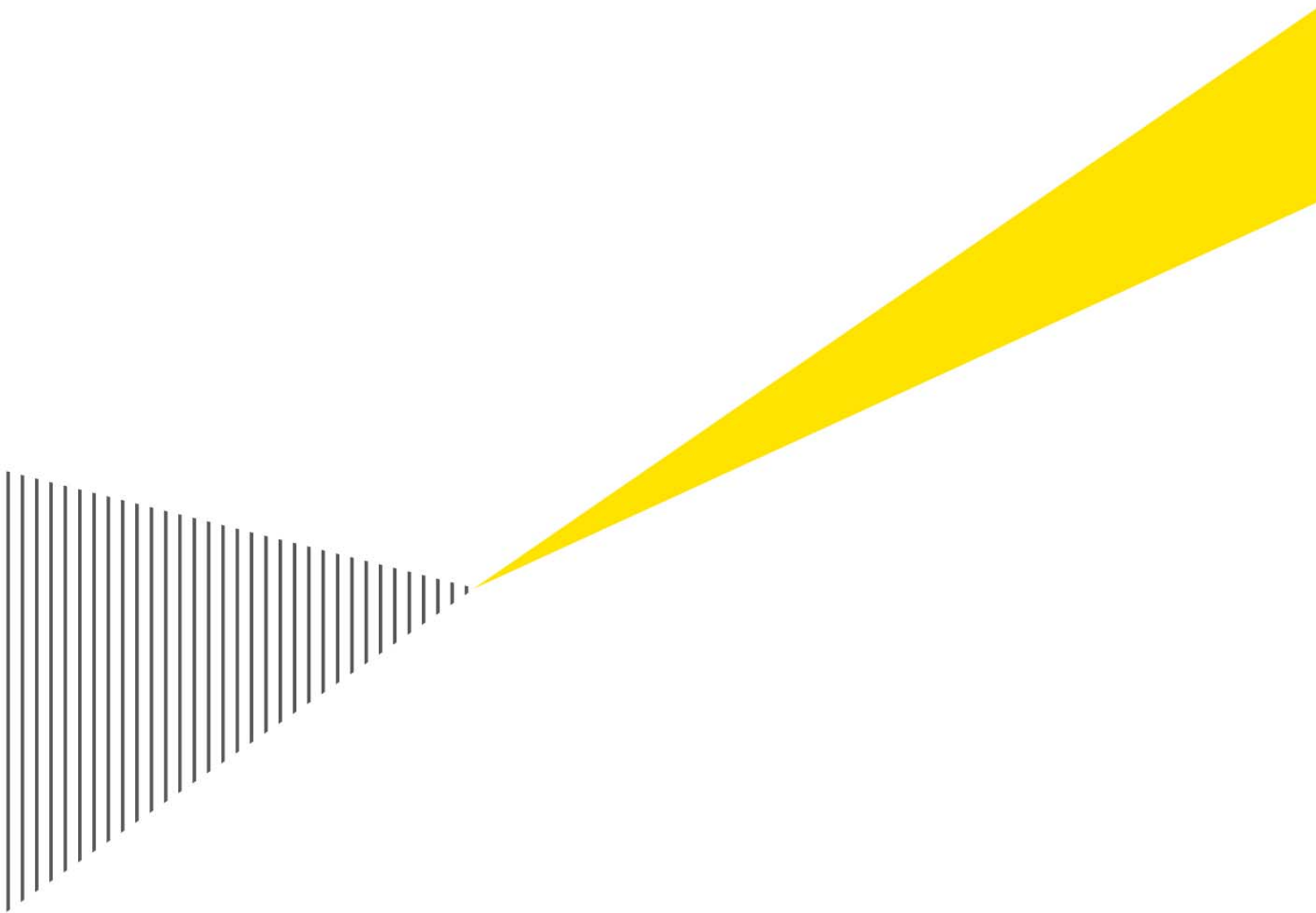


Directorate-General for Maritime Affairs and Fisheries (DG MARE)

Evaluation of the Common Organisation of the Markets in Fishery and Aquaculture Products

Executive summary

December 2008



The evaluation of the financial and non-financial instruments of the Common Organisation of the Markets in Fishery and Aquaculture products was made by Ernst & Young – Government services, in cooperation with AND International, Cogea and Eurofish.

This overview is based on the detailed analyses in the final assessment report.

1 General presentation of the study and of the COM

1.1 Economic context of the fishery and aquaculture sector in Europe

Despite its low contribution to the general economy of the European Union (EU) – less than 1% of the GDP, less than 0.5% of jobs – the fishery and aquaculture sector still plays a significant role:

- In certain coastal areas it is an important source of employment;
- In supplying European processing industries (total sales of € 20 billion, 5,000 companies and 150,000 jobs);
- In supplying one of the most extensive and diversified markets in the world.

Over the past ten years the European production has continuously decreased, mainly due to a reduction in catches of white fish. Several species of white fish have been subject to fishing restrictions for stock conservation purposes. The production of cod in particular has been reduced to one-third of previous levels. Moreover, the development of aquaculture has been slow. As a result, although the EU-27 is the world's third largest producer after China (39%) and Peru (6%), its share of world production has continuously dropped over the past 10 years from 8% to 6% for catches and from 4% to 2% for aquaculture.

The EU is also one of the leading players in the international trade of fishery and aquaculture products, with 6.2 million tonnes of products imported in 2006 with a value of €17 billion and 2.3 million tonnes exported with a value of €3.5 billion (Eurostat)¹.

Finally, the European production is characterised by very high geographic concentration – with four Member States (MSs) accounting for more than half of the catches and two-thirds of the aquaculture production – and by wide diversity as regards production types, industry structure, market organisation and consumption habits.

1.2 Presentation of the COM and synthesis of financial results

Presentation of the COM

The Common Organisation of the Markets (COM) in fishery and aquaculture products is one of the four pillars of the Common Fisheries Policy (CFP). It was established in 1970 by Council Regulation (EC) No 2142/70².

The COM in fishery and aquaculture products was founded on the basis of the Common Agricultural Policy (CAP) defined in Article 33 of the Treaty and pursuant to Article 34 which establishes the main

¹ Statistics corresponding to extra-Community exchanges.

² OJ L 236, 27.10.1970, p. 5.

principles of COMs for agriculture. It constitutes a supranational commercial organisation with four well-defined objectives:

- To stabilise the market;
- To ensure a stable supply of high quality product;
- To ensure that supplies reach consumers at reasonable price;
- To ensure a fair standard of living for fishermen.

Since then, the COM has been subject to major modifications by way of Council Regulations (EC) No 3796/81³ and No 3759/92⁴. The current form laid down in **Council Regulation (EC) No 104/2000**⁵, is based on **four main instruments**:

- The establishment and application of **common marketing standards**. This is an essential condition for the creation of a single internal market based on uniform commercial characteristics (designations, quality, prices, etc.). Moreover, Regulation No 104/2000 introduced **consumer information provisions** (labelling with commercial designation of species, catch area and production method);
- The support for the **establishment of Producers Organisations (POs)**. They are key players for the implementation of a whole range of instruments designed to stabilise and regulate markets. This increasingly within an interbranch framework with downstream operators of the fishery sector;
- The setup of a **price support system based on intervention mechanisms** (withdrawals, carry over and private storage aid) **or compensation mechanisms** (e.g. for tuna intended for the canning industry). These instruments traditionally form the main pillars of COMs. Intervention mechanisms are also designed to limit the waste of fishery resources;
- The **introduction of trade measures with third countries**. This is required to ensure a stable and reliable supply to the Community market (showing a significant deficit), in order to satisfy consumer needs (best value for money) and maintain the competitiveness of the EU processing industry (cost, availability, quality of raw materials) without disrupting the sale of Community production.

Summary of financial balance

Around **€79million from the European Agricultural Guidance and Guarantee Fund (EAGGF) were spent during the period 2001-2006** on the COM in fishery and aquaculture products.

In the EU for the period 1992-2006, the evolution of EAGGF expenditure for the COM of fishery reflected **major changes in terms of volume and regularity of expenditure**:

- In the early nineties, expenditure reached around €30 million per year;
- From 2000 on, expenditure was more moderate, i.e. between €11 and 15 million for the period from 2001-2006. The yearly average was €13 million, two-thirds of which was accounted for by withdrawals and carry-overs.

³ OJ L 379, 31.12.1981, p. 1.

⁴ OJ L 388, 31.12.1992, p. 1.

⁵ OJ L 17, 21.1.2000, p. 22.

EAGGF Expenditure

000 euros	1992	1995	2001	2002	2003	2004	2005*	2006	01 - 06	%
EAGGF expenditure for fishing by measure									Aggregate	Weight
Export refunds	1 942	0	0	0	0	0	0	0		
Community withdrawals								2 567		
Community carry-over								3 836		
Community withdrawals and carry-over	6 582	17 300	4 928	7 637	7 637	8 768	8 198	6 403	43 571	55%
Independent withdrawals								682		
Independent carry-over								774		
Independent withdrawals and carry-over	2 297	3 600	1 115	1 952	1 422	1 533	1 867	1 457	9 346	12%
<i>Total withdrawal and carry-over</i>	<i>8 879</i>	<i>20 900</i>	<i>6 043</i>	<i>9 589</i>	<i>9 059</i>	<i>10 301</i>	<i>10 065</i>	<i>7 860</i>	<i>52 917</i>	<i>67%</i>
Private storage aid	178	0	-1	25	0	49	22	305	400	1%
Compensatory allowance for tuna	4 918	3 600	0	0	0	0	0	0	0	
Compensatory allowance for Sardines	16 158	3 600	6 479	2 819	0	0		1 719	11 017	14%
Operational programmes			545	2 822	3 455	3 311	2 324	2 069	14 526	18%
TOTAL EAGGF	32 075	28 100	13 066	15 255	12 514	13 660	12 411	11 953	78 860	100%

1.3 Objectives, scope and general methodology of the study

Objectives and scope

The purpose of the evaluation of the financial and non-financial instruments of the COM is to assess the **relevance, achievements and effects of the measures implemented within the framework of Regulation No 104/2000. These measures are based on four instruments:**

- Common marketing standards and consumer information provisions;
- Producer organisations (POs): recognition, extension of rules, production and marketing planning through operational programmes for the fishing year, and interbranch organisations (IBOs);
- The price system and market intervention mechanisms: withdrawals, carry-overs, private storage and compensatory allowance for tuna (TC);
- Trade measures with third countries.

The evaluation covers all the EU-27 Member States. A more detailed analysis was carried out in ten countries considered to be significant in terms of production volumes and/or representative of specific issues: Germany, Denmark, Spain, France, Ireland, Italy, the Netherlands, Poland, Portugal and the United Kingdom.

The scope of the study encompasses all the species covered by Regulation No 104/2000. Case studies on individual species have enabled certain analyses in greater detail. For fishery products, these cases focus on small pelagic species (anchovies, herring, sardines), white fish (cod, hake), tuna, crustaceans (shrimps/prawns, Norway lobsters) and molluscs (scallops) while for aquaculture they covered salmon and sea bass/ sea bream.

Finally, the period of the study covered from 2001 (implementation of the new COM) to 2007.

General methodology

The general methodology of the study is based on the four classic evaluation phases: (1) structuring, (2) observing, (3) analysis, (4) judgement and recommendations.

The data collected mainly cover the period 2001-2007 and come from:

- Primary sources: email and postal survey of POs (feedback from 80 out of 214 POs contacted); 92 face-to-face interviews in 10 countries with national authorities, POs and PO federations or associations, processing companies and sector experts; qualitative survey of operational programmes provided by POs or national authorities;

- Secondary sources: current statistical data (Eurostat, COMEXT, national or regional databases, etc.), FIDES⁶ data – email survey conducted in 2005 by DG Fisheries with national authorities, EU Fish Processors Association (AIPCE), the European Association of Fish Producers' Organisations (AEOP) and the European Federation of Aquaculture Producers (FEAP) as well as other existing documentary sources.

The collection of information encountered two major shortcomings:

- Difficulties with utilisation and the reliability of production data;
- The absence of micro-economic data at European level.

Analyses were conducted based on seven evaluation questions linked with the effects of COM measures on:

- Market stability;
- Competitiveness of the sector;
- Employment;
- Producers' income;
- Product quality;
- Information for consumers;
- Sustainability of production.

2 Overview of the effects of the COM by evaluation question

2.1.1 Effects on market stability

Several COM tools are aimed at ensuring stability of the market in a fairly direct manner. In fact, the objectives of the price system and intervention mechanisms are to establish a Community price reference through the guide price and avoid excessive fluctuation by withdrawing occasional excess production from the market. In this respect, Regulation No 104/2000 modified the conditions for application of the various intervention mechanisms (withdrawals, carry-overs, private storage aid, TC) in order to avoid the windfall effect observed during the previous period. The Regulation however does not call the existence of intervention into question. On the other hand, the operation of POs, in particular operational programmes, is intended to improve the organisation of the fishery sector and thus allow the industry to better respond to changes in demand.

Overall, these measures are considered relevant to ensure market stability:

- The common price system is a minimum feature of any common market organisation as it creates a common reference point (even when this is questioned);
- Intervention measures in the event of excessive fluctuation are justified by the inherent instability of resource availability, particularly in the case of migratory species;
- Finally, the organisation of the sector should enable operators to tackle jointly the balance between supply and demand. This issue cannot be managed individually, especially when it comes to reduce production.

⁶ The FIDES database contains the information that MSs notify to the European Commission within the framework of the COM.

However, **the relevance varies according to the various intervention mechanisms:**

- The TC is not relevant in terms of market stability since it is triggered at a later stage and does not prevent price fluctuations;
- The private storage aid is only used in Spain. It is only relevant for vessels freezing fish on board;
- Withdrawals are relevant for owners of vessels not equipped with freezing facilities or for products unsuitable for the processing industry and intended for the animal feed industry. On the other hand, carry-overs are the most relevant measures for products sold frozen to the processing industry;
- The Community / independent distinction has little relevance due to the fact that there is no actual "Community market" for any species. In fact, the species in Annex I (community withdrawals and carry-overs) mainly correspond to the species with the highest volumes in European production, and these volumes have slightly evolved since 2000;
- Finally, none of these mechanisms is relevant for aquaculture.

The flexibility afforded by the COM mechanisms, combined with the low volumes concerned by intervention measures and the role played by the other components of the CFP in resource management (TAC, quotas, etc.) or in the enhancement of product value (Financial Instrument for Fisheries Guidance (FIFG)), **make it difficult to determine the overall efficiency of the COM.** Local markets, specificities of the POs and vessel owner relations with buyers (fish auctions, contracts, etc.) constitute major **external factors** affecting market stability and prices in particular.

The effect of guide prices on market prices is fairly low.

- The idea of a Community market at first sale is still very theoretical;
- The guide prices which form the basis of the price system represent **a set of minimum prices** for the main species produced in the EU;
- The guide prices appeared to be **difficult to understand by operators:** they may have been perceived as a "safety net" for intervention, as a "psychological reference point" (minimum price) for many operators or even as guaranteed prices for certain producers.

The effects of the intervention can only be proportional to the budgetary resources allocated by the COM and co-financing provided by POs, i.e. less than 1% of the market value for the eligible species. Moreover, in view of the possible windfall effects, the specific effects of the intervention on the price formation and **stability are considered fairly low**, beyond the correction of certain temporary difficulties for pelagic species.

The COM objective of organising production around POs and IBOs and encouraging them to better match supply with demand to obtain the best possible value for their products has only been achieved **in a few particular cases.** The diversity of POs, their different representativeness within the EU as well as their historical situation have produced very different results.

Finally, the net effects of the COM are as follows:

- The implementation of a minimum price;
- The existence of a safety net that has avoided excessive temporary price decreases in a few local markets;
- The maintenance of low prices for raw materials intended for certain processing industries (animal feed and sardine canning, for example);

The net effects of the COM in terms of price stability are therefore difficult to detect on an overall level. Market regulation is primarily the result of factors external to the COM (resource availability, evolution of demand, historical organisation of industry sectors and other components of the Common Fisheries Policy (CFP)).

2.1.2 Impact on the competitiveness of the sector

The main COM mechanisms aimed at improving the competitiveness of European fishery and aquaculture sectors are:

- The reinforcement of POs and IBOs and the obligation to define marketing strategies in the operational programmes;
- The trade measures that should enable the processing industry to secure supplies at competitive costs without endangering Community production: suspensions of customs duties and tariff quotas for certain products intended for processing (safeguard measures applied for salmon and trout come under the scope of DG TRADE and not the COM);
- The marketing standards.

Overall, these measures **are considered relevant** in terms of competitiveness:

- Collective strategies constitute a factor of innovation, which encourages competitiveness,
- The trade measures with third countries enable to overcome Community market deficits, particularly for the supply of white fish, when the countries of origin do not benefit from reduction or suspension of customs duties within the framework of trade agreements. The relevance of those measures actually decreases with the increase in the liberalisation of trade within the framework of multilateral agreements. Furthermore, duty suspensions and quotas are sometimes redundant.
- The marketing standards are relevant, in terms of competitiveness, as minimum regulatory basis for all regulatory and marketing measures applied to the quality of foodstuffs.

However, the competitiveness of the different fishery and aquaculture sector segments is affected by many regulatory and socioeconomic factors, much more powerful than the COM organisation and planning tools. Competitive margins are constantly sought by most economic operators and do not depend on COM incentives.

In fact, the COM mainly supported the organisation of the fishery sector, partly by recognising previously existing structures and by granting modest financial support (start-up aid, operational programmes, etc.), not always used (i.e. United Kingdom). The failure of the creation of IBO shows that the COM did not produce the expected effects on the organisation of the sector. **The CMO effects on competitiveness are therefore limited to upstream operators.**

However, over the period analysed, measures taken by PO's to reinforce their competitiveness varied considerably and could not be attributed solely to the COM. They result from the specific operation of organisations, often implemented for a long time, on which the operational programmes have had minor influence. The quality improvement plans, another COM failure, did not have a significant effect on the competitiveness of production activities. Moreover, other forms of collective organisation (Cofradias, fish trade cooperatives, non-certified associations, etc.) have been able to play the same role with similar efficiency.

After all, only the trade measures with third countries have had direct effects on competitiveness but only for the benefit of the processing industry. Suspensions and quotas at reduced or zero duties have been efficient to ensure supplies in quantities and at prices in line with the needs of the Community processing

industry, which is highly dependent on imports of certain raw materials (white fish in particular). **The net effects on the economic performance of companies are made up of significant savings in terms of cost of raw materials.**

The external supply to the processing industry has not disrupted Community production which shows a considerable deficit on these markets. In fact, the decreasing trend in the EU's self sufficiency ratio of fishery and aquaculture product stems from a reduction of landings from marine fisheries and a stagnation of aquaculture production. This is coupled with an increase in the demand (this later due to an increase in both the overall population and the per capita consumption).

This EU dependency for over 60% of its supply needs makes it necessary to open the EU markets wide to ensure acceptable prices for consumers and for the industry. In this sense, the competitiveness of Community production can be linked with the implementation of quality differentiation strategies rather than a competition based on prices.

2.1.3 Impact on maintaining employment or job creations

Maintaining jobs in the sector is not an explicit objective of Regulation (EC) 104/2000 but a general objective of the Treaty which in fact applies to all COMs.

The effects of agricultural COMs on employment are generally associated with and proportional to the volumes of direct aid paid to producers and primary processing companies. Considering the very modest financial aid granted to fishermen and aquaculture producers by the COM in fishery and aquaculture product (around €10 million per year through intervention, i.e. a few euros per job), the relevance and efficiency in terms of employment can therefore be considered as very low. Only a few indirect effects linked to the improvement in the financial situation (costs/income) of certain industry segments can be noted.

The effects of professional organisation and concentration of supply, by means of support to POs to improve the competitiveness of their activities and protect employment, are very difficult to assess at EU level. This in particular due to the differences in the local situations, the role of operators and the utilisation of COM instruments. In addition, other forms of collective organisation (Cofradias, fish trader cooperatives and non-certified associations) have been able to play the same role with similar efficiency without COM support.

Only the jobs of administrative staff in POs can, to a limited extent, be attributed to the COM. In fact, many of these jobs were present in previous organisations that later obtained recognition as POs, and they are mainly financed by organisations' own funds.

The trade measures with third countries by way of suspensions and quotas at reduced or zero duties have enabled to maintain companies and employment in the EU indirectly by lowering costs of raw materials.

The opening up of the Community market to Norwegian salmon has contributed to maintain a specialised industry within the EU that employs between 17 and 18,000 people. On the other hand, the COM has not managed to prevent the relocation of tuna canneries, a typical commodity production activity strongly affected by competition from low labour costs countries.

External factors are affecting the creation of jobs: the fishery sector is in fact being affected by the decrease in resources and has seen a marked reduction in the number of fishermen (one third less between 2000 and 2006). Jobs in aquaculture are developing moderately at EU level and at a slightly faster pace in a few member States (MSs) where this activity is more dynamic (Greece).

Over the period 2001 - 2007, the processing industry which can be seen as the main beneficiary of the COM trade measures has generally maintained employment levels.

2.1.4 Impact on producers' income

Maintaining or improving producers' income is a key issue of the Common Agricultural Policy (CAP), repeated in the CFP as a general objective of the COM when it was created in 1970. The purpose of all the COM instruments is to contribute to this ultimate objective. More specifically, the two main pillars of the COM "toolbox", organisation and intervention are relevant:

- The organisation in POs and the implementation of operational programmes are relevant in order to reinforce the position and weight of producers, particularly with respect to downstream operators, to concentrate and organise supply to better match it with demand, and to set up collective marketing strategies to improve products' return and producer selling prices.
- The intervention measures ensure minimum revenues for catches for the products concerned.

The efficiency of COM instruments is nonetheless different depending on the MS and the species.

The organisation is characterised by:

- **On the one hand, certain POs proved to be efficient.** These POs have perfectly integrated the COM principles and have set up relevant market measures that supported prices and reinforced the position of their members. The concentration of supply and the setup of operational programmes have increased the prices of certain products (shrimps for example),
- **On the other hand, some effects are still inadequate on an overall level** because the organisation is still developing and representativeness is often insufficient. This limits the effects of POs' catch plans. In addition to this, the operational programmes are often too theoretical, insufficiently supervised and monitored. While programmes are generally elaborate, their strategies are not always appropriate due to lack of resources or expertise. Depending on the country and context, their application also faces certain reluctance from the POs' members. POs often indicate that they lack means of coercion and sanction to ensure members comply with the rules defined internally.

Due to low utilisation, excluding occasional and localised instances, intervention only has had a limited effect. However, it has ensured a minimum income in the event of crisis, which could represent up to 20% of the income for a given port for a specific period.

The COM therefore had only a limited effect on the evolution of producers' income for the period 2000-2007. This period showed an overall decrease in terms of turnover and profitability of companies, despite stabilised prices and output level.

Incomes are much more affected by external factors than by the tools offered by the COM. These factors are of the following kind:

- Cyclical factors, such as the decreasing availability of resources and a significant rise in costs that is not offset by price levels. In addition to this, the evolution of demand, which largely depends on MS consumption habits (importance of price, quality criteria, etc..) can have an influence on the producers' income as well;
- Structural factors depending on contexts and sectors (insufficient redistribution of added value between operators in certain MSs, lack of transparency on some markets, unsuitable marketing structures). The COM efficiency thus largely depends on national or local contexts, more or less "receptive" to the COM principles.

2.1.5 Impact on product quality improvement

With the aim of better matching supply with demand and eliminating products of unsatisfactory quality from the market, the COM has provided for additional measures to promote high quality production.

The marketing standards covering the freshness and size of products form a Community uniform basis for grading products. They play a positive role insofar as they enable the quality assessment of products landed and meet the quality requirements of the processing industry and the distribution sector. The operational efficiency of the marketing standards is somehow limited inasmuch as the grading methods may differ from one area to the next. On the other hand, the categories of freshness are, according to certain opinions, too broad to enable a proper distinction between products (the vast majority of catches are classified in Category A).

Regulation No 104/2000 has introduced **specific recognition** to POs submitting **quality improvement plans** (QIPs). This mechanism, supported by FIG financing, is designed to encourage POs to undertake quality initiatives. The efficiency of these plans is fairly low as only 4 QIPs have been granted. POs only have little awareness of the plans, whereas the 4 POs having implemented a QIP have stressed its administrative complexity.

Generally speaking, **these two instruments have not had a direct influence on the quality** of fisheries and aquaculture products.

The marketing standards have however played an important role in measuring the freshness and facilitating marketing based on uniform standards. In this respect, they contribute to connect supply with demand in terms of quality by establishing common quality criteria. They can also sanction low-quality products by excluding them from intervention.

According to the catches' statistics based on freshness criteria, **quality has improved over the period**. Moreover, as buyers increasingly look for quality, quality labels have increased in number. Those evolutions are however only little attributable to the COM, as quality has mainly been affected by: (i) market requirements (ii) fleet modernisation measures, (iii) public initiatives, (iv) FIG investments and (v) private initiatives.

2.1.6 Impact on consumer knowledge of products

Regulation No 104/2000 has introduced consumer information provisions (labelling with commercial designation, provenance and production method).

These provisions are **justified and relevant as they satisfy:**

- A need for information by the various operators and consumers, namely a better knowledge of fishery products, awareness of the choice of products they consume and assurance of the provenance of products;
- A need for uniform and standard information at European level, useful for common and shared management of the fisheries policy;
- A need for product identification (commercial designations) and traceability, in particular in terms of the geographic provenance of production and production method.

While the consumer information provisions require a common minimum information in the EU, they also allow MSs and operators to go beyond the minimum rules and complete the compulsory information by adding further information such as the scientific name or a more precise catch area than the FAO area, which is considered by certain operators as too wide and difficult to understand.

The implementation of information provisions **nonetheless encountered several problems during the period, in particular:**

- The application varied depending on the Member State;
- Some inadequate controls in certain Member States;
- Still numerous infringements – when recorded.

In the absence of comprehensive studies at European level on the improvement of consumer knowledge, it is difficult to estimate the effects of the consumer information provisions over the period. Even though most operators consider that, on the whole, knowledge has progressed since the beginning of this decade.

The net effects of the COM information provisions are however only indirect and marginal. External factors actually play a much more active part in informing consumers, in particular:

- Local, national or Community advertising campaigns;
- Communication by NGOs;
- Information issued by professional organisations;
- Information from collective or private marketing initiatives (signs, labels, collective brands, corporate names, etc.) or when making direct purchases from producers.

2.1.7 Impact on the development of sustainable methods of production, in line with the CFP

Regulation No 104/2000 clearly introduced the environmental dimension into its objectives and adapted certain rules to direct fishery and aquaculture activities towards sustainable methods of production. Two main instruments are concerned:

- **The marketing standards** through Article 7 of Council Regulation (EC) No 2406/96⁷ fix size categories, including a minimum size. This without prejudice to Regulations establishing minimum catch sizes in relation to technical conservation measures. Although protection of the resource is not explicitly an objective of the standards, the minimum sizes established by the COM have actually established a barrier to the marketing of undersized products without a regulated biological size. **The relevance of minimum sizes as a way to contribute to sustainable production** is confirmed by the fact that certain POs and/or national authorities have independently fixed sizes or minimum sizes beyond Community legislation, with the twofold objective of managing the resource and/or seeking a better return on products;
- The compulsory drawing up of operational programmes **for the catches according to market needs and resource potential** is an innovation introduced by the current COM. As a result of the minimum regulatory framework, the development of operational programmes has varied highly from one PO to the other and from one MS to the next. Independently of the content of the operational programmes, the exercise has undeniably been an opportunity to raise the awareness of producers, otherwise unwilling to undertake voluntary planning exercises that take into account both the market and the resource.

Finally, the regulation also offers POs **other relevant tools to balance supply and demand** while protecting resources – by fixing common rules to members and the possibility of extension to non-members.

The efficiency of COM mechanisms for the implementation of sustainable practices has been conditioned by several factors linked to the flexibility and optional nature of certain measures as well as to internal and external inconsistencies, including:

⁷ OJ L 334, 23.12.1996, p. 1.

- The use of the different mechanisms varies depending on the MS. The financial tools (EAGGF and FIFG) and resource management tools (quotas, data collection, etc.) to support POs' actions are used in different ways in the MS, whereas certain measures are not equally promoted (QIP, IBO, eco-labels, etc.);
- Some COM measures are not consistent with certain CFP tools. For instance, operational programmes are established without knowing the yearly quotas, marketing and biological sizes are not harmonised, etc.;
- The COM itself presents some inconsistencies. For instance, lack of assessment of the relevance and consistency of operational programmes for POs operating shared stocks;
- The specific operation of each PO, linked to their historical situation, to their financial and human resources, to the fisheries they operate and to their ability to coordinate with other POs.

Finally, there is a wide diversity in the COM achievements and effects. This is in line with the different levels of organisation of operators and of first-sale markets within the EU. Still, there are some significant positive effects on the sustainability of fishing practices:

- Certain POs and/or national authorities took decisions to reinforce and go beyond the minimum sizes fixed by the common marketing standards;
- The operational programmes have contributed to raise the POs' awareness on the necessity to plan their activities based on both markets and resources. With the periodic application of the programmes over the time, certain POs with the adequate resources have managed to gradually refine their strategies;
- Several POs and groups of POs have become involved as partners of research programmes to improve the selectivity of fishing techniques;
- A significant number of POs have established common rules to protect resources: temporary or geographic restrictions on catches and landings, limitation of catches of small fish, initiatives to enhance quality, and participation in eco-labelling schemes;
- Finally, the evolution of withdrawal and carry-over interventions has contributed to lower waste of resources.

The net effects of the COM are difficult to determine at EU level due to their diversity and mainly qualitative nature. Yet the COM has been an educational support tool for sustainable development initiatives over the period. Its relevance and efficiency could have been significantly improved if market and resources policies had been less compartmented, since POs constitute a particularly relevant agent.

3 Overall relevance and efficiency of the COM

3.1 Common marketing standards and consumer information provisions.

A regulatory framework and minimum common reference, relevant in view of the diversity of EU markets

The COM has enabled the development of a minimum common regulatory framework and references that are essential to the creation of a single internal market based on uniform commercial characteristics (designations, quality, price...). The marketing standards and the consumer information provisions are relevant in view of the diversity of EU markets as they have led to the uniformity of standards and

minimum information. They have meanwhile provided wide flexibility by allowing MSs and operators to go beyond them when they consider it relevant and necessary for the regulation of their markets.

While the two instruments show inconsistencies and inadequacies in a certain sector or regional contexts within the EU, this may be acceptable if one considers the extreme diversity of Community fishery and aquaculture product markets. These markets are indeed fragmented due to the different ways of consumption (by historical and cultural reasons) and organisation of the sector.

In this context, the "common minimum rules" established by the Regulations constitute a **relevant and relatively consensual basis** among institutions and operators. They strike the necessary balance between the amount of information provided and the needs of sector operators.

Regarding the new provisions to improve the information for the European consumer, the semantics used in the Regulation clearly underlines the objective of the creation of a common reference basis (Community diversity would have called for information for consumers). In view of the low general knowledge of fishery products on the part of European consumers, the COM limited objective of providing certain basic key information is considered relevant within a long-term education strategy. The current basis can evolve in the future according to the market context and requirements (eco-labelling, for example).

The efficiency of consumer information provisions varies among the different MSs and widely depends on the level of implementation as well as the organisation and effectiveness of controls. The ongoing development of a European database of commercial designations is expected to improve the efficiency of the system in the future. This database will be based on scientific designations and will be available to import control departments.

Moreover, the marketing standards have played an indirect role as a "safeguard" to prevent the exploitation of juveniles in certain fisheries. Some POs have offset the regulatory shortcomings in this area by establishing their own standards or by raising regulatory thresholds, also with the aim of achieving better returns on the market.

3.2 Recognition and support for producer organisations.

The consolidation of Producer Organisations: a reality not yet completed.

The current COM has actively continued **the support for the organisation of Community fishery producers**, established by previous CMO regulations.

The weight of POs in the EU's fleet and production is now very significant - they even represent the majority in the main EU producer countries. The organisation of the sector in POs has also started in most New Member States (NMSs).

The relevance and efficiency of POs are lower for the aquaculture sector. The success stories comprise a few shellfish farm basins as well as groups of small fish farms. The major private international aquaculture firms have no interest in the mechanism.

However, POs are **not the only collective organisation of producers** in the EU. Other forms of collective organisation have been maintained in some Member States (Spain, the United Kingdom, Germany, etc.) and have fulfilled missions comparable to those of POs with as much or even more efficiency. Moreover, many POs have strong links with other collective structures, such as fish trading or wholesaling cooperatives.

The Community recognition as PO is granted to either new organisations or to existing organisations such as cooperatives, associations, *cofradias* or *prud'hommies* (*fishermen's guilds, etc*). The Community recognition has confirmed legitimacy to organisations with respect to their members and to institutions. It

has also given rise to grouping into national, regional and Community organisations, fostering exchanges and sometimes leading to coordinated strategies and action.

The possibility to recognise interbranch organisations (IBO) has been used very seldom. The complex and often conflictual relationship of the catch sector with downstream operators, the low level of supply to the processing industry by Community production and the differences in the degree of concentration between upstream and downstream operators partly explain the low level of relevance and efficiency of the instrument.

POs lack resources to implement the upstream organisation of the sector and be a relevant tool for implementation of the CFP.

POs' internal rules, representativeness, missions and operational capacities are very different within the EU and mostly depend on factors such as the national contexts, POs' historical situation and relations with other economic operators. Some POs have reached a "critical size" and are in a position to operate independently, while others are still developing and have little resources. Their efficiency is therefore conditioned by these differences.

The financial resources directly granted by the COM or indirectly by the FIFG were modest over the period and not always fully utilised by the MSs. POs' resources actually mainly come from the contributions paid by their members, from Community and national financing for some projects (FIFG Axis 4) and from national support.

Effects on matching market supply with local demand (first sale) rather than with final demand

The financial support granted by the COM to POs for planning their annual activities was not decisive in better matching supply with demand. The operational programmes were often too theoretical **and prepared as an administrative formality to obtain financial aid.**

They still contributed to educate some POs: the analysis of sales data and landings ultimately proved useful for organisation managers, while the strategic studies conducted by a few POs enabled in some cases a raise in first sale price levels.

The relevance of the operational programmes was moreover affected by implementation conditions: absence of any assessment or consolidation of operational programmes of shared fisheries, calendar modification upon allocation of quotas and quite limited consultation with research organisms or downstream operators. In addition, in most cases, POs found it difficult to go beyond the first sale as representation of the market (true to say, it is the historical point of reference and place of price formation).

However, the content of the operational programmes has rarely guided POs' decisions and actions to match supply with market realities. Indeed many initiatives that clearly fell within COM objectives were not linked to the operational programmes.

Finally, POs took many actions and initiatives to restrict supply (fishing effort, landing calendar, quantities per day and per vessel, etc.), with different degrees of success in terms of enhancement of the value of landings. Success stories went hand in hand with resounding failures across the EU. The assessment of the relevance and efficiency of the COM is complex, due to the influence of the consistency of producers' initiatives and their specific operation on the COM achievements.

Indirect and marginal effects on the quality of products offered to European consumers

Support for PO "quality" initiatives is based on the development of Quality Improvement Plans, approved at Community level and leading to specific recognition of the PO and access to financial aid for their development.

This **highly conceptual mechanism, complex to implement, proved of little relevance** for POs seeking operational support for financing initiatives rather than planning. The very low efficiency of the mechanism also stems from the limited promotion from the MSs.

This did not prevent numerous POs from sustaining product quality improvement initiatives by applying for the more easily accessible support of the FIG on Axes 2 (modernisation of fishing vessels) and 4 (collective operations).

Some operational programmes participated in more general educational efforts regarding the evolution of the CFP for the period

On the whole, the rules adopted by POs (with possible extension to non-members) tended to limit the waste of resources although the market objective remained predominant. Withdrawal and carry-over operations by POs contributed also for the most part to the enhancement of the value of landings, in line with a precautionary approach in relation to fragile species and stocks.

The current Regulation has not defined a reference framework concerning the sustainability of production methods or fixed a "certification" objective. This is consistent with the fact that all Community fisheries would be considered as sustainable if the CFP was correctly applied and with a Commission strategy for consultation on the relevant ways for managing certification of eco-labels.

In the absence of a Community reference basis, most major downstream operators (processors and distributors) have taken the initiative in terms of eco-labels by supporting MSC certification. In this context, POs appeared relevant partners (consistency of fleets and fisheries, concentration of supply) and several of them have now received or have applied for certification.

3.3 Price system and market intervention.

Direct effects on employment, producers' income and sector competitiveness in line with the financial support provided

In agricultural COMs, the effects on prices and markets and the impact on incomes and competitiveness of operators and economic organisations are generally linked to the amount of direct intervention expenditure.

In this vein, **the COM in fishery and aquaculture products has low intervention levels and is rather economical.** The financial support to POs (planning and intervention) is around the same as for the hops COM, i.e. around €13 million for a production output of €8 billion in 2005, compared with around €243 million for hops (ratio of the EAGGF funding compared with the production value of around 0.2% for the fish COM). Overall, the net effects of financial intervention can be considered not measurable.

Effects in MSs conditioned by the choices of implementation by authorities and by the specific operation of POs

Overall, the socio-economic effects of withdrawal and carry-over aids are low and are limited to a few ports and fisheries of small pelagic species which made use of them.

The relevance of TC has been considerably lowered with the reduction in Community supply to the industry and the relocation of tuna canneries. The efficiency of the mechanism is also limited by its implementation complexity. The long interval between payment and the triggering event prevents the compensatory effect of the instrument at the time of economic difficulty, which in fact becomes a delayed "windfall".

A price system difficult to understand but relevant and useful reference for operators

The price system is probably the instrument most used by economic operators, despite the numerous criticisms it gives rise to. Most operators find it difficult to understand the method of calculation of the guide prices. It is also difficult to establish relevant references for an array of first-sale markets characterised by highly volatile supply and prices. Moreover, there are often several markets for the same species at the same point of sale (fresh-product / processed-product markets, quality levels, etc.).

The guide prices established for the period have acted rather like minimum prices. They do not enable to monitor temporary economic changes in the market. They **have mainly played the role of a safety net by limiting intervention to exceptional situations**. In certain regions and MSs, the differences between the guide prices and the market prices have, in fact, prevented any kind of intervention.

The relevance of the price system is indirectly validated by operators. They wish to maintain the price system, at least as a "psychological reference," with a few adaptations.

Finally, a positive indirect effect is the collection and centralisation of economic information through the FIDES system. Despite limits and imperfections, this information constitutes a reference in a context where discussions about markets are not usually founded on solid grounds.

3.4 Trade measures with third countries

Positive significant effects on supply to the Community industry

The suspension of duties established by the COM customs arrangements and the autonomous tariff quotas are considered relevant and efficient in ensuring competitive supplies to certain segments of the Community processing industry. Over the period analysed, processors that could not satisfy their needs from Community production were able to work in a competitive situation and maintain their activity within the EU. The analyses conducted showed that the trade measures with third countries had a more substantial financial impact than EAGGF expenditure linked to the COM. Thus the **saving made by industry** for the two species that most benefited from this system is estimated at around €60 million for imports of Alaska Pollock and between €15 and 20 million for imports of prawns, i.e. **over five times the annual budget of the COM**. However, these savings will become significantly lower as normal customs duties are reduced.

The highly concentrated, international canning industry has shown a growing interest in the quotas for tuna loins at reduced duty rates as raw material. In addition, the maintenance of customs duties at 24% for the finished product still enables the last European canneries to survive despite the inflow of products from third countries with low labour costs.

Moreover, the suspensions and quotas for raw materials intended for the processing industry have not significantly disrupted the balance and prices of the main Community markets for fishery and aquaculture products.

Positive effects on maintaining competitiveness and jobs in certain processing segments

Access to low-cost raw materials fostered by the COM customs arrangements has undeniably provided companies with further added-value. This effect on profit margins can logically be considered as partly responsible (in proportion to their contribution to the reduction of raw materials prices) for keeping companies' activities and maintaining jobs.

4 What outlook for the COM in tune with market challenges and globalisation?

The overall conclusions of the evaluation of the COM points to the three principal dimensions of the COM mechanisms:

- A **combination of regulatory, standardising and financial instruments**. Although these instruments may appear complex and difficult to understand, their relevance is ensured by their capacity to adapt to the different organisation and support needs, as well as to the diversity of fishery and aquaculture sectors and markets in the EU;
- A **central operational actor** (the POs). They provide adequate organisation for the sector in order to implement COM measures, even if the efficiency of POs' operation is different from one PO to the other;
- A **set of mechanisms without significant financial tools**. Instead, they rely on education and some incentives to encourage the concentration of supply and producers as means to better tackle the market.

A complex but sufficiently complete tool box, used in very different ways across the EU, with a variety of results

The COM instruments have been used unequally with different conditions within the EU. This has given rise to differing results and effects from one PO, region or State to the next. The choices of instruments by national authorities and their promotion have affected the achievements. Whereas France turned POs into a structuring element of its policy and used all the COM instruments, other Member States such as the United Kingdom made less use of intervention and did not use any of the financial tools to support POs. The impact is logically different. Some operators have underlined this "distortion" and "inequality" of management resulting from subsidiarity.

This results in a complex situation where success stories go hand in hand with failures. Thus an overall assessment can lead to conclusions contrasting with the analysis of many individual achievements.

This diversity underlines the relevance of the COM tool box to cover the different needs to sustain MSs' policies and to support operators' projects.

Rationale of COM mechanisms inherited from past agricultural policies without the resources of agricultural COMs

The COM in fishery and aquaculture products has a number of features in common with major agricultural COMs. The range of products, the unpredictability of production, the support for the organisation of producers and planning of the supply make it similar to the COM in fruit and vegetables.

The main differences with other agricultural COMs are:

- The low level of financial aid. In the absence of direct aid for producers, only intervention measures to sustain prices are financed (the aid to operational programmes is temporary). However, these measures only represent 0.2% of the production value.
- The relatively paternalistic relationship with POs, for which the COM temporarily subsidises organisation and planning tools. Apart from the operational programmes, the responsibility of POs in the implementation of the CFP is low, except for a few MSs that have delegated to them certain rights (quotas).
- Low visibility of the current situation of the Community market for fishery and aquaculture products, which is still a combination of local and regional markets, importers processors and

distributors with different levels of concentration. However, the information available on this sector does not measure up to this complexity.

A COM with low intervention levels, relatively efficient and with potential to develop and meet the challenges of the present world

The low level of financial support makes the COM relatively efficient as regards some of its objectives (organisation and concentration of supply) but its effectiveness is harder to define in relation to others (competitiveness, income and employment.)

A few key elements for the implementation of the COM result from this:

- The absence of significant direct support has not led to the economic dependency of producers on aids or "acquired rights."
- POs were set up and developed mainly with their own funds and/or by seeking co-financing to which they had access. However, most of them are still suffering from insufficient resources to take efficient action.

A PO "tool" consolidated by the COM but which still needs support and a genuine status to operate independently

The organisation of the sector is incomplete to produce all the expected results. But many POs have acquired autonomy and intervene in the implementation of the various components of the CFP.

Beyond their own resources, long-standing POs have acquired a relatively strategic autonomy and, at the same time a market-driven, environmentally friendly culture that derives from the current regulation. Current partnerships of POs with the distribution sector in MSC eco-labelling are an example of this.

POs are also increasingly active in a variety of areas relating to market management, control and collection of data, and management of conservation policy tools. In particular, some POs are responsible for quota management.

COM evolution options to improve consistency with the CFP and the challenges of globalisation

The assessment of past policies and the new guidelines on Community policies and the CFP clearly depict the key issues for the improvement of the consistency and efficiency of the COM, in particular:

- The strategy for simplification and greater subsidiarity of Community policies already under way with the proposal for simplification of the Regulation on technical measures;
- The Lisbon and Gothenburg strategies that bring competitiveness and sustainable development to the fore;
- The weaknesses of the fleet management policy and technical and conservation measures, due to inadequate controls and to the lack of relevance and consistency of the CFP segmentation by components. This has led to a fundamental revision of the Commission's ways of action;
- The decompartmentalisation of CFP components is a prerequisite for consistency and efficiency.

The evolution of Community and world markets should also be taken into consideration, particularly in the light of:

- The increased dependency of the Community market on imports. The supply share from EU fisheries has been decreasing for a long time and Community aquaculture has not developed as rapidly as in other parts of the world. The COM should facilitate the transition by preserving some space for the EU production, which is increasingly relegated to high-value market niches or to strategies for differentiation by quality, origin, type or ecological responsibility;
- The prospect of the gradual reduction and ultimate elimination of trade barriers urged by the World Trade Organisation (WTO). The total opening up of the European market is likely to affect competitiveness and therefore the survival or the relocation of certain sectors.

The COM in fishery and aquaculture products should therefore be reconsidered on these semi-prospective bases:

- The security of supplies should be considered a major issue, without, however, calling into question the support for strategies to develop the competitiveness of European producers;
- The need for excellence and ecological responsibility for Community production, which cannot compete with imported products on either volumes or prices;
- A need for consistency and coordination between market and resource policies, already contemplated in Regulation No 104/2000.

Well developed POs with a sense of responsibility and actual means of action, as major agent for CFP implementation

The evaluation shows that the main achievement of the current COM, like the previous ones, is the "PO tool." Subject to a few adaptations in its status, missions and resources, POs can be relevant and potentially efficient agents for the implementation of most of the components of the CFP.

This proposal is backed by several arguments:

- The evaluators agree with the idea that a good policy is one taken on board by those affected by it. Most POs are convinced of the relevance, or at least the need, to leave behind the opaque practices of the past and enter into more transparent management of the market and resources. They simply require a clear and consistent framework to work with;
- POs constitute an interface for supply and demand, the market and the resource. They play a major role in the first sale of products and are the best placed to collect and centralise biological and economic information, as well as to implement internal controls;
- POs are necessary partners for applied research projects to optimise the performance and selectivity of fishing gears;
- They already manage fishing rights (special fishing licences and permits) and quotas in several MSs;
- On the other hand, they are generally absent from Regional Fisheries Organisations (RFOs) and the commissions defining resource management policies, in which producers are represented by more institutional structures. This partly explains why conservation policies fail to be understood and taken on board.

These various missions and others less in tune with the COM are now managed at various levels by POs, some of them with the support of public co-financing, without any overall consistency or a clear status.

The clarification of PO missions and the allocation of higher and more long-term resources to support the implementation of the CFP appear to be particularly relevant ideas. Another important prospective subject for study is the regulation of the supply flows of EU *markets* (not *the* market). The detailed analysis of sector structures, levels of concentration and operating modes (interplay of operators, formation of prices and margins, security of supplies, etc.) appears to be a necessary condition prior to the revision of the COM regulatory instruments (price and trade measures).