

EAFE discussion forum on CMO reform

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Role of POs & co-operatives

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Objectives and Structure of the presentation

- Context:
 - Reform of the Common Fishery Policy (CFP)
 - Reform of the Common Market Organisation (CMO)
- Identification and economic analysis of the key issues faced by the French organisations: Producers Organisations AND Inter-professional Organisations
- which roles of POs in the future CMO because of... ?
1. Changes in the market intervention tools (withdrawal prices and the storage scheme)
 2. The Co-management of fishing rights
 3. Concluding remarks: POs roles in a competitive globalised market?

1. Changes in the market intervention tools

- Current POs' roles and activities based on Regulation 104/2000, adopted in 1999 : Stabilisation of the market through 3 key schemes:

1. 'withdrawal prices scheme' (guaranteeing minimum revenue to producer) → end of the scheme
2. 'storage scheme' → reinforcement of the scheme

(These two first schemes concerned up to 4% of the total catch in France – constant decrease; but more for some species)

3. 'reference / minimum price' → (partial?) end of the scheme – little use - see section 3

1.1. End of withdrawal prices scheme

- Rationales for the proposal:
 - a) To avoid waste of quality and scarce products (fish withdrawn are destroyed or used for non human consumption);
 - b) To avoid a negative pressure on the price:

Recent study on the scallops industry in France (Abso Conseil / FranceAgriMer; 2011; p.21) indicates that market prices tend to align to 'withdrawal prices'

- Uncertain stabilisation effect
- Unnecessarily costly for POs

c) Incentives for fishing firms to adapt to the market demand: changing the behaviours

- Proposal seems Economically justified

1.1. End of withdrawal prices scheme

- ... However:

A. (short term) « practical issues »

- Adaptation to new rules takes time: which use of unwanted catches in the short run?
- In the long run: part of the unwanted catches may always exist (+ CFP “Zero discard”):
 - ‘private PO scheme’? Which financial consequences?
 - New role for POs: valuating fish by-products

B. Structural issues

- Which incentives for fishing firms to belong to a PO (= voluntary basis) if “incentives” decrease (Itw; Cravero, 2009)
 - new roles needed to keep POs’ “attractiveness” (“contracts” between producers and first buyers / downstream investment to secure market opportunities...)

1.2. reinforcement of the storage scheme

- regulation of the market by reporting the selling of the product (cf. *Article 35 of the proposal* - COM(2011) 416 final)
 - *Ernst & Young, 2008, p. 202: 'storage mechanism can be considered as a good management act and an adaptation to the market; storage corresponds to a delayed sale'*;
 - Argument can be discussed from an economic point of view:
 - With report: ex-vessel price is below than what could be achieved when the supply meets the market demand
 - Lower possibility to differentiate the product from imports
 - Question 1: consistency with objective (e): "*improving producer's profitability*"?
 - Question 2: Different interests: catching sector; processing industry → value chain analysis?
 - Other practical issue: need for greater storage facilities (with the end of withdrawals prices and discard 'reduction')
- new roles for POs: developing new markets for frozen products + ...

2. ... Co-management of access rights

- Consistent with the objectives of the CFP regarding the definition of “access right” (= “fishing concessions” for offshore fleets)
- Consistent with the ‘market’ objective: maximising the value of the quotas
- Towards a greater integration between the catching sector and the industry (planning of the supply – cf. vertically integrated Cies)

→ Proposal seems economically justified:

- However, might be difficult to implement in some circumstances:
 - Which monitoring/management power of PO for non-PO members with individual fishing rights
 - Which monitoring/control power (“IUU” issue)
 - In some countries (France), access rights are managed by different organisations (POs, “Comités des Pêches”; issue for multispecies fisheries;

→ New role for POs:

- identification of the most appropriate management tools
- Bridging the gap between individual and collective gains / management plans between co- holders of the rights

3. Concluding remarks: POs roles in a competitive globalised market?

- Fisheries products part of “industrial” goods (NAMA / WTO)
- On-going trade liberalisation, with a decrease in bounded tariffs + preferential agreement
- International (+ EU) competition: decreasing trend for price...

... As for any other industry

- POs roles (as for any other industry): Adding value / product differentiation
- Labelling rules of the proposal - COM(2011) 416 final – Chapter IV
- Especially role for Article 45: Additional Voluntary information (incl. “ethical or social information”)
- Targeting higher quality product: see co-management of access rights
- matching the demand / new contracts or relationships
- new market (incl. Export) for high quality (fresh) product