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COMMUNICATION FROM THE COMMISSION TO THE COUNCIL

GUIDELINES FOR THE REVIEW OF THE COMMON ORGANIZATION OF THE MARKET IN FISHERY PRODUCTIONS (REGULATION (EEC) Nº 100/76 OF 16 JANUARY 1976)

COM(80) 540 final

September 1980

Communication from the Commission to the Council

Guidelines for the review of the common organization of the market in fishery products (Regulation (EEC) N° 100/76 of 16 January 1976 (1))

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(1) O.J. N° L 20 of 28 January 1976. Regulation (EEC) N° 100/76 consolidates Regulation (EEC) N° 2142/70 of 20 October 1970.

I. Introduction

The fishing industry especially high-sea fishing, is currently facing serious financial difficulties. The problems result mainly from the dwindling of stocks, changes in fishing conditions following the general introduction of 200-mile fishing zones and the considerable increase in the price of fuel, while the market for fishery products has been showing definite signs of weakness since mid-1979.

A proper solution to the sector's problems cannot be provided by aids supporting the operating side of fishing or by increases in the official prices for fishery products. Measures of this kind merely serve to put off the time where the fishing industry will have to adapt to current and future conditions.

Only a set of measures including the establishment of a strict policy on the conservation of resources and a dynamic structural policy, whilst ensuring adequate operation of the common organization of the market, can bring a solution.

The Commission has already put forward proposals concerning policy on resources and structures. In its communication to the Council (doc. COM (80) 338 final of 12 June 1980) the Commission stated its intention to forward proposals for adapting the organization of the market in fishery products to the changes which had occurred in fishing conditions in recent years.

This communication sets out general guidelines for the requisite review. The Commission intends to submit formal proposals on the matter as soon as possible so that they can be considered in connection with the decisions which the Council is to adopt in the fisheries sector before the end of the year in accordance with its decision of 30 May 1980.

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II. Main changes since 1970

The common organization of the market introduced in 1970 was designed at a time when sales of fresh products predominated. Since 1970 the share of total production accounted for by processed and frozen products has increases sharply, reaching 35 to 40 % in 1979, and this trend is likely to continue. As a result, Community fishermen have lost much of the natural advantage which their fresh products enjoyed on the Community markets over imported fish.
Moreover, the progressive dismantling of customs duties which were an obstacle to the Community's main suppliers (Scandinavian and Mediterranean countries) has reduced the preference enjoyed by Community producers on the Community market. At present about 50 % of imports of fishery products are chargeable, in one form or another, at a tariff lower than the CCT.

The general introduction of the 200-mile fishing zones has radically changed the Community's supply situation, which currently shows an import requirement of about 1 million t (mainly white fish) and an exportable surplus of about 600 000 t (mainly pelagic species), compared with production for human consumption of about 3 million t.

In recent years intervention in the markets has increased considerably and may well reach a quantity of about 90.000 t in 1980. This intervention buying covers species of which the Community has a surplus as well as those for which it has need of imports. The modest financial compensation for withdrawal means that fishermen get far from full compensation for their work, the costs of which continue to rise.

The future application of a generalized system of catch quotas will increase the need to adjust market mechanisms so as to balance supply and demand as far as possible.

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As a result of the increase in imports the formation of the internal price, particularly for white fish, depends largely on the trading practices of non-member countries.
Some of them, now having large well-stocked fishing zones, are making a strong effort to gain a foothold in Community markets, often with the help of direct or indirect subsidies.
In so doing they are liable to undermine the attempts of the Community producers' organizations to stabilize markets with prices fixed by the Community at a level which is fair to both producers and consumers in the Community.

III. The objectives of the common organization of the market

Since 1970 the principal objectives of the common organisation of the market in fishery products have been to encourage rational marketing of production, "to ensure market stability" and thereby "assure producers, as far as possible, of a fair income".
The measures implemented to those ends were selected in the light of long established commercial practice in this industry and take account of the special characteristics of the market in fishery products, e.g. dispersed and widely diverse supply, marked fluctuations in production, the perishable nature of the products and the relative inelasticity of demand.

Both the objectives and the machinery of the common organization of the market are still in general line with needs: given the characteristics of the market in fishery products, it is not possible to envisage a form of market organisation fundamentally different from that chosen in 1970.

The provisions of Regulation (EEC) N° 100/76 need to be revised, however, to ensure that under present and future conditions as regards fishing and marketing of fishery products, the objectives of the common organisation of the market can be achieved with the instruments available.

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In future years the scope for increases in official prices will remain limited because of competition from other protein foods (pigmeat and poultrymeat), the prices of which have increased less in relative terms thanks to stronger productivity gains. There will therefore be an even greater need than in the past to do everything possible to optimize market revenue by greater rationalization of marketing. The rationalization of marketing will be particularly important in the next few years in view of the general problem of availability of fisheries resources.

The action to be taken under the common organization of the market must be accompanied by greater discipline and dynamism in producers' organizations in the field of production and marketing.

If the action taken by these organizations is not to be cancelled out by disturbance from the activities of other producers within or outside the Community, the provisions governing the common organization of the market will have to provide sufficient protection against such disturbance.

IV. Amendments to be made to the machinery of the common organization of the market

1. General

The review of the common organization of the market must relate in particular to the provisions governing the intervention system, import arrangements and producers's organizations.

These provisions are all closely linked, and an amendment to one or the other of them inevitably entails changing the others.

Apart from these basic instruments of the common organization of the market, other provisions should be adapted, again in the light of experience gained over the ten years of implementation of the common organization. These include the list of products eligible for intervention and marketing standards.

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2. Producers'organizations

The common organization of the market assigns a central role to producers' organizations in the day-to-day running of the markets.
However, the producers' organizations set up under Regulation (EEC) N° 100/76 have not always been able to play this role properly, either because of a level of membership which is too low or because the provisions governing their intervention in the market were too rigid.

In regions where few fishermen belong to producers' organizations, the operation of these organizations is often seriously impeded by outsiders who take advantage of the measures taken by the organizations to regulate the market bu are not obliged to observe the rules on production and marketing laid down for those who are members. Similar problems may arise where a fishermen lands his catch in a port other than his home port and in the case of direct landing by a fisherman from a non-member country.

It is not possible to envisage compulsory membership of producers' organizations, but the situation can be improved. For one thing, the financial incentive to join can be improved by increasing aid for the formation of organizations and the financial compensation paid to organizations in respect of intervention on the market (see also point IV.3. below).
Secondly, there is scope (provided for in Article 7 of Regulation (EEC) N° 100/76)to allow a producers' organization which is considered to be representative in a given area or port to extend its price and production rules to other fishermen landing within the same area or port. Adequate measures would have to be adopted to prevent the creation of dominant positions contrary to the general interest.
Lastly, the producers' organizations must be permitted to modulate their intervention in the market in the light of the market situation prevailing at the time. This will enable them to serve their members' interests better than in the past and induce more producers to join.

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3. The system of prices and intervention

Guide prices for fishery products are based not on production costs but on averages of prices recorded during the three preceding years.
They thus reflect market trends and ensure some degree of market stability. Since the guide prices are essentially target figures, there seems no point in revising the method of calculating them or the procedure for fixing them.

On the other hand, the system of withdrawal prices has proved too rigid and requires certain adjustments. At present producers' organizations are required to observe the withdrawal price valid for the whole Community throughout the year or forgo their entitlement to financial compensation from the EAGGF.
This prevents them from reacting in the event of fluctuation of the market (e.g. seasonal) thus avoiding undesirable withdrawals. The uniform withdrawal prices also fail to take account of differences in consumer attitudes and consequently in price levels on the different markets in the Community. In order to overcome these difficulties and create some degree of flexibility in the application of the intervention machinery, intervention prices could be fixed in the form of a bracket within which the producers' organizations could withdraw fishery products from the market as circumstances on their particular market at the time dictated.

The low level of financial compensation granted to producers' organizations in respect of withdrawals (about 60% of the withdrawal price) is not considered an adequate incentive to fishermen to join producers' organizations and to comply with their production and marketing rules.
A substantial increase in financial compensation, however, would entail the risk of fishermen "fishing for the EAGGF".
A solution to this dilemma could be sought in the introduction of rates of financial compensation varying according to the quantities withdrawn from the market.

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To reduce undesirable withdrawals further and avoid the destruction of fish of a high commercial value, provision should be made for granting <u>private storage aid</u>. This type of aid, which already exists for certain frozen Mediterranean fishery products, should be extended to all fishery products for which the amount of aid would be less than that of the financial compensation payable in the event of withdrawal of the products in question from the market.
Similarly, consideration could be given to the possibility of granting aid to the canning industry in order to improve its long-term competitiveness. This could be particularly important for the Community sardine and anchovy canning industry, which is experiencing serious difficulties, and would enable it to improve its competitive position.

4. <u>Imports arrangements</u>

a) <u>Reference prices</u>

Import arrangements are no longer satisfactory in the current and foreseeable market supply situation. Regulation (EEC) No 100/76 provides for reference prices for imports below which imports may be suspended to prevent disturbances.
The reference price level should be the same as the Community withdrawal price. The suspension of imports where reference prices are undercut is too abrupt and does not take sufficient account of the need of the market for regular supplies, particularly of products for the processing industry. At the same time the conditions for suspension are such that suspension cannot be implemented in practice until the market has already been disturbed.
Moreover, where the suspension of imports is not applied or is applied late, imports from non-member countries are given preference as regards sales on Community markets, to the disadvantage of Community producers, who cannot sell their products at less than the reference price (= withdrawal price).
More flexible import arrangements featuring several stages of protection should therefore be provided for, to be implemented in accordance with pre-established criteria and before market disturbance occurs.

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Experience has also shown that better monitoring of import prices is needed - the list of representative markets and ports should be amplified and a number of products which have appeared on the Community market in recent years and which are exerting an increasing influence on prices in the Community should be brought into the reference price system.
In the past few years reference prices and withdrawal prices have started to diverge, particularly for frozen products. If the withdrawal system is revised, the reference prices will have to be updated and fixed at a level corresponding as closely as possible to the level of the withdrawal price, having regard also to the need to ensure that third country products are not sold at abnormal prices on the Community market.

The abovementioned adjustments will lead to greater harmony between the import arrangements and the other instruments of the system and thus strengther the internal consistency of the common organization of the market.

b) Customs duties

The tariff concessions conceded in the past by the Community for fisheries products either multilaterally or under preferential agreements have reduced Community preference to such a level that in future extreme caution will be required. Further concessions cannot be contemplated except in exceptional cases or only insofar as adequate compensation can be obtained for the Community's fishing industry.

As regards the autonomous tariff reductions frequently made in years of inadequate supply and high market prices, these should in future be conceded only in fully justified cases and provided that no disadvantage results for Community producers.

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V. Budgetary implications

EAGGF expenditure on intervention in the fishery products sector is relatively low (20 million EUA in 1979) for an industry which accounts for about 4% of agricultural production.
The set of adjustments envisaged for the common organization of the market in fishery products need not necessarily entail an increase in expenditure.
The proposed higher rates of financial compensation for the withdrawal of products from the market will be granted only where the producers' organizations improve their management of withdrawals from the market and will thus apply to smaller quantities.
Similarly, some special aid measures will replace expenditure which would otherwise have been necessary to compensate producers for the withdrawal of the products covered by these new aid measures.

It is not possible to estimate at this stage with a sufficient degree of accuracy how much any additional expenditure might come to.

At all events the Commission will take account of budgetary constraints when drawing up the detailed provisions of its formal proposals.

List of Tables

ANNEX I

SUPPLY OF FISHERY PRODUCTS IN THE EEC

in tonnes (production = weight landed;
imports/exports = weight of products)

	1977	1978	1979	Change in 1977-79
Production	2.760.437	2.866.463	2.818.446	+ 2 %
Imports from outside EEC	862.084	939.549	1.039.250	+21 %
Exports to non-EEC countries	277.239 incl. 51.565 mackerel	511.629 incl. 284.580 mackerel	668.612 incl. 431.192 mackerel	+41%
Supply	3.345.282	3.294.383	3.189.084	-5 %

Source : OECD, Eurostat.

XIV/G 1

EEC external trade and intra-Community trade

by product group

		Imports from outside EEC		Exports to non EEC countries		Net imports		Intra-Community trade	
		1000 t	mio EUA	1000 t	mio EUA	1000 t	mio EUA	1000 t	mio EUA
Fish, fresh, chilled or frozen	1977 1978 1979	507,7 550,5 607,1	540 615 734	180,7 408,0 554,3	208 242 277	327,0 142,5 52,8	332 373 457	490,6 530,6 568.6	526 606 711
Fish, salted, dried, smoked or in brine	1977 1978 1979	63,4 69,1 76,4	117 128 145	28,0 20,8 22,7	42 39 44	35,4 48,3 53,7	75 89 101	44,9 47,6 49,3	65 74 83
Crustaceans and molluscs, fresh or preserved simply	1977 1978 1979	92,7 128,7 141,3	177 259 297	32,4 44,0 53,0	48 51 66	60,3 84,7 88,3	129 208 231	106,2 111,5 106,5	124 151 174
Prepared or preserved fish, caviar	1977 1978 1979	160,4 151,5 168,6	288 288 326	29,0 31,4 32,0	57 65 63	131,4 120,1 136,6	231 223 257	60,2 57,7 64,5	109 114 133
Molluscs, prepared or preserved	1977 1978 1979	37,9 39,7 45,9	147 164 201	7,1 7,4 6,6	19 21 20	30,8 32,3 39,3	128 143 121	16,3 16,6 12,6	59 66 77
Total	1977 1978 1979	862,1 939,5 1039,3	1.269 1.454 1703	277,2 511,6 662,6	374 418 477	584,8 427,9 370,6	895 1.036 1227	718,1 764,0 807,5	882 1.011 1178

Source : EUROSTAT, External trade, micorfiches.

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EEC imports 1977-79 by main exporting countries

	Fish, fresh, chilled or frozen		Fish, salted, dried, smoked or in brine		Crust. moll. fresh or pres. simply		Fish, prep. or pres., caviar		Molluscs, prepared or pres.		Total	
Year	1000 t	m EUA	1000 t	m EUA	1000 t	m EUA	1000 t	m EUA	1000 t	m EUA	1000 t	m EUA
Total 1977	507,7	540	63,4	117	92,7	117	160,4	289	37,9	147	862,1	1.269
Non-EEC 78	550,5	615	69,1	128	128,7	259	151,5	233	39,7	164	939,5	1.454
79	607,1	734	76,4	145	141,3	297	168,6	326	45,9	201	1039,3	1.703
of which:												
Japan 1977	17,5	18	–	–	2,9	6	15,7	35	0,3	2	31,4	61
78	14,9	23	0,0	0	4,3	13	16,2	29	0,1	1	37,7	66
79	11,5	10	0,0	0	4,1	10	17,2	25	0,1	1	32,9	54
Norway 1977	66,0	95	22,4	56	3,6	6	5,9	11	2,9	13	101,6	182
78	81,8	118	31,6	74	1,3	5	6,5	12	3,7	13	125,3	227
79	80,1	135	31,6	76	1,1	3	8,7	17	4,7	24	126,2	255
Spain 1977	30,7	31	7,7	14	13,9	5	6,1	11	4,2	16	62,5	67
78	23,0	22	5,7	9	19,8	12	4,5	10	3,9	7	56,9	59
79	28,2	30	6,2	10	16,6	9	3,6	9	2,7	6	57,3	64
Morocco 1977	4,6	4	–	–	1,4	3	16,5	23	–	–	22,6	31
78	4,4	5	0,2	0	2,0	5	17,4	27	0,0	0	24,0	37
79	8,2	9	0,3	0	0,8	4	19,1	31	0,0	0	28,3	45
Canada 1977	61,9	82	3,3	5	1,2	7	16,7	40	2,3	14	84,5	[illegible]
78	75,1	97	5,3	5	2,4	12	16,5	39	3,0	18	102,3	171
79	66,4	100	6,6	9	5,6	19	16,8	39	3,9	25	93,3	192
USA 1977	26,7	61	0,2	0	2,5	5	4,9	16	1,9	13	36,4	96
78	30,3	73	0,1	0	3,6	6	8,3	24	2,4	17	44,7	121
79	37,6	101	0,1	0	5,7	9	11,9	39	1,7	16	57,0	165
Iceland 1977	17,5	18	8,9	15	0,1	0	1,0	1	0,8	4	28,3	39
78	41,7	42	10,8	18	0,5	1	1,7	2	1,3	7	56,0	70
79	65,2	64	13,9	24	0,4	1	3,0	4	1,6	8	84,2	102
Sweden 1977	61,6	31	0,1	0	0,2	0	0,5	1	0,1	1	62,4	33
78	70,9	42	0,1	0	0,5	1	0,6	1	0,2	1	72,3	46
79	87,9	49	0,1	0	0,4	1	0,9	2	0,2	1	89,5	53
S.Africa 1977	11,4	8	0,0	0	1,0	3	24,0	19	0,1	0	36,4	31
78	12,8	10	0,0	0	1,7	5	3,6	3	0,2	1	18,2	[illegible]
79	21,8	20	0,0	0	2,3	6	2,5	2	0,3	2	26,9	30
Faroe I. 1977	55,3	25	13,9	20	8,3	12	1,1	1	0,3	1	78,9	59
78	46,0	24	10,6	15	12,0	22	1,2	1	0,0	0	69,8	63
79	49,0	33	9,0	13	11,3	23	0,2	0	0,2	0	70,6	70
Argentina 1977	33,7	29	1,5	1	0,3	0	0,0	0	0,0	0	40,5	30
78	40,3	30	0,4	0	1,1	1	0,1	0	0,0	0	41,9	32
79	37,5	30	0,1	0	2,7	2	0,0	0	0,0	0	40,3	32

Source : Eurostat, External Trade, microfiches.

ANNEX IV

Average EEC prices for certain species of fresh fish (named in Annexes I and III to Regulation (EEC) No 100/76)

Price on first sale in u.a./tonne

SPECIES	1976	1977	1978	1979 (first six months)
HERRING	265	411	447	376
SARDINES Médit.	258	224	243	222
Atlant.	596	532	386	410
REDFISH	458	483	525	523
COD	607	751	702	722
COALFISH	336	441	492	456
HADDOCK	483	666	770	774
WHITING	441	561	517	494
MACKEREL	169	181	172	175
ANCHOVIES	345	297	205	175
PLAICE	554	575	666	651
HAKE	1.993	2.196	2.204	2.664
SHRIMPS	824	1.411	1.191	1.638
TUNNY	643	877	643	637

Source : Member States.

ANNEX IV

Average EEC prices for certain frozen products (named in Annex II to Regulation (EEC) No 100/76)

Price on first sale in u.a./tonne

SPECIES	1976	1977	1978	1979 (first six months)
SARDINES	ø 1976 - 1978 = 247 ø 1977 - 1979 = 243			
SEA-BREAM of the species DENTEX and PAGELLUS	1.109	879	833	963
OCTOPUS	1.167	939	1.068	1.300
CUTTLEFISH of the species SEPIA		1.199	1.160	1.213
SQUID (OMNASTREPHES)		302	686	953
SQUID (LOLIGO)		1.262	2.233	2.166

Source : Member States.

Intervention in the Community

ANNEX V

	1977 t.	1978 t.	1979 t.	1980 1.1.80-30.6.80
Germany		5.485	7.510	4.816,5
Belgium	1.145	1.200	1.111	1.223
Netherlands	3.036	1.412	1.829	1.430
France	6.244	6.659	10.353	6.000 (provis.)
Ireland	4.813	11.185	8.636	2.204
Italy	2.032*	24.176	33.260	10.000 (provis.)
United Kingdom	32.508	8.119	2.452	4.891
Denmark	1.006	1.452	3.558	2.407
TOTAL	50.788	59.688	68.709	32.000 (provis.)

* from 1 October.

ANNEX IV

Movement of producer prices for certain key species in the first six months of 1980 against average prices in 1979

United Kingdom	- 5 %
Belgium	- 2 %
Germany	- 1 % (5% increase for redfish and coalfish)
Ireland	- 8 %
Netherlands	+1-2 %
France	+8.5 %
Denmark	+ 9 %
Italy	- Price fall for sardines, anchovies and squid

Source : Member States.