

A welfare perspective on the Common Market Organisation (CMO) revision

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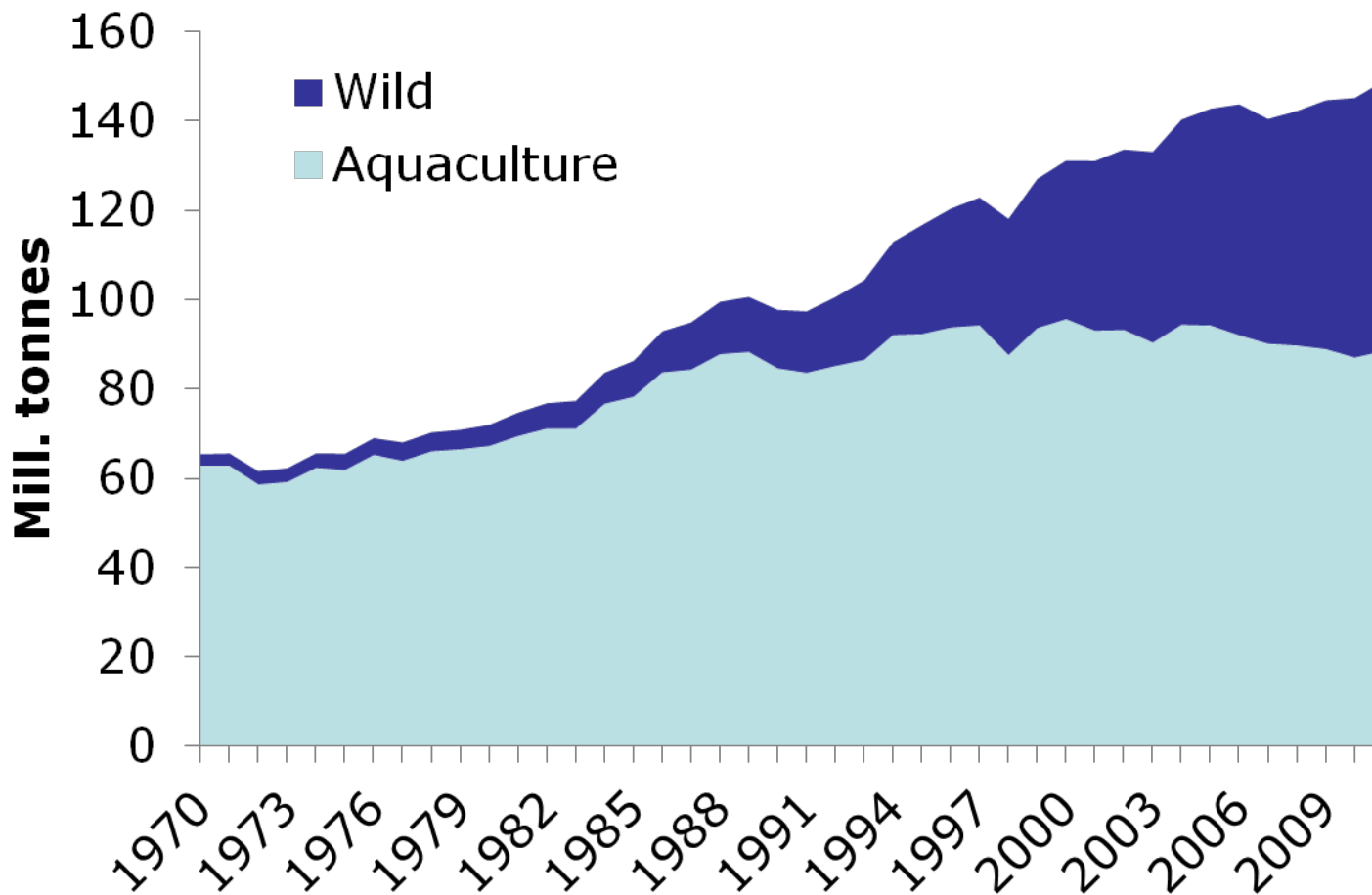
What can one achieve?

- Rather than “what would one like to achieve?”
 - A main reason for why the current CMO has been ineffective

- Markets and value chains for seafood has changed substantially in recent years
 - New opportunities, but also new challenges

- It is much easier to work with the market than against it
 - Working against it over time is only possible if one is willing to spend significant amounts of money

Global seafood supply



Source: FAO

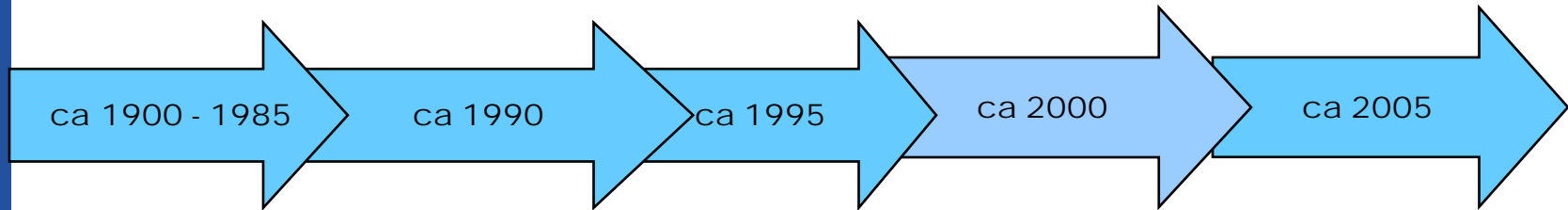
Whitefish

- The whitefish market is one of the largest seafood market segments
 - Ca 6 million tonnes if only the main wild species are included
 - Ca 13 million tonnes if all species including aquaculture are included

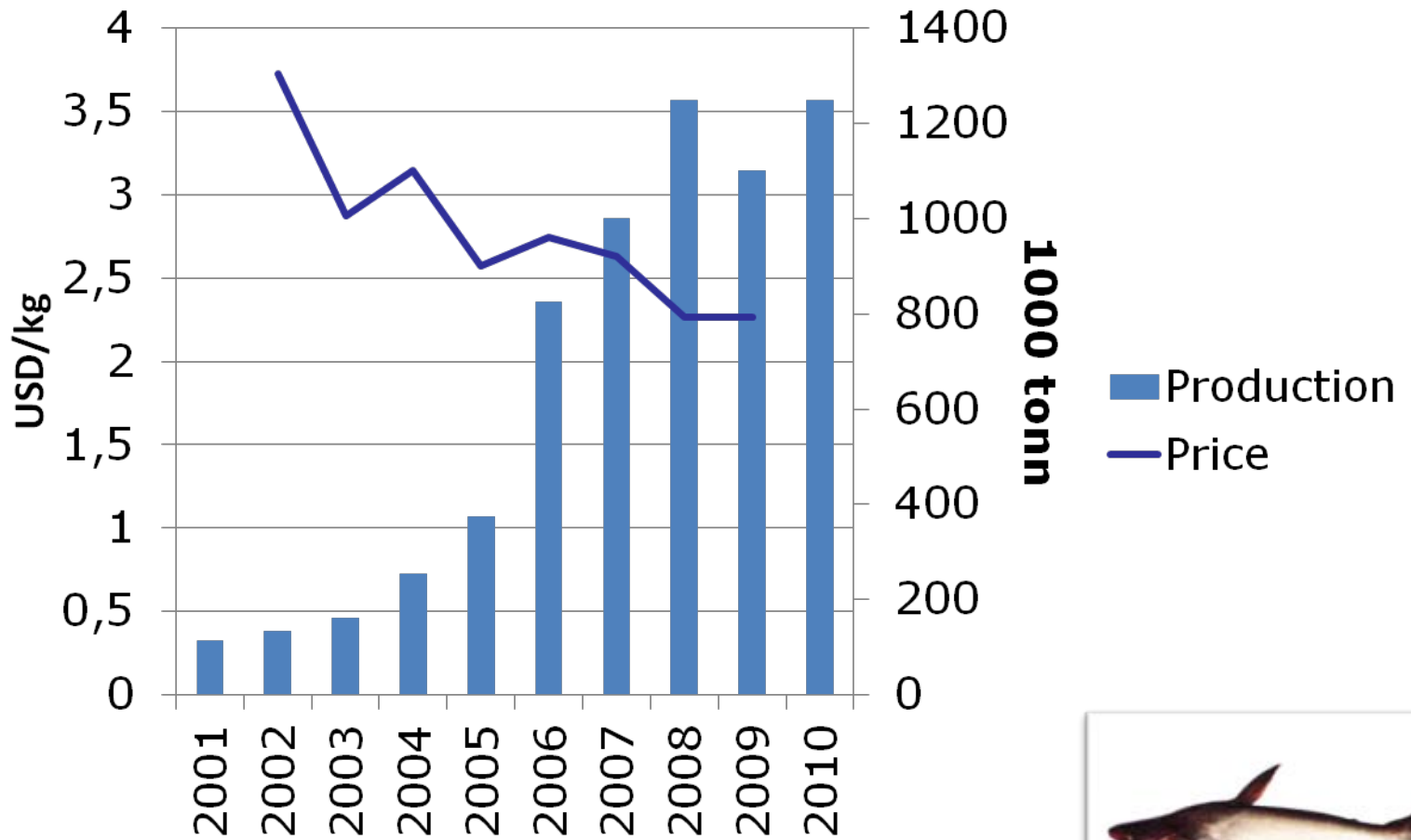
- From 1980 the market has changed from a regional north Atlantic market to a global market

- The size of the market and a large number of processed product forms makes it an easy market to enter for new species

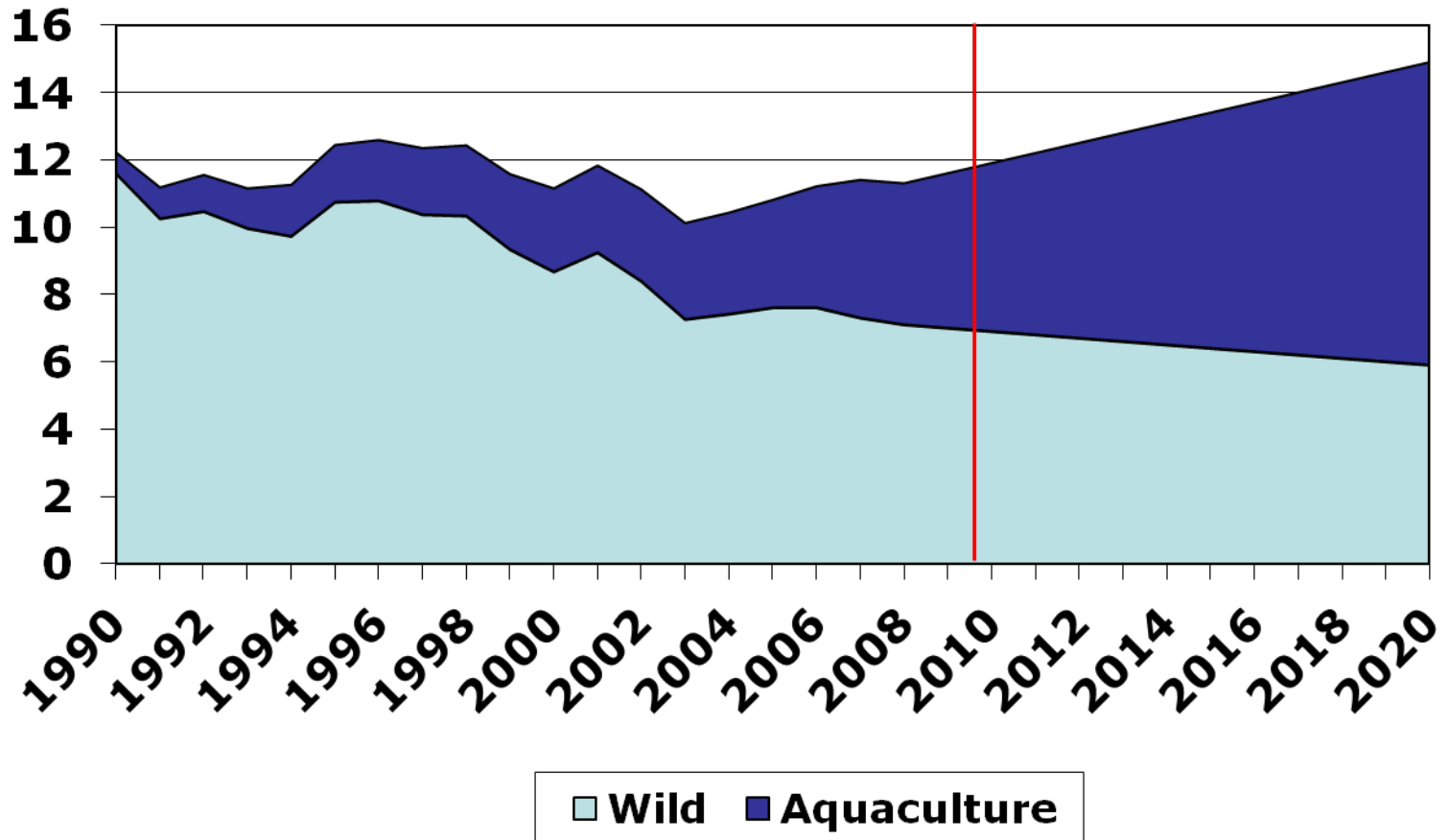
New species in the whitefish market



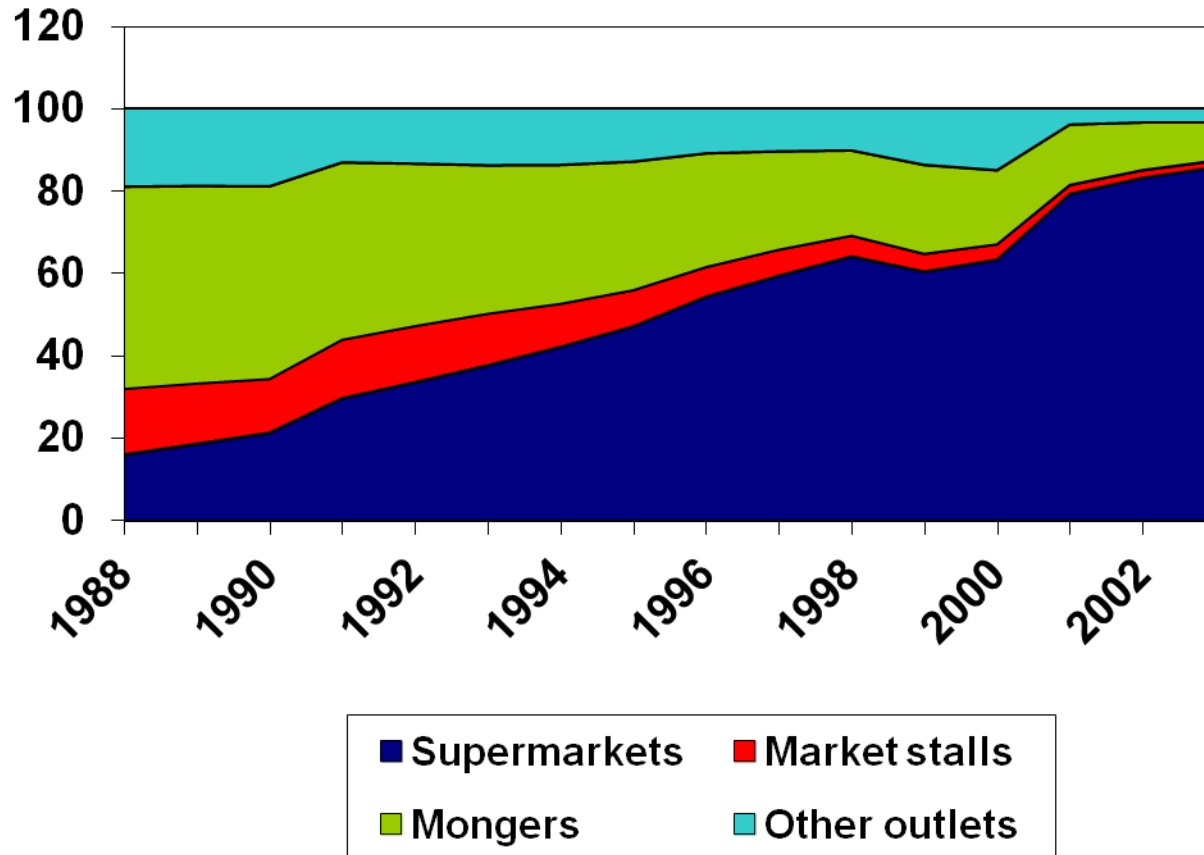
Vietnamese pangasius production and export price (2008=1)



New aquaculture species are expected to dominate the whitefish market



Market share by value of fish retail in the UK, 1988-2003



Source: Sea
Fisheries Industry
Authority (SFIA)

The supply chain

- It is the total cost of a product that matter for the competitiveness of a product.
 - Innovations in the supply chain is as important as innovations in retail and production

- Salmon in Europe is in a shop less then 3 days after it came out of the sea, and is freighted by car
 - First species with reliable delivery of good quality fresh fish independent of distance
 - Icelandic cod illustrate what European fishermen can achieve with IVQs (the new CFP?) if they also can link themselves to the supplychain
 - If not, pangasius, tilapia and other species are ready to take over

The retail chains are demanding customers

- I. Price:** (a) Price level, (b) linkage to market prices, (b) quantity discounts.
- II. Volume and timing:** (a) Total volume, (b) regularity of deliveries, (c) flexibility in deliveries, e.g. in relation to "normal" volumes and times of delivery.
- III. Raw material attributes:** (a) Size distribution, e.g. fillets, (b) quality attributes, e.g. colour, fat, texture, taste, (c) fresh vs frozen, (d) uniform quality, (e) shelf life.
- IV. Product range and differentiation:** (a) Fish species, (b) Product varieties, e.g. easy-to-cook, ethnic foods, healthy foods, (c) private labels / brands, (d) consumer advertising.
- V. Production process:** (a) Raw materials in feed, (b) environmental effects of production, (c) animal welfare, (d) third party certification, e.g. ISO, EMAS, (e) traceability.
- VI. Transaction costs:** (a) Negotiation, (b) planning, (c) control and enforcement, (d) transportation og (e) storage.

The product is not only the physical seafood product...



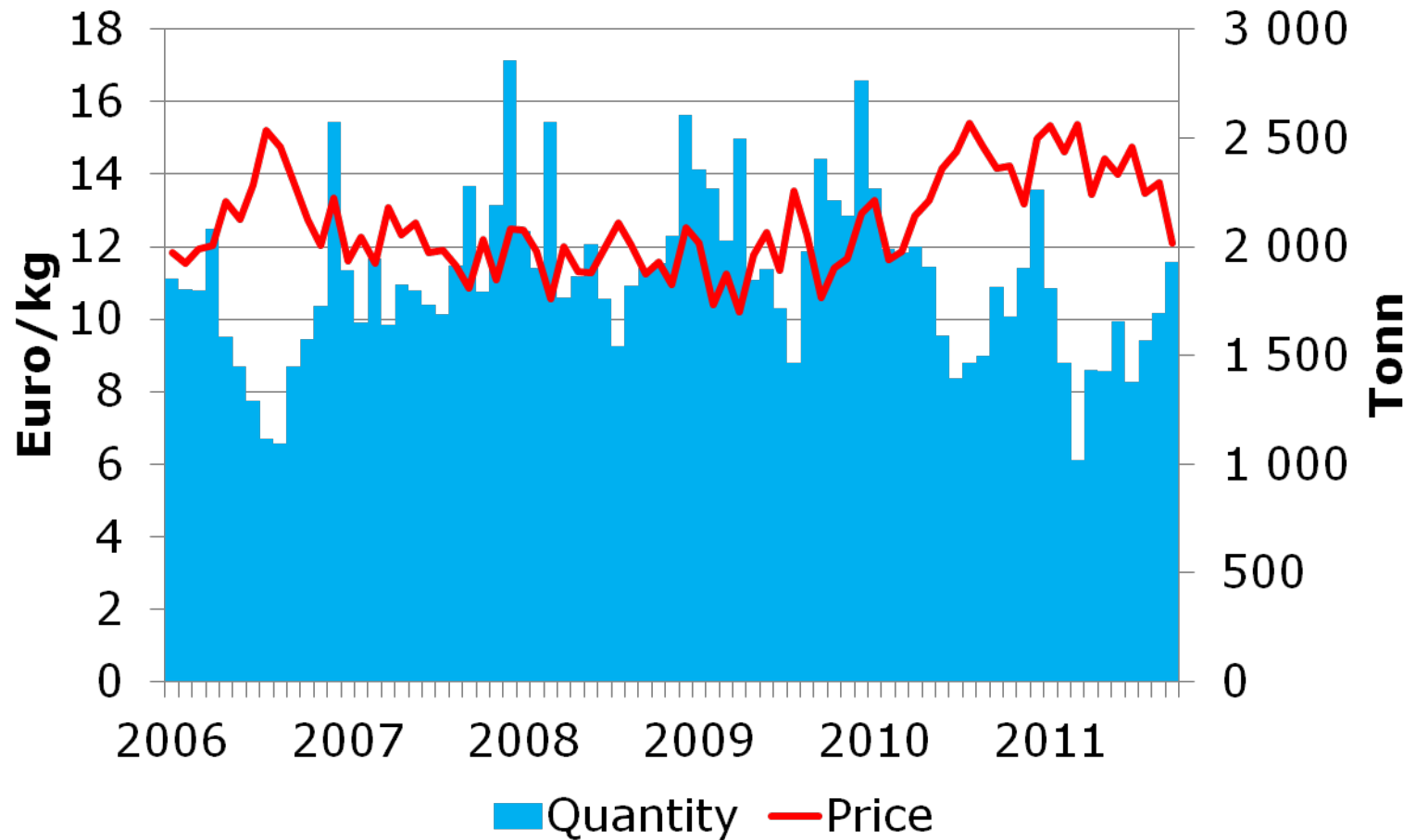
...but also a set of services for the industrial buyers related to:

- Volume
- Timing and frequency
- Flexibility
- Cost efficiency in distribution
- Food safety
- etc.

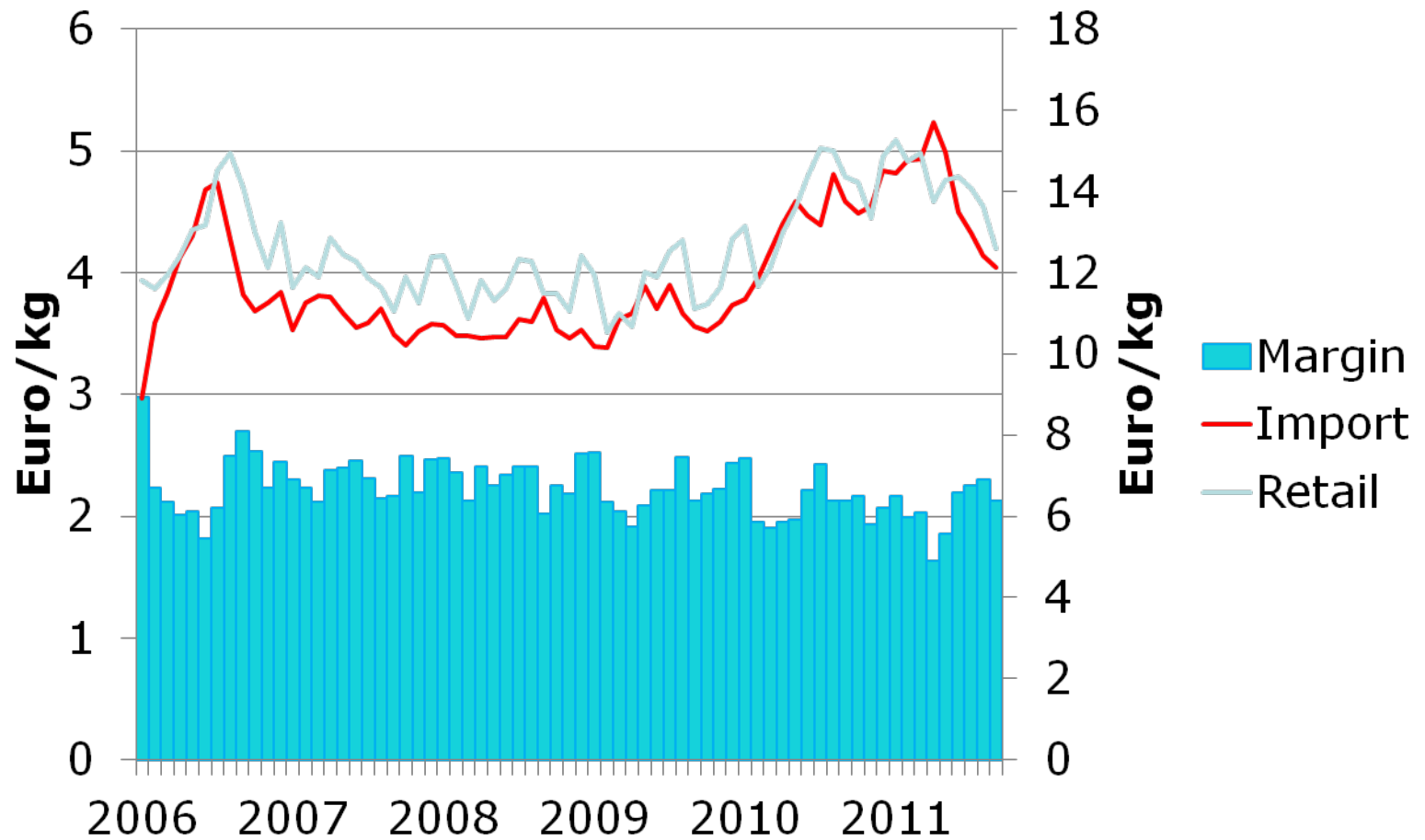


- Who are competitive? Information helps, but is only on part of the picture
 - We have not been able to find evidence that the retail chains exploit market power
 - But different supply chains have different requirements

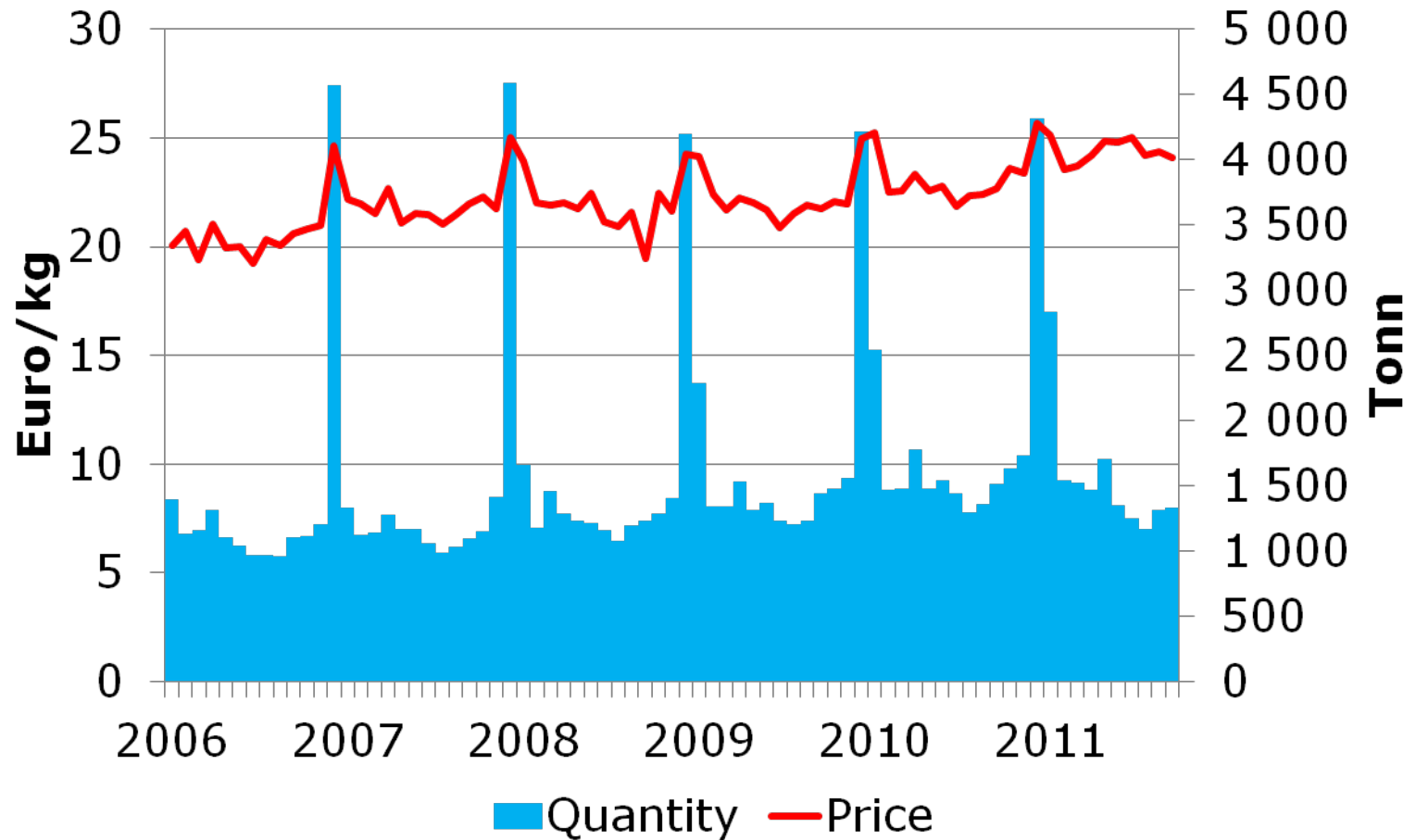
Retail price and quantity, France fresh salmon



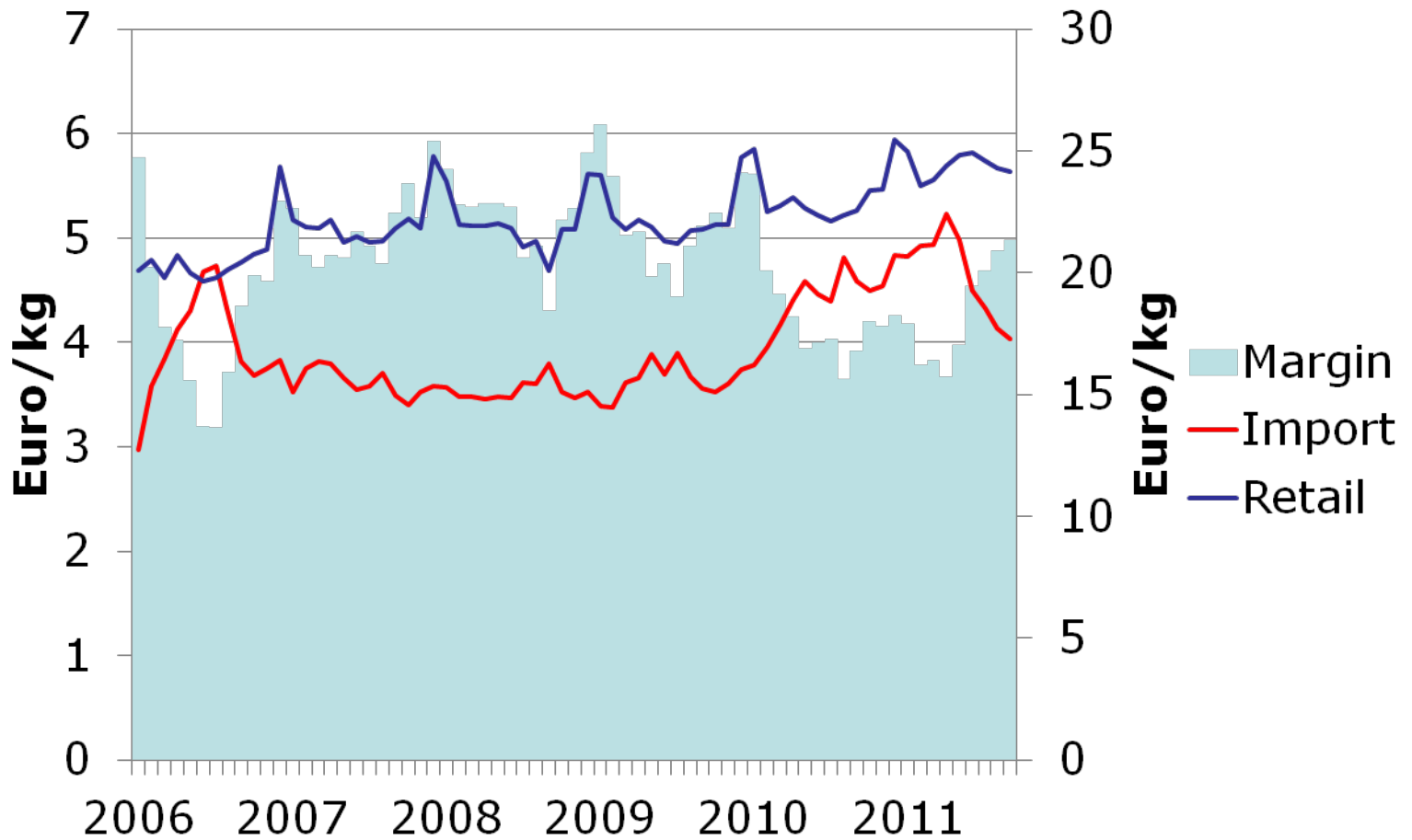
Retail and import price and quantity, France, fresh salmon



Retail price and quantity, France smoked salmon



Retail and import price and quantity, France, smoked salmon

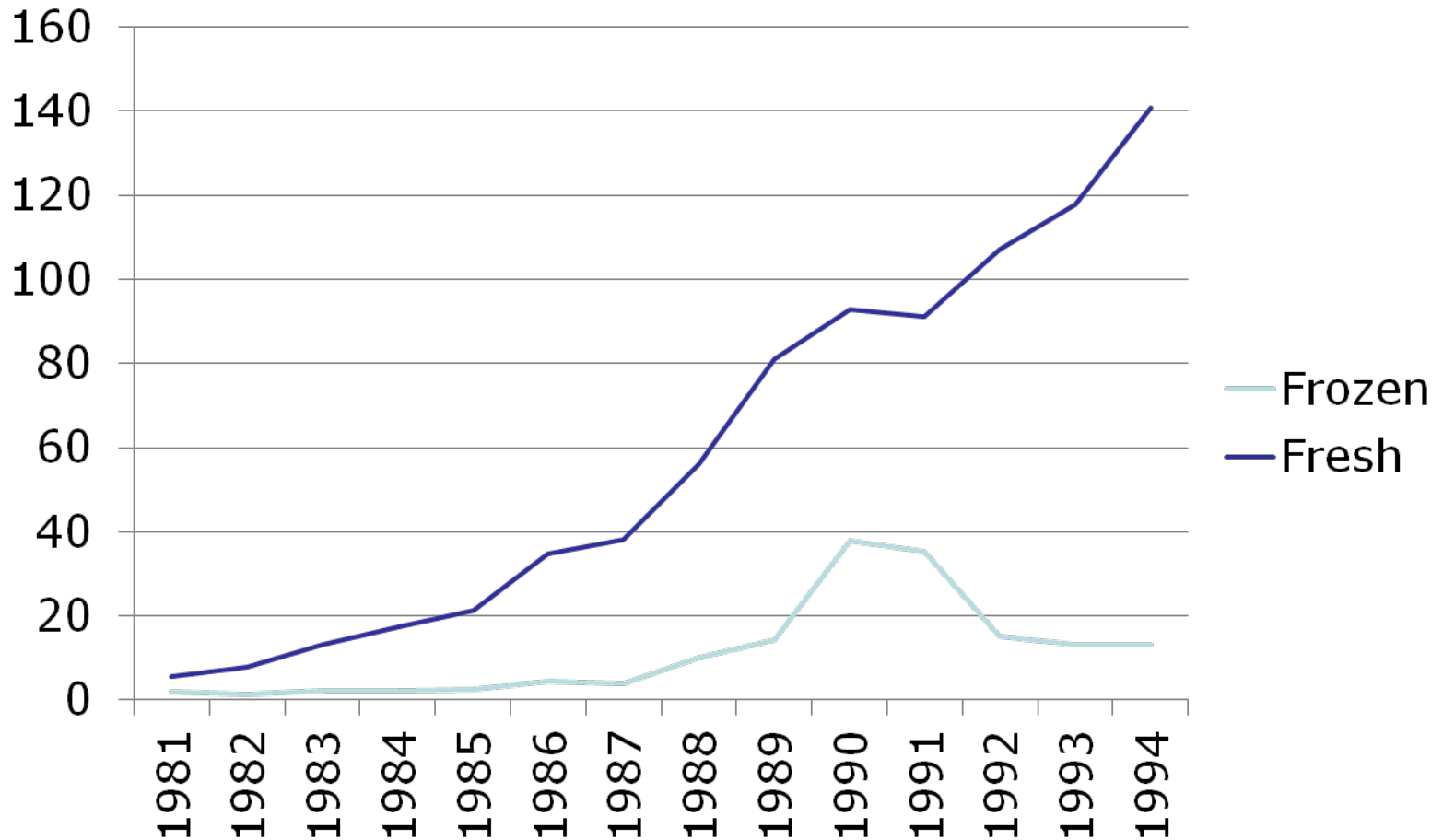




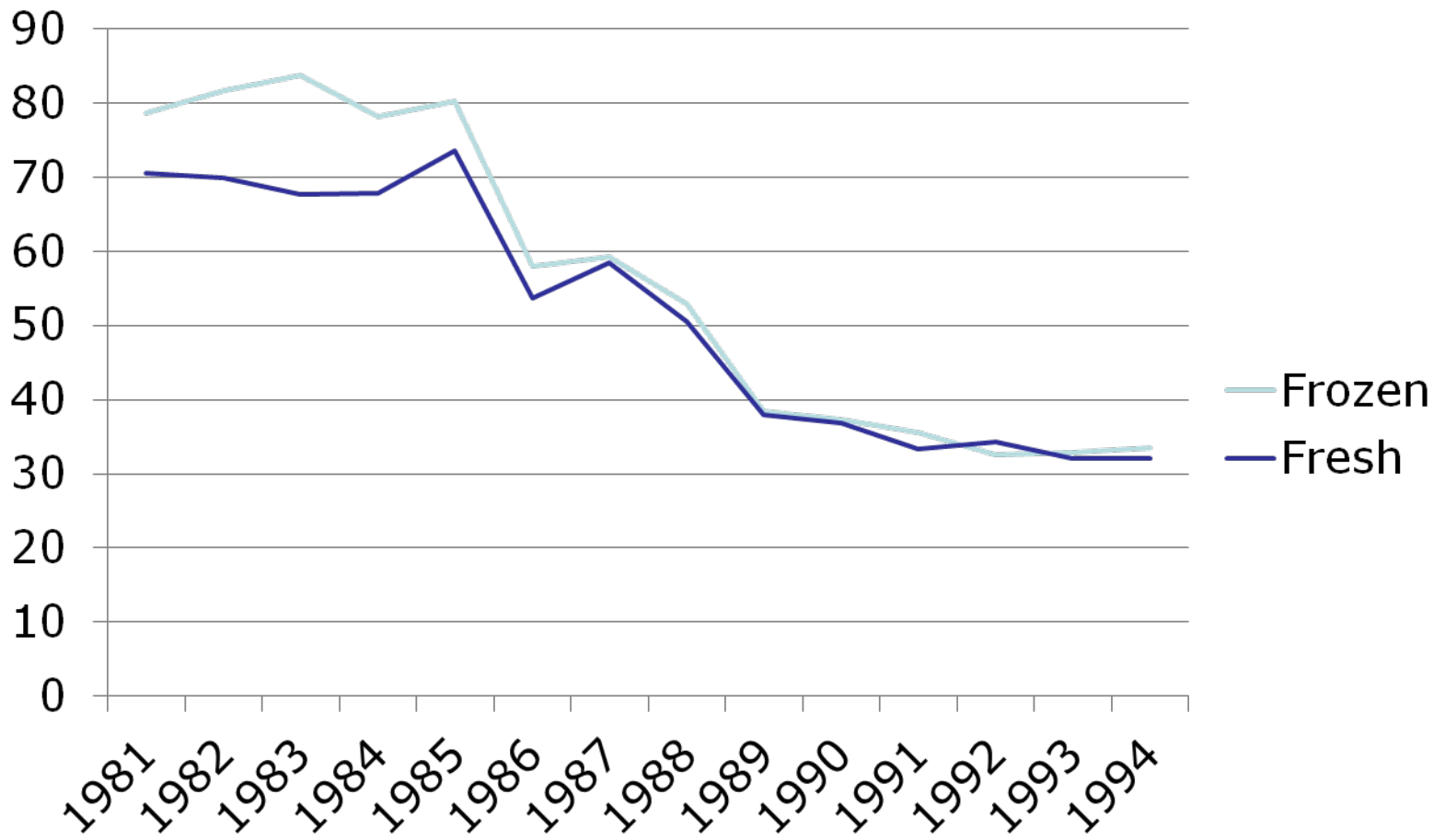
Different retail chains have
different structures and requirements

Influences what it takes to be competitive

Freezing programs have been tried: Norwegian export quantity of salmon...



...and the price With little effect



CMO

- Influence details, rather than the main drivers
- Tends to be short run measures
 - But in modern efficient supply chains you have a challenge if short-run measures are required at all
 - Preferences for local and sustainable is limited
- Small units needs more efficient sourcing if they are to be able to compete in a modern supply chain
 - Information can be a part of the picture, but there are a number of other elements

CMO

- Key factors for competitiveness:
 - Management system
 - Higher regulatory burden in Europe
- A level playing field when it comes to requirements would help European producers
 - Why is fish fed with bonemeal in the feed safe if it is not produced in Europe?
 - And why is less sanitary standards and IUU fishing OK if the fish is not European
- Information is the most potent part of the revised CMO, but it is of limited importance alone
- Most other measure resembles the old CMO measures, and are not likely to be more effective