



Directorate General of Maritime Affairs and Fisheries  
European Commission  
B-1049 Brussels  
Belgium

29<sup>th</sup> May 2009

FAO M. Rambaud  
Xavier GUILLOU

Dear Sir

**Review of the COM - Common Organisation of the Market Regulation**

The market for fishery products is of critical concern to our Organisation and the COM, as the measure within the CFP concerned with this, has a significant role therein. Thus the review, and potential for revision and constructive development, goes beyond the general perception that it is about import control and compensation schemes. Given the length of the document – 271 pages and a 19 page summary – there may be aspects that we omit in this paper and if so hope that you will grant us occasion to rectify that during the consultation process. In making our comments we are cognisant of the general review of the CFP, proposals on Control and developments under WTO and free trade arrangements. These interact with the market in general and the COM has to have due regard to them.

Nonetheless it is likely that the framework of a new COM may be established as a prelude to and not just concurrent with the green paper on the CFP: it is fundamental to how EU fisheries operate. The Review identifies the main objectives of the COM as establishment of a sustainable fishing *industry* thus going beyond production to include processing, retailing and consumer interest. This brings with it some conflict as the commercial interests of the business sectors are often in conflict - the consumer adding yet another dimension.

We respectfully suggest that the power of the processing and retail section is such that their interests (profit related) may dominate - to the social and economic detriment of internal European production and its effective marketing. With some two thirds of the EU's consumption of fish being imported it is clear that the downstream sectors of processing and retail have overcome difficulties stemming from catch reductions by the EU fleet and as you know our studies on first sale prices confirm that at the same time prices to EU fishermen have fallen in real terms. Indeed the past 9 months have seen a virtual collapse in the first sale price of some species.

Addressing this is now the challenge for the COM and it shall not be accomplished simply by the application of past practices. Clearly in the globalised economy the COM's market support mechanisms, through the PO structure, are not achieving all that had been envisaged.

A new dynamic is required.

Although there has been some modification of the COM since it was first established with the inclusion of a number of instruments we assume that the basic principle, enunciated in 2.1.4 of the Review summary, prevails: *“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... purpose of all the COM instruments is to contribute to this ultimate objective.”*

Producer Organisations, as the representatives of a disparate and diverse catching sector, have a key role to play. Intervention schemes have merit but we observe that they generally relate to and impact on local circumstance (e.g. oversupply) rather than the wider issues associated with market planning, development and promotion. As such the market support mechanisms provide an occasional but necessary ‘safety net’ for fishermen through withdrawal prices and carry over. This is compatible with the PO structure and its dominant role on quota management. Unfortunately the very act of establishing guide prices can result in prices being ‘anchored’ within an envelope with this as the base line.

Taking a simplistic view the ‘market’ should, and can, be regulated on qualitative measure (Hygiene, Traceability, product description -size, weight, species etc, freshness...) and over time on supply (TAC, Quota – Import and Catch, albeit that this is more affected by weather and season than planned regime). However the factors affecting the macro market on a daily basis are much more complex and little influenced by dictat and grand design.

From a pan-European view the fact is that whilst ‘more than half’ of fishermen are in PO’s there remains a substantial proportion of the catching fleet that is not. Even in a single port there can be several PO’s with members landing into the local auction and a great many supplying the market. All of the catch, irrespective of its origin (PO or non-PO) enters the wider market and thus it is not surprising that there are few instances where a PO has been able to take actions that successfully influence prices. It is disappointing, but perhaps not surprising given the composition of the participants, that the Review does not offer alternatives or extensions of the PO model to act on market and marketing issues which go beyond Regional (National) boundaries and supply aspects.

The fact is that ‘you can’t buck the market’ - price control - direct or indirect - does not work as there are alternative (substitute) products available to the buyer. To enhance prices the perceived product worth has to be raised by differentiating it from these alternatives. This was the general conclusion drawn at the Symposium on Fish Prices that EAFPA hosted last year and we have previously outlined to the Commission a number of actions that could be fruitful in this regard.

The auction process provides a transparent and fair forum in the establishment of fish prices and a crucial interface between catcher and processor/retailer. We believe that by building upon the expertise that exists it should be possible (after some initial research, piloting and study) to develop new mechanism on sales and supply networks. We suggest that this be provided for within the COM and that it should be available to those engaged in the primary sale process and not solely as an adjunct to Producer Organisations. Emphasis should be placed on measures integrating European production with product markets i.e. trans-national producer/consumption initiatives embracing species rather than local circumstance.

We must guard against the ‘chickenisation’ of fish which will erode value, defeats efforts to differentiate product and undermines the promotion of quality in all its manifestations. A strengthening of the ‘traceability’ requirements provided for consumers is an area where the COM could provide a lead. Currently consumer information, such as it is, may not be obvious e.g. a product from a major international processor: frozen “Fish and Chips” where the type of fish (Alaskan Pollock) is only on the underside of the packet (small print), the origin (Alaska? USA? Russia?) is not stated and must be guessed at. Provenance should be promoted **not** just clinical traceability.

To focus on TAC, fleet capacity etc addresses only one side of the account in establishing a viable and sustainable fishery – in its revised format the COM must incorporate marketing, sales and price enhancement policies and to do so effectively should incorporate the role of auctions in this development area.

- The route to achieving an efficacious fishing industry is not solely through supply limitation or the continual round of fleet reductions. Such actions are necessary but reactive rather than augmentative.
  - COM must also include for actions that add value and consequently attain fair prices and income distribution in favour of the producer.
    - This need not (should not) be at the expense of the consumer.
      - Simply imposing autonomous prices is likely to be counter-productive as custom may switch to other species, more imports or even another food group. The cost of production has scant bearing on the market value of fish.
    - Catching for the Market may not be attainable but Selling to the (Euro) Market is.
- Competitiveness is a theme within the COM but this is not just reducing production costs or cutting margins. It also embraces the concept of enhancing product quality, freshness and presentation – thus adding value leading to improved prices.
  - Auctions, as the lead actor in first sale of fish, face the quality and price issue daily and see the need for a comprehensive pan-European approach given the cross border nature of fish trade.
  - There is a need to develop better ‘bargaining’ processes to bring the reward for these actions upstream – at present they reside with others in the supply chain and disproportionately with the retailer.
- Processor and retailers have successfully argued that they need access to fish from third countries. This is indisputable, 60% of the EU’s fish consumption is imported. Whilst we have no desire to hinder this or set up trade barriers we must deplore any tilting of the balance in favour of 3<sup>rd</sup> country producers either through less stringent, or policed, regulation on production and inadequate or incomplete traceability being presented to the consumer.
  - Imports should have an accompanying ‘passport’ showing all the stages of production and handling through to the end consumer.
    - Key elements of this should be shown in consumer labelling information.
    - Food miles is an issue here and simply showing the country of final packaging can mask source or where processing occurred e.g. Dutch shrimp sent to north Africa for processing but back to the Netherlands for packaging.

We are not suggesting the decoupling of catch management from the market. The COM should look to facilitating the development of initiatives (pan-European) that operate within a species and trans-national marketing plan that embraces commercial factors and rewards participants through improving prices. The fact is that, generally, Producer Organisations – like their members – are production orientated and from the point that the fish leaves the vessel its handling, presentation, sale and distribution is by ‘partner’ organisations – ports and auctions. These sales organisations have a close working relationship with the fishermen both individually and collectively but not necessarily with PO(s).

Auctions, increasingly, have a need to ‘cross borders’ and assistance in doing so through the COM would be beneficial. Producers and their associations (PO’s) are, ultimately, natural partners.

Market supply should be directed to final demand and, as fish is a perishable product, to do so requires a structure that can relate actual supply to potential demand wherever that exists – seldom at the local point of landing. We believe that, given incentive from a revised COM, today's modern auctions, which are also distribution centres, can be developed to fulfil this role at the European level including the provision of feedback to producers (PO's) in an iterative manner.

We recognise the benefits that accrue to PO's and their members from subsidy of withdrawal or intervention prices and support the continuance of such schemes to alleviate local and temporary difficulty. Further investment should be in the means to achieve better, sustainable, prices within the market as this would provide wider benefits being proactive rather than reactive. This has to be at the pan-European level to maximise return and minimise cost.

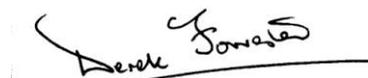
The recently published Proposals on Control, on which we shall comment separately, include some specific tasks and responsibilities for auctions, enhanced traceability and quality all of which have a bearing on market development. The COM should explicitly recognise and support the role of the auction as at present it receives no mention and even the review accords the functions of the auction to Producer Organisation and not even implicitly to auctions as an independent sector.

The final paragraph of the summary suggests more 'consultancy' on "*supply flows of EU markets...formation of prices and margins...prior to revision of the COM regulatory instruments (price and trade measures).*" These are aspects that we have previously flagged as being required to address the positioning of European fish within the market. Indeed we have proposed in outline actions to both collect and analyse actual supply and prices as a daily feature and over time, and to research and develop marketing initiatives on a pan-European basis.

Little has been said on the development of open and transparent markets in the entrant countries. As the Common Organisation of the Market applies equally in all Member States it is important that all of the necessary constituents are present therein. Producer Organisations are part of this equation and their creation is actively supported whereas even though it is generally recognised that sale by auction protects fishermen's interests and provides the real reference prices there is no corresponding support for their establishment.

Auctions, as well as PO's, should be encouraged and supported by the COM and if our organisation can be of assistance in this through independent advice or as expert consultants where 'new entrant' states wish, or need, to introduce auctions or sales organisations we are available.

Yours faithfully



**T. Derek FORRESTER** FCCA

on behalf of the

**EAFPA Board**

*Evaluation of the COM in Fishery and Aquaculture (full report only available in French)*

*COM(2008) 721 final - Proposal for a COUNCIL REGULATION establishing a Community control system for ensuring compliance with the rules of the Common Fisheries Policy*

*COM (2008) 384 final – Facing the challenge of higher oil prices*

*COM (2008) 453 final = Promoting adaptation of EU fishing fleets to economic consequences of high fuel prices*

*The ongoing review of the EU trade regime as part of WTO and FTA*