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*Committee on Fisheries*

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## **WORKING DOCUMENT 2**

on the Proposal for a Regulation of the European Parliament and of the Council on the common organisation of the markets in fishery and aquaculture products (COM(2011) 416 - 2011/0194 (COD))

Committee on Fisheries

Rapporteur: Struan Stevenson

## THE OBJECTIVES

### **Key objectives in the reform of the Common Organisation of the Market (CMO) in fisheries and aquaculture products**

The CMO is the first component of the Common Fisheries Policy (CFP). Its scope for action in the face of the current crisis in the fisheries sector is limited, given the nature of its intervention mechanisms and the scant funding allocated to them.

The intervention mechanisms involve community withdrawals, carry-over operations, independent withdrawals and carry-overs by Producer organisations (POs) including flat-rate compensation and premiums, private storage and special arrangements for tuna, all of which are focused on POs.

POs were introduced as a counter-balance to the power of retailers, some of whom had become very large and dominant in the market place and had reduced catchers to the status of price-takers, often setting prices at levels that were uneconomic for fishermen. POs have been effective in ensuring realistic prices for the catches landed by their members. But they must be given the correct tools to enable them to regulate the activity of their members effectively.

There are 214 POs in the EU currently. 85% of POs are located in only 7 EU Member States: Spain, Italy, France, UK, Germany, Portugal and the Netherlands, the first 3 accounting for 52% of the total.

Based on the considerations already summarized in the first Working Document of 14 December 2011<sup>1</sup> and on the recent exchanges of views, the amendments to the Commission draft regulation to be proposed by your rapporteur will touch in particular on the following key issues:

#### **1. The Role of POs in the day-to-day management of fisheries under a regionalised system.**

POs should play a more meaningful role in the day-to-day management of fisheries under a regionalised system. Brussels should continue to set the key framework and objectives of the CFP, while the Member States and regional governments take responsibility for its implementation, working closely with the POs on management issues including the allocation of quotas and the management of effort. Brussels should offer a basket of options for day-to-day management, from which the Member States can choose the most appropriate for their own particular fishery.

#### **2. Safeguarding the interests of local fishermen under a system of Transferable Fishing Concessions (TFCs).**

TFCs should be voluntary rather than mandatory and Member States must have the flexibility to allocate rights over only a 7/8-year period, rather than 15 years. Member States must also have the final decision on whether such rights are tradable at all. In other words, they could be

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<sup>1</sup> DT/887253EN.doc

traded within a Member State or within an area of the Member State, but not outside that area.

Safeguards must be built in to the system to prevent any individual holder from having more than X% of a quota, together with a right of recall for a Member State government in cases of non-compliance. International trading should only be allowed to happen if two or more Member States agree to trade between themselves. TFCs have the benefit of giving fishermen something of value to sell to fellow fishermen when they leave the industry. TFCs can only be bought by active, properly licensed fishermen.

### **3. The creation of POs, aquaculture POs, inter-branch organisations, transnational POs and associations of POs.**

The strengthening of POs is important. Criteria must be clearly defined on the minimum number of members a PO can have to be viable. Smaller POs should be merged. There needs to be a critical mass of members to ensure the viability of a PO. The criteria for recognition of POs need to be beefed up to encourage them to be big enough to be relevant.

Trans-national POs should be encouraged in zones like the Irish Sea, the Mediterranean and the Baltic, so that everyone would benefit from common and binding market rules. The creation of transnational POs should not comprise a merger of POs, but a partnership between POs to produce common and binding rules and to provide a level-playing field for everyone engaged in the fishery. In some Member States inter-branch organisations exist already. There are also pre-existing organisations that demonstrate a clear partnership between industry and government.

The internationalisation of POs or the creation of transnational associations will enable companies to become competitive at international level, to meet the 2020 strategy to create new markets outside the EU. However, POs should make up their own minds on mergers or loose cooperation. Being a free market, the EU should not try to impose rigorous rules from the centre. The minority who refuse to join a PO should be required to obey the rules, but shouldn't be forced to join, or to meet any costs associated with joining the PO if they do not wish to join. The key issue is flexibility, enabling POs to enjoy the benefits of competition.

Processors and retailers could be integrated with POs through the creation of special professional organisations.

### **4. The role of POs in handling the proposed ban on discards.**

According to Commission estimates, around 23% of annual catches in EU waters are discarded, amounting to 1.7 million tonnes. The Commission intends to eliminate most discards on a phased basis, although there will need to be a list, similar to the Norwegian system, which identifies those species, such as jellyfish, which can still be legally discarded. The key issues to help in eliminating discards will be (a) by-catch avoidance; (b) total catch management, and (c) improving markets for non-commercial species. POs will play an important role in ending unwanted by-catch.

Any new long-term management plans should have measures for catch quotas, technical measures, and real-time closures, to eliminate by-catch. We need tailored measures that have to be credible for each individual fishery. Perhaps some fisheries, such as pelagic, could have

a day one ban, but others couldn't. However, the discard ban will require coordination with the timetable for achieving MSY. Eliminating overfishing is the single most important issue, therefore fishing levels must be sustainably set in the first place. That means reaching MSY. MSY has 2 main measures – fishing mortality FMSY and spawning stock biomass SSB MSY. To achieve MSY both have to be achieved. It will be impossible to determine MSY by 2015 because of lack of data and it will certainly be impossible to reach both objectives by 2015.

So there is a need to specify what must be done if MSY can't be reached by 2015. Clear proxies are required. Fishing mortality (FMSY) should be achieved by 2015 and spawning stock biomass (SSB-MSY) by 2020 in line with the MSFD (Marine Strategy Framework Directive). Multi-annual plans will need to cover all stocks subject to fishing pressures. Environmental sustainability must be prioritised.

The Commission proposal to use POs to distribute fish that otherwise would have been discarded, to NGOs, charities or people on social welfare benefits, would be disastrous and have a direct impact on the market, depressing prices further. At best, such fish could be used for bait or for the fishmeal and fish oil industry, with sufficient compensation paid to fishermen to cover their costs in landing these otherwise surplus fish.

There should also be financial assistance from the EMFF to get lower value and less familiar fish products onto the market. Rules governing a land-all policy must be clarified. Small fish, for example, cannot be kept on board. They turn into stinking soup after 48 hours! But most boats don't have the capacity to chill these fish, so they will rot and take up space and cost the vessels great expense to return to port to land them, when they are not even fit to be used for fishmeal and fish oil. They will have to be included in any list of species, which can continue to be legally discarded. In any case, returning such fish to the sea, or discarding heads, tails and guts from fish processed at sea, is a valuable addition to the food chain for marine life and birds.

## **5. Utilising modern technology to improve market intelligence.**

There are examples of electronic markets working successfully in various parts of the EU. Indeed, remote online marketing is now being used in some electronic auctions. Buyers purchasing fish remotely online need a guarantee that what they are bidding for meets the quality control and hygiene standards that they expect. The correct and reliable grading of fish is essential. Provided such guarantees are fulfilled, electronic markets can increase the value of fish and be of general benefit to the sector.

There is also scope for using modern technology to improve market intelligence by rolling out the use of electronic markets across the EU and linking them to e-logs and VMS systems. POs could then retain a comprehensive knowledge of what is being fished and where and how much fish can be expected to be landed in which ports, at which times. The EU market observatory could play a central role in this respect.

A swipe-card system should be introduced across the EU, similar to the system currently in operation in Galicia, where skippers swipe a card at a quayside machine, which identifies their vessel and port. They can then enter details of their intended catch and landing destination and all of this information can be centrally collected, enabling more control of the market to be undertaken. In this way, gluts and shortages can be avoided and prices can be

improved for the sector.

The coordination of information from market operators and processors, such as when they have staff holidays, when they expect market gluts of certain species, when they anticipate prices will be at their weakest etc, can be passed on to skippers through their POs, to enable them, as far as possible within the constraints of days-at-sea limitations, to plan their fishing trips to their maximum benefit. This coordination could be maximised with the creation of formal IPOs, providing skippers with optimum market opportunities.

## **6. The introduction of a single storage mechanism as the only system of market intervention.**

Any system of interference with the free market, such as the proposed storage mechanism system, trigger prices and the minimum price system, must be handled with extreme care. Any such mechanism would need to be implemented on a cooperative basis involving all the POs. Tying the sector into a trigger price for the entire year would not be sensible. Trigger prices should never be set at a level that encourages fish to be left unsold. There is a need for flexibility. Freezing fish for storage will be expensive and the EMFF will have to contribute significantly to this intervention mechanism. €45 million has been allocated in the EMFF over 5 years for this purpose. The storage model is popular in southern EU Member States where it is already widely utilised, mostly for pelagic species such as anchovy, mackerel and sardines, which are frozen and eventually sold for bait or fishmeal and fish oil. Bait attracts a higher price than fishmeal and fish oil. But gluts should be eliminated in the first place, so that storage wouldn't be necessary. But freezer storage is important, particularly for high value species like Nephrops. Storage costs should be a co-responsibility between POs and the EU.

Doing away with the minimum price intervention mechanism will incentivise POs to ensure better market practices.

## **7. Rewarding sustainable fishing with an EU eco-label.**

The Commission must establish minimum rules for eco-labelling and introduce their own eco-label. An eco-label monitored and applied by the European Commission, perhaps embracing criteria similar to the MSC, but with the addition of socio-economic elements, would be much more acceptable to the sector and to the public.

POs could follow the same criteria as currently applies to wine producers, setting minimum standards which everyone must comply with. An EU-wide eco label would be a useful tool, but there should be sufficient flexibility in the system for POs to provide their own labels. In other words, anything that can help enhance the price for fishermen and salesmen would be beneficial, while also providing better information for consumers.

## **8. Consumer information on labels.**

Labels must be clear and comprehensible for consumers to understand. The date of landing should be mandatory and the date of catch should be voluntary. This is because it would be discriminatory and confusing simply to label the date of catch, as artisanal fishers who go to sea and return to port often in a single day, would have a label showing their catch was less than 24 hours' old. Whereas, trawlers who go for much longer fishing trips, would have labels

stating that their product was 5, 10 or even 15 days old.

The trawler-caught fish may be stored in liquid ice and be in a perfectly fresh and first class condition, sometimes better even than the fish caught by the small, inshore, artisanal fleet. However, consumers would not understand the difference and would always opt for the more recently caught option. Even the artisanal fishermen agreed that the date of catch should be voluntary and the date of landing mandatory. Quality should be the key factor for labelling, depending not only on the date of catch but also on technological aspects such as the control of environmental conditions like temperature and humidity, together with measures concerning processing, procedures management and packaging/packing materials.

Labels must also carry information about easily identifiable fishing zones that consumers can relate to. Labelling zones as FAO 27 or FAO 34 would be pointless and meaningless to the consumer, although such information would be contained on barcodes for traceability purposes. POs should help with providing appropriate, understandable fishing zone definitions, such as Bay of Biscay, Baltic Sea, Irish Sea, West of Scotland etc. Fish species should also be identified using locally familiar names on all labels.

Consumers should be clear about which fisheries products have been frozen and defrosted, particularly with regards to 'so-called' fresh fish products. Labelling should include information about the date of first freezing below a certain temperature, although there should be special rules for canners, as consumers will be alarmed at seeing a catch date of some years ago, indicating when the product has been frozen for the first time. As far as canned fish products are concerned, mandatory information requires a date, whether or not the catch is sustainable, plus information about whether the item has been frozen and defrosted. A 'Best before date' would be better than a mandatory catch or first-landing date. There can be full traceability on the barcode. To have a meaningful label on defrosted products there should be an A, B or C grade for quality.

There also must be a clear commercial denomination on labels, for example, whether a product has been farmed or caught. But in the case of some processed products such as paella, which may contain 5 or 6 fisheries ingredients, each caught in different areas of the world, only the species should be listed on the label and not the geographical area where they were caught. This would be impossible. Traceability is guaranteed via barcodes. Also, on a small can of tuna, it would be crazy to include geographical info, which can change supplier by supplier. Canning factories are regularly dealing with supply lines that may change from imported tuna from Brazil, India, Sri Lanka, Africa etc. They cannot be expected to change the geographical date on labels every time. It would be economically suicidal, driving up costs.

## **9. Maintaining a level playing-field between EU fisheries products and products imported from outside the EU.**

Attempts at imposing strict conditions on imported seafood products can be interpreted by WTO as hidden barriers to trade. However, imports must comply with the same regulations as those imposed within the EU, not only on ecological grounds, but also embracing socio-economic issues.

The same standards should apply for all imports. EU shellfish is often sent to China or the Far

East for processing and then returned to Europe for packaging and marketing, so "country of origin" must appear on labels and this information must include the country from where the product was exported, not only where it was caught. Chemicals and medicines used in the aquaculture sector must also be declared on all imports.

In addition, the EU should apply their own quality or eco-label to European fish and aquaculture products. The EU imposes countless regulations on fish farms to ensure that they meet the highest standards. This should therefore be reflected in a quality eco-label bearing the EU flag. The public would recognise and welcome this quality assurance. An EU eco-label would provide a guarantee of a top quality EU product, enabling the consumer to make an informed choice between EU goods or imported goods. This will help to create a system that enhances and encourages a viable, sustainable industry.

#### **10. Marketing Standards:**

- Minimum marketing sizes
- Canned products (covering conservation requirements and international obligations)
- Hygiene
- IUU fishing
- Compliance with the rules of the CFP

POs should have responsibility for all of these things within a basic framework set by the European Commission. But implementation should be the responsibility of the POs. For some species such as swordfish or sharks, the EU can set the minimum size, but for shellfish the regional government should set the controls. Some species need technical and scientific advice that the PO could not achieve.

Current rules governing trade in fisheries and aquaculture products are working satisfactorily. Any new legal basis for trading in these products must reflect the *status quo*.

#### **11. The role of the CMO in the expansion of a successful EU fish-farming sector.**

There is a global need to expand aquaculture to meet growing demand for fish against a background of declining wild fish stocks. Professional organisations, including POs, inter-branch organisations and federations, should be given access to 'toolbox' measures to help promotion and communication actions at national and international levels and give added-value to their members.

Aquaculture means the rearing or cultivation of aquatic organisms for the whole of or a proportion of their life cycle. There is an implication in the Commission proposal that Member States should engage in centrally controlled strategic planning of markets and business development. This would be undesirable, representing direct interference in the free market. The suggestion that POs should submit production and marketing plans to Member States is wholly out of step with the needs of a free market and the interests of consumers. Central planning would run counter to the concept of competition between companies in the

marketplace.

The CMO proposal contains too many clauses that seek to bind POs to a stringent range of activities, rather than giving them the freedom and flexibility to decide what is best for their own members. It is unnecessary to insist that all POs must be trading entities (i.e. selling or supplying fish). This may be suitable for some southern Member States, but is unsuitable for northern countries. There must be complete flexibility to meet the needs of diverse POs across the EU. The ‘toolbox’ approach would be most suitable, with a range of options made available to POs from which they could choose the most appropriate for their particular circumstances.

There is also ambiguity in Article 17(e) which appears to rule out the establishment of any PO which embraces a substantial proportion of the industry within its membership. Such organisations should, in fact, be encouraged since they give the industry the necessary scale-structure for the PO to be effective. This must be altered to *“they may not hold a dominant position on a given market unless they are not themselves engaged in the production, processing or sales of fishery or aquaculture products or products processed for fishery or aquaculture products.”*

## **12. The role of Regional Advisory Councils**

The proposal to create a new Advisory Council for aquaculture should be supported. This should be a single EU entity, with headquarters and staff, like the existing Pelagic and Long Distance RACs. Indeed there is a general need to strengthen and consolidate the existing Regional Advisory Councils, ensuring that they become real advisory bodies for the European Commission.