

EVALUATION OF THE COMMON MARKET ORGANISATIONS (CMOs) FOR PIGMEAT, POULTRYMEAT AND EGGS

DG Agriculture
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Executive Summary

Submitted by
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Common part on the whole evaluation

In line with the requirements of the Terms of Reference (TOR) this evaluation of the Common Market Organisations (CMOs) for pig meat, poultry meat and eggs covers the timeframe 1992-2002 and has been conducted across the EU-15. The evaluation has been undertaken using a methodology requiring a variety of evaluation tools designed to provide the answers to the list of evaluation questions set out in the TOR. These tools have included:

- desk research to analyse historical data and secondary literature as well as preparing models of the intervention logic for the CMOs;
- econometric modelling using the CAPSIM model in particular to analyse counterfactuals relating to the impact of export refunds and import protection;
- statistical analysis of the effects of private storage in the pig meat sector;
- analysis of Farm Account Data Network (FADN) data on farm incomes and costs on the basis of a specific analysis of this data prepared by the Commission services;
- stakeholder interviews; and,
- case studies to, in particular, review CMO impacts in specific case study regions.

The work has been conducted during the period December 2004 to October 2005 by a team led by Agra CEAS Consulting including subcontractors in the core Member States. Key results and recommendations for each of the three sectors are presented in the specific summaries by sector. The key points emerging from the analysis of the results of the evaluation across the three sectors covered are as follows:

- Price reporting system: While the prices reported on in all three sectors were not necessarily always considered to be fully representative of the markets they were considered to be suited to the market management purposes they are used for in that they satisfactorily reflect the main trends in the markets covered.
- Export refunds: It was found that in all three sectors implementation of the URAA has resulted in a more 'prudent' use of export refunds but that with the exception of the volume constraint on poultry meat exports (and the period of crisis management in the pig meat sector in the late 1990s) the export volume and expenditure constraints under the URAA appear not to have been unduly onerous in that they have not been fully utilised. More generally export refunds have been used to counterbalance cyclical volatility in the pig meat and shell egg sectors but have been used to maintain a market presence in the non-Annex1 processed egg sector as well as in the poultry meat sector. While the refunds have in all cases improved the position of the EU on the world

market over the period evaluated, the modelling results in all cases have suggested there is a significant deadweight effect involved in the sense that the exports might have occurred even without the use of the instrument. While this result may be applied to the aggregate it should be noted that it may well not apply to some specific sub-sectors which are significant beneficiaries of the refunds (i.e. egg albumen and frozen whole chickens).

- **Import tariffs:** The evaluation found that as would be expected in all three sectors import tariffs have significantly reduced the volume of imports over the entire evaluation period although in the case of pig meat the role of tariffs is obscured by the simultaneous presence of sanitary restrictions. In the case of poultry meat and shell eggs the presence of tariffs (and export refunds) meant that the EU remained a net exporter rather than a potential net importer of these products over the period under review. It was noted, however, that these results which provided producer welfare gains had been achieved at a relatively high aggregate cost in terms of taxpayer expenditure and consumer loss in terms of higher prices.
- **Producer income:** The FADN analysis found that for all three sectors there has been a general increase in incomes over the period evaluated, although much of this increase has been due to an increase in the scale of production rather than the CMOs themselves.
- **Production costs:** The major change in costs over the evaluation period has been a reduction in the principal cost component namely feed. This cost reduction has been the result of the CAP reform induced reduction in feed costs rather than the CMOs themselves. In contrast, policies on manure disposal and emission reduction, animal welfare and animal health (as well as Community feed legislation) have resulted in additional costs to farmers. However, on balance, the evidence does not suggest that the overall impact of the CMO and other Pillar 1 measures on the sector has been negative with respect to production costs, although it has not been possible to conclude that the overall impact has actually been positive.
- **Rural development and the environment:** The evaluation has found that with the exception of poultry meat production in certain regions, the impact of the CMO on intensification has been largely indirect. In terms of the regional distribution and concentration of production the role of the CMOs can be seen as minor since these production developments have been driven by longer terms historic trends. Similarly the impact of the CMOs on the process of structural and employment change (fewer larger holdings) has also been limited and indirect. In conclusion, over the timeframe of this evaluation the role of the CMOs, in terms of generating adverse environmental impacts, has also been largely indirect through maintaining a favourable economic environment.