

Memorandum from the Norwegian delegation on the market arrangements for fish in the EC (8 June 1971)

Caption: On 8 June 1971, as negotiations are held for Norway's accession to the European Economic Community (EEC), the Norwegian delegation drafts a memorandum on how the market arrangements for fish in the Community are likely to affect the country's fishing industry.

Source: Archives historiques de l'Union européenne, Florence, Villa Il Poggiolo. Dépôts, DEP. Franco Maria Malfatti, FMM. Élargissement. Adhésion de la Norvège, 04/11/1970-20/01/1972, FMM 45.

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M E M O R A N D U M

EC - Market arrangements for fish.

1. In a Memorandum dated 22nd September 1970 the Norwegian authorities gave an account of some of their principal viewpoints with regard to the question of the market arrangements in an enlarged Community. It was asserted, inter alia, that the enlargement of the Community would alter the character of the market for fish, and that, for this reason it would be necessary to adjust the market arrangements accordingly. It was emphasized, however, that these viewpoints were of a provisional nature as further details of the market organization which the Community intended to establish were not fully known at the time. This memorandum will revert to the market arrangements in an enlarged Community and an account will be given of the conclusions arrived at by the Norwegian Authorities after having studied those Regulations concerning the market for fish which the Community has adopted.
2. The Norwegian Authorities are in agreement with the fundamental objectives for the organization of the market for fish. With a view to introducing a greater measure of stability into the sales of fish, Norway has already, for a considerable period, had an organized first-hand sales system. In accordance with this principle it is our desire to contribute to an effective stabilization of the markets for fish in an enlarged Community.
3. The Community's market arrangements have been shaped on the background of the conditions prevailing on the Continent and are adapted to the structure of catching and distributing fish within the existing Community. It will be readily understood that a market arrangement drawn up on this basis will not necessarily be appropriate in Norway where fishery conditions differ markedly from those on the Continent.

As explained in the Norwegian Memorandum of 22 September 1970, the structure of Norwegian fisheries is characterized by small units. A fleet comprising several thousand smaller vessels delivers catches in hundreds of smaller fishing harbours along a coast with a length of more than 3000 Km. Catches are to a large extent handled at a great number of smaller plants and are exported to markets in many countries as salted fish, dried fish, frozen fish etc. The market arrangements which the Community is in the process of developing are adapted to a sales system which, on the whole, is restricted to relatively few harbours where the sales take place by means of an auctioning system for fresh fish, intended mainly for consumption in markets nearby. In view of the importance of the fishing industry in Norway it is necessary that the market arrangements, also within an enlarged Community, are able to function in an efficient and satisfactory manner. Closer examination gives reason to believe that it will be difficult to achieve this objective unless adaptations are made on various points.

4. The addendum to the Memorandum of 22 September 1970 gives a comprehensive account of Norwegian Fisheries. In the present Memorandum, the Norwegian Delegation will therefore limit itself to repeating certain important data.

a) In 1970 the total number of fishermen amounted to approximately 45.000. Of these, about 33.300 had fishing as their sole or chief occupation. The fisheries constitute, wholly or in part, the basic source of employment and income for 4 % of the country's population. In coastal districts, however, and in some counties, the percentage is far higher.

The Norwegian fishing fleet comprises a large number of smaller units. Of the total number of approximately 36.000 vessels in 1969 about 27.500 are open boats and some 5.200 are

decked boats of less than 40 ft. in length. Slightly less than 500 vessels are 100 ft. or larger. Of these, 8 are deep-freeze trawlers. The majority of the vessels are owned by the fishermen themselves.

During the period 1967-70 the annual average catches landed amounted to 2,6 million tons. The average first hand value was about 155 million u.a. annually. A large proportion of this quantity consisted of capelin, sand eel and Norway pout not normally used for human consumption. In all, between 70% and 80% of the total quantity brought ashore served as raw material for the fish meal and fish-oil industry. About 16% of the catches consisted of cod, haddock and saithe which constituted 44% of the total first-hand value. Only a small part of these catches were marketed as fresh fish. 7% out of a total of 460.000 tons of codfish landed in 1970 was utilized in this way. As much as 52% was deep frozen, most of it serving as raw material for the fish fillet industry. Of the total catches, salting and drying accounted for 28% and 11% respectively. Parts of the catches were processed on board the boats. As much as 85-90% of Norwegian fish products are exported. In 1970 the exported value, excluding hardened fats and oils, amounted to about 265 million u.a. 44% of exports went to countries within an enlarged EC. Total exports of fish products correspond to 10-15% of the total exports of all Norwegian goods.

b) Norway has a comprehensive sales system for fish products. It has been developed gradually since the late 1920's and is now regulated by the Raw Fish Act of 1951. All fish and shell fish landed in Norway, apart from salmon and trout, are to be sold through sales organizations protected by law. Sales through sales organizations are thus obligatory, and do not depend on whether the fisherman in question is a member of the sales organization or not. There is now a total of 12 sales organizations. The authorities shall approve the bye-laws of the sales organizations, but they are run and administered by the fishermen themselves. The activities of the organizations are either connected to the sales of fish

landed within certain districts or to certain species of fish irrespective of where the fish is landed. In connection with first-hand sales the organizations have been granted authority to carry out various forms of regulatory measures concerning fishing activities and the disposal of catches for various purposes. In this respect practices vary, both as regards the different sales organizations and for different species of fish. Only in exceptional cases are the sales carried out by means of organized fish auctions.

5. Among the questions which the Norwegian Delegation desire to bring up for negotiation, fundamental importance is attached to the question of the role of the producers' organizations in connection with the market organization of the EC. The producers' organizations are based on voluntary membership, and fishermen who are not members, may refrain from selling their catches subject to the conditions laid down by the producers' organizations. This implies that fishermen are completely free to sell their catches at prices below the fixed withdrawal prices.

In Norway, experience has shown that market regulating measures for fish are not effective unless all catches are sold through producers' organizations. The sale of catches outside the control of the producer's organization may easily subject prices to pressure. It is therefore felt that a common European market would be more stable and more to the purpose, if the first-hand sales of all fish within the area are carried out through the producers' organizations. A fundamental aspect of the national fisheries policy in Norway is represented by the arrangement whereby sales are carried out through the sales organizations.

This is a system which, during the last decades, has gradually been developed and consolidated and which is regarded as being absolutely essential for securing stable price levels. The Norwegian Delegation therefore considers it necessary that the Norwegian sales organizations' legal right to carry out all first-hand sales of fish must be maintained in the event of membership of the EC.

6. The system employed by the EC for creating stable market conditions is based on the regulation of prices. Based on stipulated guide prices and withdrawal prices, fish landed, will be withdrawn from normal distribution when fluctuations in the market occur.

a) According to the Regulation, withdrawal prices are to apply to fresh fish-products only. Of total catches of cod in Norway, 15-20% are processed on board the vessels. The price regulating measures will therefore not work satisfactorily unless orientation and guide prices are also stipulated for goods which are processed on board the vessels. The stipulation of these prices must be reasonably related to the prices of fresh deliveries.

b) The importance of catches delivered for reduction to meal and oil in Norway has been pointed out. The particular raw material which is utilized by the fish meal and fish oil industry, and which is mainly composed of species of fish not suitable for human consumption, is not covered by EC's established price regulating measures.

The importance of this sector for Norway calls for the establishment of a marketing arrangement which will secure reasonable profits for the producers of raw material for the fish meal and fish oil industry. Another factor which is important in this connection is the fact that fish meal is a concentrate component which can compete directly with concentrates containing plant protein. These types of feed concentrate are subject to common market arrangements which presuppose considerable financial support from the FEOGA. Fish meal prices are closely dependent on the price trend at any time for concentrates based on plant protein and are subject to considerable periodic fluctuations. It seems reasonable

that the producers of raw materials for animal concentrates are accorded a market arrangement corresponding to that which has been introduced to secure the profitability of production of competing plant-based concentrates. This question was referred to in the Memorandum of 22 September 1970, and it was indicated that a market arrangement might probably be based on the same principles which now apply in the Community with regard to oil seed. This would inter alia mean that minimum prices for the various types of raw materials must be stipulated. The fish meal and fish oil industry employ a number of different species of fish with varying proportions of solids and fats. In practice, therefore, complications might arise in basing a market arrangement on the minimum prices of raw material. The Norwegian authorities have therefore carefully considered whether it would not be expedient to employ a system of minimum prices on finished products, fish meal and fish oil. It is presumed that such a system would ensure that fishermen obtain a price for the raw materials which will enable rationally-operated fishing vessels to obtain reasonable profitability, and it should also be much simpler to practice.

The Norwegian Delegation request that the question concerning the establishment of a market arrangement on a Community basis for this sector, should be brought up for discussion and they are prepared to submit proposals for such a discussion.

7. a) It is intended that guide- and withdrawal prices shall apply without differentiation for different areas within the EC. For Norway, where the fishing ports are situated far from the central consumer areas this might have prejudicial effects on its competitive position. In such harbours average price levels will generally be lower. It must therefore be assumed that the level of the withdrawal price would be reached first in these ports and that consequently fish products would here more frequently and in relatively larger quantities be withdrawn.

from the normal distribution. Solutions to this problem should be sought by means of Community arrangements which secure compensation for additional costs incurred by the transport of fish over long distances.

b) The major part of the catches landed in Norway is subjected to further processing. Since it is not practically feasible to sell catches at auctions, the sales organizations have taken into due consideration the fact that certain uses such as for example fresh fish and frozen fish may require higher prices than other uses by stipulating differentiated first-hand prices. These prices are altered in accordance with the season and price trends on the world market.

It is considered important that this system should be maintained as a part of the market arrangement in Norway, so that, when market conditions render it possible, higher minimum prices than the withdrawal prices may be fixed for certain uses. Compensation would however only be granted for those catches which fail to reach the withdrawal price levels.

8. In the EC it is the responsibility of the producers' organizations to compensate the fishermen for fish that is withdrawn from the market. Part of these costs are refunded by the Member State. According to the rates of compensation and the prices which now apply, the producers' organizations receive a refund which with the addition of the normal value of withdrawn quantities, will, for example, amount to a maximum of 71% of the withdrawal price for herring, and 75% for cod. If prices are heavily pressed and larger quantities are withdrawn from normal sales, a real danger exists that the producers' organizations will be subject to a great financial burden.

In the opinion of the Norwegian authorities attempts should be made to secure for fishermen payments for catches which at

least correspond to the withdrawal price for the product and grade in question. This can only be achieved when the refund from the FEOGA constitutes the difference between the withdrawal price and the value of the quantity that has been withdrawn. The Norwegian authorities would propose that the established rules concerning the granting of compensation be altered so that this consideration can be met. Such a solution will correspond to the financial arrangement which now applies in the EC for various agricultural products.

9. The EC has laid down common marketing standards for some important species of fish. This is a necessary step in the Community price regulating system.

In view of the sales structure in Norway, it would seem necessary to introduce certain adjustments to these rules in connection with the enlargement of the EC. Thus having regard to Norwegian conditions, it would, for example, be desirable to amend the rule specifying that quality control shall take place in the ports of landing. In view of the very great number of such ports it would be more practical to undertake the quality control of fresh fish for export to other Member States in the ports of shipment. The Norwegian Delegation intends to revert to this question in more detail.

10. The administrative bodies of the EC stipulate a great number of different prices and make other decisions connected with the organization of the market, inter alia, in consultation with the Management Committee.

It is considered important that the producer organizations, which play an essential role in regulating the market, should be consulted before the Management Committee makes its decisions.

11. The achievement of a stable market in the EC is attempted by means of price regulating measures and, whenever necessary, by withdrawing fish products from the normal distribution channels. As regards such stocks of fish which are subjected to over-exploitation, it does not seem to serve the purpose to continue fishing during periods when such species of fish have to be withdrawn from distribution and reduced to meal and oil. In such cases it would be better to introduce catch regulating measures in order to limit supplies. The question of employing catch regulating measures as a means of regulating the market at Community level should therefore be taken up as a subject for discussion.

12. The market Regulation contains no provisions for regulating sales from processors to exporters. In Norway, recent legislation empowers the authorities to regulate the final distribution stages of processed fish products. This is due to the special structural conditions obtaining in Norway for the processing of dried and salted fish products, where the major part of the production is carried out by relatively small enterprises weak in capital resources. In order to strengthen the position of the processors, especially vis a vis the exporters, it has been considered advantageous to stimulate the co-ordination of the enterprises along the same principles as those at the primary stage of sales. It is important that this arrangement be maintained.

13. Norway exports rather more than half of its fish products to countries outside an enlarged EC, and will in future continue to be dependent on exports to third countries. It will therefore be a matter of importance to price stability in the EC that exports to third countries can be maintained to the necessary degree. The system of export restitutions established by the EC should prove appropriate.

It is presumed however, that the arrangement will be made to apply to those fish products which are economically important to fishermen in an enlarged EC. Furthermore, the provisions must be framed so as to take into account special circumstances connected with the production and export of such fish products as salted and dried cod and dried and frozen fish, where there is a relatively long time-lag between the landing, the catch and the exportation of the finished product.

In Norway, efforts to promote stable conditions in the export markets, have inter alia, taken the form of stimulating different types of joint ventures among Norwegian exporters. In those cases where exports to third countries are centralized through export associations as, for example, to countries where imports are centralized, it would be useful if one could arrange for some form of joint co-operation between exporters on a Community basis.

It is important that the export co-operation developed on a national basis, be preserved, and that national law in this field be maintained to the extent it is not rendered superfluous by Community measures.

14. Several of the questions raised in connection with the market arrangements for fish are technically complicated. It will therefore probably be necessary to arrange that discussions be held at the level of experts in order to arrive at solutions which are amenable to practical application in an enlarged Community. Such discussions may take some time and ought therefore to be started as soon as possible.

8th June 1971.