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GUIDANCE NO 2014/2

ON INTEGRATING THE MARKET DIMENSION INTO EMFF OPERATIONAL PROGRAMMES

1. INTRODUCTION

This note provides guidance to national authorities to help them to integrate and support the market dimension of the fisheries policy in the elaboration of their EMFF operational programmes (OPs).

It is essential that national authorities are aware of the importance of addressing the market dimension in their OPs, with a particular emphasis on the role of producer organisations (POs) as key actors for the implementation of the new CFP, and the importance of supporting them in the upcoming programming period. Furthermore, it is also important to draw attention to the new concept of production and marketing plans (PMPs), which forms the basis for strengthening POs.

Strengthening the role of POs

Although other forms of professional organisations may exist, a clear choice was made by the co-legislators in favour of POs, considered as the most suitable format to meet the objectives of the CFP coupled with an ambitious level of funding in the OPs. In addition to strengthening existing POs, Member States should also anticipate in their planning the possible creation of new POs throughout the whole programming period.

Supporting Production and Marketing Plans (PMPs)

PMPs constitute a new obligation for all recognized fisheries and aquaculture producer organizations and they are essential tools of the new common organisation of the markets (CMO) with the following objectives:

- to foster and support fishermen and fish farmers to implement the sustainable management of their activities;
- to channel more efficiently EU fisheries and aquaculture production to market requirements, in quantity and quality for human consumption, and take advantage of market opportunities.

To this end, Member States should support the preparation and implementation of PMPs in planning appropriate levels of financial support in their OPs on the basis of the value of the national production put on the market by POs.

With regards to the CMO legal framework, the following implementing regulation and Commission recommendation should help to facilitate the development of PMPs:

- Implementing Regulation (EU) N° 1418/2013 establishing the format and structure of production plans and marketing as well as procedure and time limits for approval by the competent national authorities.
- Commission Recommendation 2014/117/EU offering for each objective of PMPs a list of measures that can be implemented and indicators to conduct and evaluate the PMPs.

2. NEW MARKET POLICY

2.1. Simplified legal framework

From 1 January 2014¹, the new CMO regulation² has entered into force. The CMO implies a series of fundamental changes for Member States and the industry (mainly EU producers). These include:

- **Strengthening the role of EU POs (fisheries and aquaculture) through the empowerment and support of operators.** The creation of POs is encouraged and supported, as is reinforcing their role in the collective management of their members' activities and improving marketing of their production. Production and marketing plans (PMPs), supported by the EMFF, are the key new instrument in this respect.
- **New intervention logic.** The number of intervention mechanisms of the former CMO has been reduced from six to one: the storage aid supported by the EMFF. The remaining mechanism is maintained during a transition period (2014-2018) until the PMPs are fully operational.
- **Consumer information** aims to promote responsible consumption through clear mandatory labelling and voluntary labelling. In addition, eco-labelling will be debated in 2015 based on a Commission feasibility report on an EU eco-label scheme³.
- **Economic intelligence** based on an EU-wide interactive web-tool (EUMOFA⁴) offering up-to-date data on volume, value and price of fisheries and aquaculture products throughout the supply chain. This source of information provides free access in four languages to key information for the programming and monitoring of market-related actions.

¹ Except provisions on consumer information, which enter into force from 13 December 2014

² Regulation (EU) No 1379/2013 of the European Parliament and of the Council of 11 December 2013 on the common organisation of the markets in fishery and aquaculture products, amending Council Regulations (EC) No 1184/2006 and (EC) No 1224/2009 and repealing Council Regulation (EC) No 104/2000

³ Art.36 of the CMO regulation on "Eco-labelling reporting" provides that a feasibility report on options for a Union eco-label scheme for fishery and aquaculture products is submitted to the European Parliament and to the Council. Due to the delayed adoption of the EMFF the report will be available in 2015.

⁴ European Union Market Observatory for Fisheries and Aquaculture products:
<http://ec.europa.eu/fisheries/market-observatory/>

3. MARKET MEASURES IN THE EMFF

3.1. Introduction

Market measures are provided under Chapter IV “Marketing and processing related measures” (art. 66 to 68) of the EMFF and are financed under shared management.

Market measures contribute to the Union priority Nr 5 as set out in Article 6(5):

Fostering marketing and processing by pursuing the following specific objectives:

(a) the improvement of market organisation for fishery and aquaculture products;

(b) the encouragement of investment in the processing and marketing sectors.

The main market measures to be supported by the EMFF are:

- ✓ creation of producer organisations (Art. 68.1.a)
- ✓ production and marketing plans (Art. 66)
- ✓ storage aid (Art.67)
- ✓ other marketing measures (Art.68)
- ✓ consumer information (Art.68)

In addition, the EMFF supports the development and running of the market observatory (EUMOFA), the European reference economic intelligence tool for fisheries and aquaculture products, as one of the accompanying measures for the CFP under direct management.

3.2. Creation of Producer Organisations (POs) and Inter-branch Organisations (IBOs) (art.68.1.a)

The creation of POs, associations of POs and IBOs can be supported by the EMFF. This is especially relevant for Member States with a few, or no POs and can serve to promote the structuring of their fishery and aquaculture sectors.

Once created, POs need to comply with the obligations deriving from this status (such as the establishment of a PMP), and become key actors in the collective management of their members' activities and in improving marketing conditions for their production.

The creation of POs also covers the merging of existing POs which are considered new (and larger) POs. The merging of POs is generally intended to gain efficiency by pooling resources and to be a stronger actor on the market. The conditions and modalities for the recognition by Member States of POs are provided in the Commission implementing regulation (EU) 1419/2013 concerning the recognition of POs and IBOs.

The key objective of the market policy is to support the structuring and organisation of the fishery and aquaculture sectors through the creation of POs, with a view to increasing the relative share of products placed on the market by members of POs.

3.3. Production and marketing plans (PMPs) (art. 66)

This measure may only support Producer Organisations in the fishery and aquaculture sectors.

PMPs are the main element of the new CMO to support the operation of POs and their contribution to CFP objectives

In essence, the new CMO will foster the collective management of operators' activities by empowering fishery and aquaculture producers to carry out specific public functions, in accordance with the principle of subsidiarity. Recognised POs will be the key actors in CFP implementation and they must have access to the new and most effective public support instruments.

Commission implementing regulation (EU) 1418/2013 specifies the format and structure of the PMPs, as well as the procedures and deadlines for the submission of PMPs by POs to their MS.

The content, validation and decision on the level of funding to PMPs is in Member State competency: MS should approve the proposed PMPs and establish the level of financing for each PMP. This can be up to 3% of the annual value of production placed on the market by the members of the concerned PO during the preceding 3 calendar years.

Assisting POs operation: support to collective management

PMPs are developed by POs or associations of POs. They are established on an annual or multi-year basis and are verified each year by the respective Member States. PMPs encourage POs to collectively organise and plan production and marketing to add value by better matching supply with demand. This may even encourage clustering of POs in order to pool their resources and increase their market power.

Contributing to CFP objectives

Various actions can be included in PMPs. The basic condition is that they must contribute to the CFP's objectives in terms of sustainability, food security, economic efficiency, competitiveness, consumers' interests etc.

To fulfil these general objectives (art.7 of the CMO regulation), POs should pursue the following objectives:

- promoting the viable and sustainable fishing activities of their members, in line with the conservation policy and the sustainable aquaculture activities of their members, by providing opportunities for their development;
- avoiding and reducing as far as possible unwanted catches of commercial stocks and, where necessary, making the best use of such catches;
- contributing to the traceability of fishery products and access to clear and comprehensive information for consumers;
- contributing to the elimination of illegal, unreported and unregulated fishing;
- ascertaining that the activities of members of aquaculture POs are consistent with the national strategic plans;
- endeavouring to ensure that aquaculture feed products of fishery origin come from fisheries that are sustainably managed;
- improving the conditions for the placing on the market of their members' products;

- improving economic returns;
- stabilising the markets;
- contributing to food supply and promoting high food quality and safety standards, whilst contributing to employment in coastal and rural areas;
- reducing the environmental impact of fishing.

To facilitate the achievement of these objectives, the CMO regulation (art.8) provides a non-exhaustive list of measures to be deployed by fishery and/or aquaculture POs, which list is supplemented by a non-binding Commission recommendation providing indications and concrete illustrations of possible actions to be included in the production and marketing plans.

These actions may take the form of

- outsourcing and subcontracting,
- purchase of goods and services,
- hiring of staff.

These actions are of a preparatory nature in the sense that they cover the planning and management of activities which aim at improving the marketing of the production, as opposed to the day-to-day activities of the members of a PO, which are mainly production activities.

Accordingly, all actions implemented by a PO that pertain to the planning of production with the objective to improve its marketing, and all actions related to the management of activities of members of a PO that ensue from this planning, are eligible to art.66 of the EMFF.

In particular, traditional activities of management of fishing authorizations and opportunities are eligible to art.66 of the EMFF, provided they are included in a duly approved production and marketing plan. It is up to the POs to demonstrate the linkage between these activities and the planning and management objectives to which the PMP must contribute.

The eligibility of actions is thus not based on their nature, but on their destination. A clear identification of the destination of these actions is therefore of fundamental importance.

The risk of double-financing can be mitigated by establishing this distinction as well.

In case of actions potentially eligible under different measures / articles of the EMFF, it is perfectly acceptable, for reasons of administrative coherence, to favour a financial support through the sole art.66 on condition that they contribute to the objectives of planning and management of activities and are included in a production and marketing plan approved by the competent national authority.

It should also be noted that after the planning and programming stage (i.e. after the implementation of the PMPs or of parts of the PMPs), the continuation of actions may be supported by the EMFF through the implementation of marketing measures (as per art. 68, see below) as well as certain other compatible provisions such as conservation measures.

Member States should be aware, that this tool is new, innovative (supporting planning and management, and not investments) and important for the implementation of the CFP.

Member States are encouraged to finance PMPs in their operational programs, taking into account their specificities and bearing in mind that PMPs can apply and be relevant to the different existing situations:

- ⇒ where a low number of producers are registered in a PO, PMPs are an incentive for producers to create or join POs;
- ⇒ where a large number of POs already exist, PMPs can foster clustering (creation of associations of POs) or merging (creation of a new / larger PO);
- ⇒ where POs already gather a large number of producers and are already concentrated, PMPs can focus more on the development of POs' staff expertise and competences.

3.4. Storage aid (art.67)

This measure may only support Producer Organisations in the fisheries sector.

The new CMO replaces the intervention mechanisms in force until 2013 by a single storage mechanism: the storage aid (art. 30 to 32 of the CMO regulation), which will be available during five years (2014-2018). The temporary application should allow POs to adapt and to move progressively to the new element of the CMO: the PMPs.

An envelope of 45 M€ maximum is reserved for storage aid for the first five years of the programming period. This sum is ring-fenced and cannot be reallocated to any other measures.

Member States should indicate in their OPs whether they intend to use the EMFF to support storage aid. Member States who have traditionally used these intervention mechanisms in the past should only consider using storage aid as a transition measure towards the development and implementation of PMPs. Member States who have not used intervention mechanisms in the past should pay attention to the fact that it might be counterproductive in the sense that it would probably slow down the deployment of PMPs.

The conditions and modalities to activate the storage aid mechanism, including the obligation to set trigger prices, are laid down in art.30 and 31 of the CMO regulation. Any Member State that wishes to use the storage mechanism must establish trigger prices. The publication of trigger prices by a Member State does not imply the obligation to use the storage mechanism.

If a MS does not intend to finance storage aid on public funds, it does not prevent POs from supporting storage aids on their own resources. If the case arises the obligation to have trigger prices fixed and made publicly available applies.

3.5. Other marketing measures (art.68)

Measures open to all producers of the fisheries and aquaculture sectors.

The EMFF supports several other marketing measures such as those seeking to find new markets, improve the marketing of certain products (Art.68.1.b), or promoting quality (including certification) and transparency of production (art.68.1.c-d). These measures benefit from EU financing through the EMFF for all operators (not reserved to POs).

Logically, if such measures are to be implemented by POs and associations of POs, they should be planned in the PMPs to ensure a consistent programming by the operators and to allow them to benefit from all opportunities offered by the EMFF.

Member States have two responsibilities: 1) adopt the POs' PMPs and 2) include marketing measures in their operational programmes. Therefore, Member States are encouraged to ensure consistency in their Operational Programmes between the marketing measures falling under art.68 and the content of the PMPs.

3.6. Consumer information (art.68)

Financial support can be granted to operators to fulfil their obligations concerning labelling as long as the underlying objectives are in line with the marketing measures of the EMFF.

The CMO (art.35 of the CMO regulation) has introduced more precise mandatory labelling such as the catch or production area. There is no direct support of the EMFF in that regard. At most, the EMFF support seems only possible indirectly and for a limited extent, through measures aiming at contributing to traceability (Art.68.1.e), which will generate information relevant to the mandatory labelling.

Support to voluntary labelling (CMO – art.39) should be compatible with a broader range of marketing measures within the scope of the EMFF. Voluntary labelling is by definition wider and several elements can be supported by the EMFF, especially through provisions promoting quality, added value and transparency of the markets (art. 68.1.c-d). They can potentially cover labelling measures of the CMO related to environmental or ethical features of the products, production techniques and practices, eco-labelling, date of catch (fisheries) or harvest (aquaculture), certification.

4. MARKET INTELLIGENCE (EUMOFA) (ART.90)

The European Union Market Observatory for Fisheries and Aquaculture Products (EUMOFA) is an EU-wide interactive web-tool offering up-to-date data on volume, value and price of fisheries and aquaculture products throughout the supply chain.

Through its different request and reporting tools the Observatory offers numerous data on sales, imports and export relating to all participant MS, under the most adequate form (customisable reports). It will perform the following duties (art.42 of the CMO regulation):

- gather, analyse and disseminate economic knowledge and understanding of the EU market for fishery and aquaculture products along the supply chain, taking into account the international context;

- provide practical support to POs and IBOs to better coordinate information between operators and processors;
- regularly survey prices for fishery and aquaculture products in the EU market along the supply chain and conduct analyses on market trends;
- conduct ad-hoc market studies and provide a methodology for price formation surveys.

The EUMOFA can help managing authorities to have a better economic understanding of their fisheries and aquaculture sectors and improve their analytic capacity of their structure and specificities. This economic tool can usefully contribute to the development and monitoring of operational programmes, in particular with regard to the budget dedicated to production and marketing plans.

Member States should contribute to these objectives (Art 42.b) of the CMO regulation).

5. LEVELS OF BUDGET SUPPORT, AID INTENSITY AND CO-FINANCING

Levels of budget support

The following measures are only available to POs and associations of POs that may benefit from specific provisions in respect of their level of support:

Support to **production and marketing plans** (art. 66) may reach up to 3% of the annual value of production placed on the market by the members of the concerned PO during the preceding 3 calendar years (i.e. average turnover of the members of POs). This potentially represents an important source of funding and, considering that development of production and marketing plans is mandatory under the CMO regulation, should be considered as a way of offsetting (part of) the costs resulting from this obligation.

This financial mechanism is also designed to make PMPs a lever to promote clustering of POs, in order to pool their resources and increase their market power. It is up to the national authorities to decide on the level of financing for each PMP, within the limit of 3%.

Support to **storage aid** (art.67) will be of maximum 45 M€euros for all MS over the five years of application and may reach up to 2% of the annual value of production placed on the market by members of POs during the 2009-2011 period. The envelope dedicated to storage aid is ring-fenced, with no possibility to reallocate these funds to other actions.

Intensity of aid and co-financing

Although the general EMFF co-financing rate is set at max. 75%, there are a number of derogations. Similarly, aid intensity rates can also vary, see below.

	Co-financing (art.94)	Intensity of aid (art.95)
Actions implemented by organisation of fishermen or other collective bodies	default rate	default rate + 10%
Actions implemented by POs, associations of POs or IBOs	default rate	default rate + 25%
Storage aid	100%	100%

6. TECHNICAL SUPPORT AND USEFUL SOURCES OF INFORMATION

All questions and requests for clarification related to programming should be channelled through your desk officers.

Unit B2 (Trade and Markets) of DG MARE is at your disposal for questions specifically related to the implementation of the CMO regulation (functional mailbox: MARE-B2@ec.europa.eu).

DG MARE's internet website includes a Frequently Asked Question web page (in French and English) on market policy related issues, including their financing through the EMFF: http://ec.europa.eu/fisheries/cfp/market/faq/index_en.htm. It will be regularly updated and complemented.

A synthesis of the relevant legal bases is annexed to this note.

ANNEX: LEGAL BASES BY THEME

Theme	Legal basis
<p>CMO – Producer Organisations (POs, associations of POs) and Inter-branch Organisations (IBOs)</p> <p>Establishment, objectives, measures, functioning, recognition, trigger prices.</p> <p>Competition rules</p>	<ul style="list-style-type: none"> • CMO Regulation: art. 1-17, 40 • Commission Regulation (EU) No 1419/2013 of 17 December 2013 • EMFF Regulation: art. 68 <p>MarAtlas⁵: localisation and information on POs.</p>
<p>CMO – Production and Marketing plans (P&MP)</p>	<ul style="list-style-type: none"> • CMO Regulation: art. 28 • Commission Regulation (EU) No 1418/2013 of 17 December 2013 • EMFF Regulation:art.66
<p>CMO</p> <p>- Labelling</p> <p>- Marketing of FAP and sanitary issue (requirements in terms of labelling and consumer information, marketing measures aiming at encouraging sustainable aquaculture activities and promoting food safety or nutritional value of FAP)</p>	<ul style="list-style-type: none"> • CMO Regulation - labelling : Art. 35 (mandatory), 39 (voluntary) + art. 7.1(c) (traceability) • CMO Regulation – marketing and sanitary issue: art.8, 13, 39 • EMFF: art. 68
<p>CMO – Storage aid</p>	<ul style="list-style-type: none"> • CMO Regulation: art.30 • EMFF Regulation: art.67
<p>CMO - Competition rules (compatibility with market measures)</p>	<ul style="list-style-type: none"> • CMO Regulation: art.40, 41 • EMFF Regulation: art.68
<p>CMO - Market Intelligence (economic data, analysis and surveys, price formation, market trends)</p>	<ul style="list-style-type: none"> • CMO Regulation: art.42 • EMFF Regulation: art.90 <p>EUMOFA⁶: Data, reports, publications</p>

⁵ http://ec.europa.eu/maritimeaffairs/atlas/maritime_atlas

⁶ <http://ec.europa.eu/fisheries/market-observatory/>