



Project no. **SSPE-CT-2004-502457**

Project acronym : : **EU-MED AGPOL**

Project full name :

**Impacts of agricultural trade liberalization between the EU
and Mediterranean countries**

Instrument type : Specific Targeted Project

Priority name : 8.1 Policy-oriented research

Start date of project: 01 March 2004

Duration: 36 months

PERIODIC ACTIVITY REPORT

1st period from 1st March 2004 to 28 February 2005

Project coordinator organisation name : CIHEAM-IAMM

TABLE OF CONTENTS

| | |
|---|-----------|
| Publishable executive summary | 4 |
| Section 1: Project Objectives and Major Achievements..... | 9 |
| Section 2: Work Package Progress of the Period | 16 |
| <i>Work Package 1.....</i> | <i>18</i> |
| <i>Work Package 2.....</i> | <i>23</i> |
| <i>Work package 3.....</i> | <i>28</i> |
| <i>Work package 6.....</i> | <i>31</i> |
| <i>Work package 9.....</i> | <i>32</i> |
| Section 3 – Consortium management | 34 |
| <i>1. Consortium management tasks and their achievement</i> | <i>34</i> |
| <i>2. Project timetable and status.....</i> | <i>35</i> |
| Annex - Plan for using and disseminating knowledge | 38 |

PERIODIC ACTIVITY REPORT

1st period from 1st March 2004 to 28 February 2005

Publishable Executive Summary

Publishable executive summary

The overall objective of this project is to estimate and describe the impacts of EU and Mediterranean partner agricultural trade liberalization on European countries and societies. This report covers the activities of year one of the project, which is 1 March 2004 through 28 February 2005. The major changes in European imports are expected to be in fruits and vegetables and olive oil. Europe has the potential to increase exports to Mediterranean countries of cereals, meats, and milk products.

The state of the art is that we are using quantitative analysis tools for part of our analysis but must use other approaches to complement the modelling approach. For processed goods, we use the global supply chain approach to capture the supply chain interactions. We have chosen to use expert panels for the Mediterranean countries with substantial export potential. In this way, we hope to attend to capture the very best understanding available on what the likely changes will be under different liberalization scenarios. We can then use that information to do the quantitative estimates of impacts on European producing regions. We have developed an innovative approach of using vulnerability indices for different producing regions in Europe (see the discussion under WP2 in Section 2).

The specific objectives of this research are as follows:

- To characterize the agricultural production, processing, distribution, and retail systems in the Mediterranean countries (WP 1).
- To characterize the agricultural production sub-sectors in major European regions for production of fruits, vegetables, and olive oil (WP 2).
- To describe and quantify the EU protection systems for fruits, vegetables, and olive oil as well as Mediterranean systems for cereals, meats, and milk products (WP 3)
- To develop three realistic liberalization scenarios ranging from small changes to totally free trade (WP 4).
- To estimate the production and export potential for Mediterranean agricultural systems within three years and ten years using expert panels (WP 5).
- Using quantitative tools available, to develop estimates of possible changes in European and Mediterranean production, imports, and exports of agricultural commodities (WP 6).
- To determine the kinds and importance of interactions with other world markets and international trade negotiations (WP 7).
- To estimate the changes in European production of fruits, vegetables, olive oil, and other crops, agricultural incomes, EU budgets, social impacts, and other changes (WP 8).
- To diffuse the results of the research as widely as possible and throughout the duration of the project (WP 9).

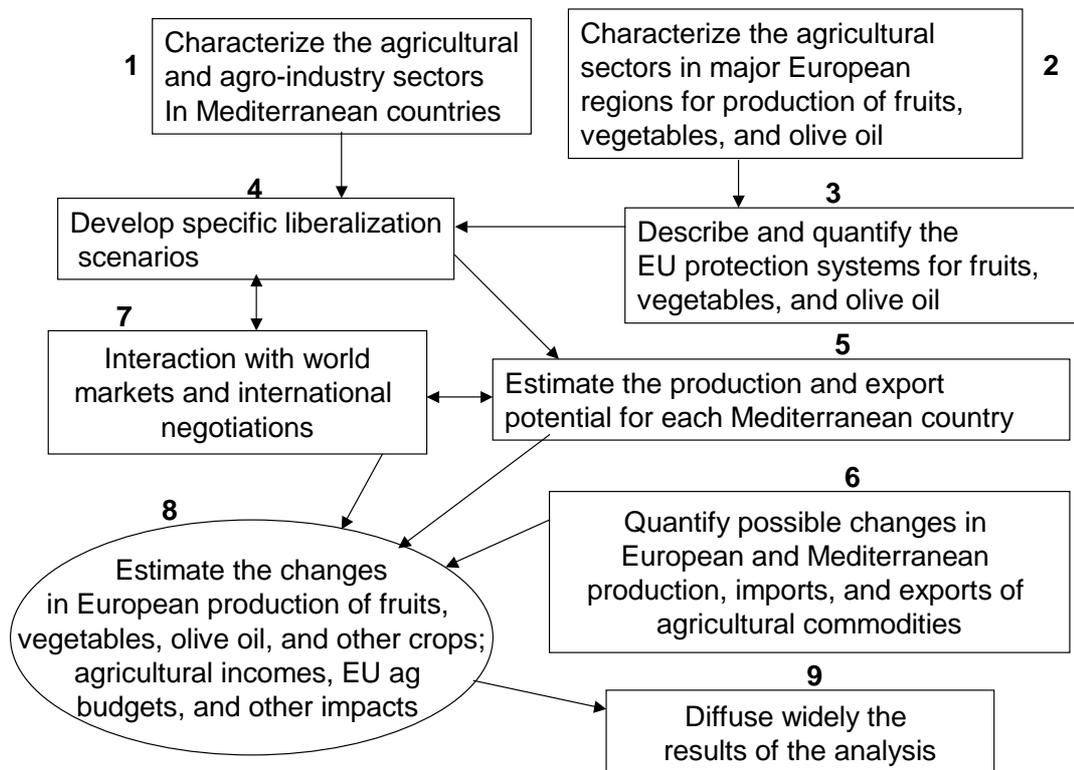
The relationships and linkages among these objectives and activities are illustrated in Figure 1. During this reporting period, we had significant activity in work packages 1, 2, 3, 6, and 9. Details of the accomplishments for each of these work packages are contained in section 2 of this report. Table 2 in section 2 contains a summary of the deliverables completed for each of these work packages.

CIHEAM/IAMM is the lead institution on this project. The project scientific coordinator is Dr. Florence Jacquet of IAMM (phone 33-(0)4-67-04-60-18 and email jacquet@iamm.fr). There are eight other partners listed in Table 1.

Project achievements and problems encountered

In its first year, the project has achieved the objectives originally planned plus some additional activities. In this section we provide a brief overview of the accomplishments by work package and a mention of any problems encountered. Details on each work package are contained in section 2.

Figure 1: Project overview



Work package 1

Work package 1 is the characterization of agricultural production, processing, distribution, and retail systems in the Mediterranean countries. It is led by IAMM with participation of ENSA/INRA, METU, IAV, IO, and UC. The planned and actual deliverables during the first year are reports on Morocco (D2), Turkey (D3), Tunisia (D4), and Egypt (D5) (see Table 2, section 2). These reports are publicly available on the project Web site (<http://eumed-agpol.iamm.fr>). All the reports are quite comprehensive with emphasis on the most important products for each country and for its trade with the EU.

Table 1: EUMED-AGPOL institutional participants

| Partic. Role* | Participant name | Participant short name | Country |
|----------------------|----------------------------|-------------------------------|----------------|
| CO | CIHEAM/IAMM | IAMM | France |
| CR | ENSA Montpellier | ENSAM | France |
| CR | INRA Nantes | INRA | France |
| CR | IAP Bonn | IAP | Germany |
| CR | CSIC Madrid | CSIC | Spain |
| CR | METU Ankara | METU | Turkey |
| CR | IAV Hassan II - Rabat | IAV | Morocco |
| CR | Institut de l'Olivier Sfax | IO | Tunisia |
| CR | CAES, Cairo University | UC | Egypt |

*CO = Coordinator CR = Contractor

The only significant problems encountered for WP1 and the other work packages were data problems. All the data we wanted were not available or sometimes were of poor quality. This problem exists for most any project of this sort, and the teams in each country have done good work getting the best possible data and doing solid analysis with that data.

Work package 2

Work package 2 is the characterization of the agricultural production sub-sectors in major European regions for production of fruits, vegetables, and olive oil. It is led by ENSA/INRA Montpellier with participation of IAMM and CSIC. We have divided this work package into fruits and vegetables as one piece and olive oil as the second. ENSA has taken the lead on fruits and vegetables and CSIC on olive oil.

The fruits and vegetables deliverable (D8/D9) was completed in March 2005 and is available on the project Web site. This component developed an innovative approach of calculating vulnerability indices for different production regions of Europe. These vulnerability indices will be quite useful ultimately in estimating the impacts on the EU of trade liberalization with Mediterranean countries.

The olive oil report will be delivered in the second reporting year as planned. It is a very comprehensive analysis of world olive oil markets with considerable detail on EU production, consumption, and trade.

Work package 3

Work package 3 is to describe and quantify the EU protection systems for fruits, vegetables, and olive oil as well as Mediterranean systems for cereals, meats, and milk products. No deliverables were due during this reporting period, but considerable progress was made in the work. The major tasks being undertaken are as follows:

- Description and quantification of the European protection of fruits, vegetables and olive
- Description and quantification of the Mediterranean protection
- Computation of PSE and AMS for the olive oil

Work Package 6

Work package 6 is to develop estimates of possible changes in European and Mediterranean production, imports, and exports of agricultural commodities using quantitative tools. This task is being led by IAP (Univ. of Bonn) with support from IAMM, INRA Nantes, METU, IAV, IO, and UC. The main result of first year activities is the revised data base and structure of the CAPRI market module as well as the inclusion of MFN and bi-lateral tariffs between EU and the Mediterranean countries. In addition, the model code and data base were revised in order to include the new products and to break down the former Mediterranean country aggregates to Turkey, Algeria, Morocco, Tunisia, Egypt and Israel.

Work package 9

Work package 9 is the diffusion of results of the research as widely as possible and throughout the duration of the project. The first deliverable of this WP was the launch of the Web site, which was accomplished in July 2004. This site contains all the project publications and data sets as well as links to other useful information related to the project. The other deliverable for WP9 during year one was the plan for disseminating knowledge, which was completed in October 2004. It is also on the Web site.

Another part of our diffusion of results strategy is to involve officials from the European Commission and Mediterranean governments in project decisions such as the liberalization scenarios that will be defined in year 2. A preliminary discussion on the involvement of EU officials was held at our joint meeting with the MEDFROL project in Brussels in November 2004. Other contacts included intensive discussions with French and Moroccan government officials. Less intensive discussions were held with FAO and, by our METU partner, with Turkish officials. We feel it is quite important to involve agricultural policy officials in the research so that it will have maximum value to the policy community.

PERIODIC ACTIVITY REPORT

1st period from 1st March 2004 to 28 February 2005

Section 1 :

Project Objectives and Major Achievements

Section 1: Project Objectives and Major Achievements

General project objectives

The overall objective of this project is to estimate and describe the impacts of EU and Mediterranean partner agricultural trade liberalization on European countries and societies. This report covers the activities of year one of the project, which is 1 March 2004 through 28 February 2005. The major changes in European imports are expected to be in fruits and vegetables and olive oil. Europe has the potential to increase exports to Mediterranean countries of cereals, meats, and milk products.¹ Estimation of changes in exports from the EU to Mediterranean countries can be handled by traditional sector models, and we have chosen CAPRI, a widely used European agricultural sector model for that purpose.

But estimating the impacts of changes in fruit, vegetable, and olive oil imports is an entirely different story. Fruits and vegetables are much more complicated. Many fruits are perennials, and, thus, are difficult to handle in standard annual models. The traditional European export commodities like wheat, barley, milk, meat, etc. are relatively homogeneous. But fruits and vegetables come in hundreds of varieties. Furthermore, there are issues of seasonality that, in essence, make a strawberry in one month different from a strawberry in another month. And on top of all the natural variety, the customs rules and duties applied by the EU for fruits and vegetables are very complicated. In addition, the possible changes in trade in fruits and vegetables are quite large. Thus, it would be very difficult, if not impossible, for any modelling approach to reliably estimate the impacts of prospective policy changes regarding fruits and vegetables. Quantitative models are best when the products are relatively homogeneous, when the policy instruments are straight-forward, and when the envisioned changes are not large. None of those conditions exist for fruits and vegetables, so it would not be wise to rely only on such techniques for this impact estimation.

For olive oil, the case is somewhere between these two extremes. Previously, CAPRI contained other table oils, but not olive oil. In the activity under work package 6, we have now modified CAPRI to include olive oil. Thus, CAPRI will be quite useful in the quantitative analysis with respect to policy changes in olive oil. However, we will still use an expert panel in Tunisia to supplement the quantitative analysis.

The state of the art is that we can and will use quantitative analysis tools for part of our analysis but must use other approaches to complement the modelling approach. For processed goods, we will use the global supply chain approach to capture the supply chain interactions. We have chosen to use expert panels, interviewed following the Delphi method, for the Mediterranean countries with substantial export potential. In this way, we will capture the very best understanding available on what the likely changes will be under different liberalization scenarios. We can then use that information to do the quantitative estimates of impacts on European producing regions. We have developed an innovative approach of using vulnerability indices for different producing regions in Europe (See the discussion under WP2 in Section 2).

¹ We use here the term Mediterranean countries to refer to the eastern and southern Mediterranean countries listed in the detailed task description (Malta, Turkey, Morocco, Algeria, Tunisia, Egypt, Cyprus, Lebanon, Libya, Syria, Israel, Gaza and West Bank, and Jordan). We will also use the abbreviation MED to refer to those same countries.

The project has been divided into nine specific work packages with the following sub-objectives:

- To characterize the agricultural production, processing, distribution, and retail systems in the Mediterranean countries (WP 1).
- To characterize the agricultural production sub-sectors in major European regions for production of fruits, vegetables, and olive oil (WP 2).
- To describe and quantify the EU protection systems for fruits, vegetables, and olive oil as well as Mediterranean systems for cereals, meats, and milk products (WP 3)
- To develop three realistic liberalization scenarios ranging from small changes to totally free trade (WP 4).
- To estimate the production and export potential for Mediterranean agricultural systems within three years and ten years using expert panels (WP 5).
- Using quantitative tools available, to develop estimates of possible changes in European and Mediterranean production, imports, and exports of agricultural commodities (WP 6).
- To determine the kinds and importance of interactions with other world markets and international trade negotiations (WP 7).
- To estimate the changes in European production of fruits, vegetables, olive oil, and other crops, agricultural incomes, EU budgets, social impacts, and other changes (WP 8).
- To diffuse the results of the research as widely as possible and throughout the duration of the project (WP 9).

The relationships and linkages among these objectives and activities are illustrated in Figure 1. During this reporting period, we had significant activity in work packages 1, 2, 3, 6, and 9. Details of the accomplishments for each of these work packages are contained in section 2 of this report. Table 2 in section 2 contains a summary of the deliverables completed for each of these work packages.

CIHEAM/IAMM is the lead institution on this project. There are eight other partners listed in Table 1.

Project achievements and problems encountered

In its first year, the project has achieved the objectives originally planned plus some additional activities. In this section we provide a brief overview of the accomplishments by work package and a mention of any problems encountered. Details on each work package are contained in section 2.

Figure 1: Project Overview

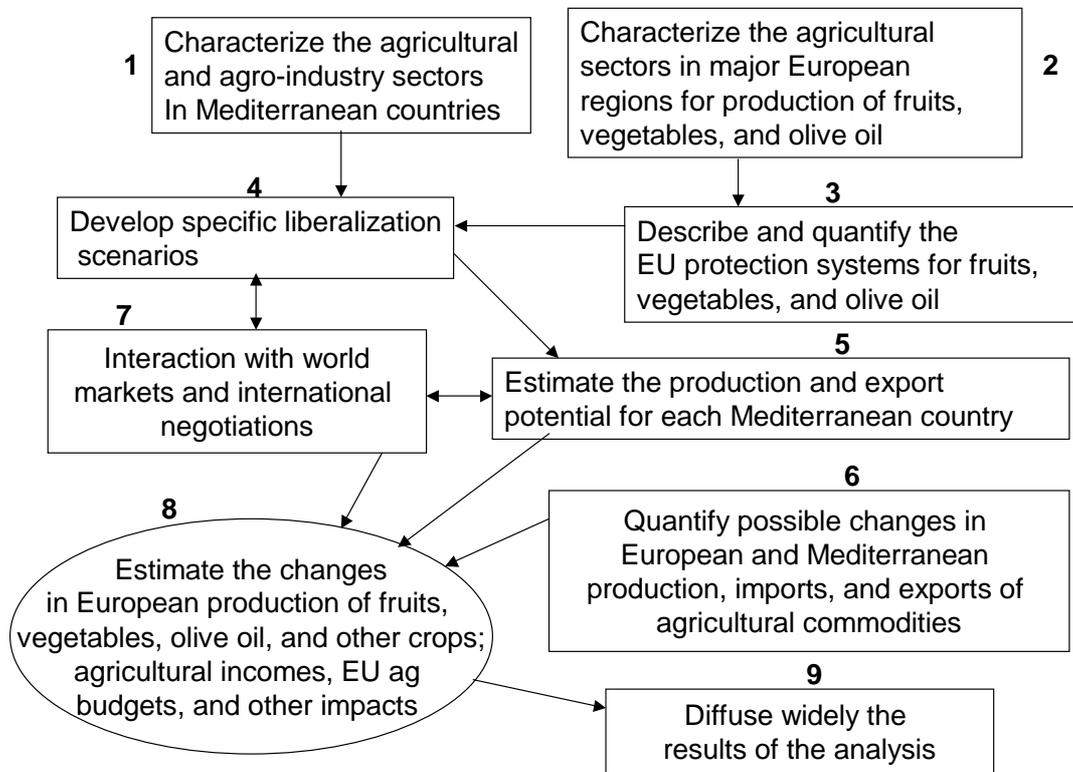


Table 1: EUMED-AGPOL institutional participants

| Partic. Role* | Partic . no. | Participant name | Participant short name | Country |
|----------------------|---------------------|----------------------------|-------------------------------|----------------|
| CO | 1 | CIHEAM/IAMM | IAMM | France |
| CR | 2 | ENSA Montpellier | ENSAM | France |
| CR | 3 | INRA Nantes | INRA | France |
| CR | 4 | IAP Bonn | IAP | Germany |
| CR | 5 | CSIC Madrid | CSIC | Spain |
| CR | 6 | METU Ankara | METU | Turkey |
| CR | 7 | IAV Hassan II - Rabat | IAV | Morocco |
| CR | 8 | Institut de l'Olivier Sfax | IO | Tunisia |
| CR | 9 | CAES, Cairo University | UC | Egypt |

*CO = Coordinator
CR = Contractor

Work package 1

Work package 1 is the characterization of agricultural production, processing, distribution, and retail systems in the Mediterranean countries. It is led by IAMM with participation of ENSA/INRA, METU, IAV, IO, and UC. The planned and actual deliverables during the first year were reports on Morocco (D2), Turkey (D3), Tunisia (D4), and Egypt (D5) (see Table 2, section2). These reports are publicly available on the project Web site (<http://eumed-agpol.iamm.fr>). All the reports are quite comprehensive with emphasis on the products important for the country and for its trade with the EU.

The other country on which we report is Israel, and that report is due during the next reporting year. There has been some delay finalizing the sub-contract with our Israeli partner, so that report could be delayed a bit.

The Turkey partner (METU) encountered a small problem because it could not start work until the project funds arrived. However, the delay was short, and the project there is now back on schedule.

The only other problems encountered were data problems. All the data we wanted were not available or sometimes were of poor quality. This problem exists for most any project of this sort, and the teams in each country have done good work getting the best possible data and doing solid analysis with that data.

Work package 2

Work package 2 is the characterization of the agricultural production sub-sectors in major European regions for production of fruits, vegetables, and olive oil. It is led by ENSA/INRA Montpellier with participation of IAMM and CSIC. We have divided this work package into fruits and vegetables as one piece and olive oil as the second. ENSA has taken the lead on fruits and vegetables and CSIC on olive oil.

The fruits and vegetables deliverable (D8/D9) was completed in March 2005 and is available on the project Web site. This component developed an innovative approach of calculating vulnerability indices for different production regions of Europe. These vulnerability indices will be quite useful ultimately in estimating the impacts on the EU of trade liberalization with Mediterranean countries.

The olive oil report will be delivered in the second reporting year as planned. It is a very comprehensive analysis of world olive oil markets with considerable detail on EU production, consumption, and trade. This report will provide a sound basis for the analysis to follow.

The only problems encountered in this work package are the typical data problems mentioned above.

Work package 3

Work package 3 is to describe and quantify the EU protection systems for fruits, vegetables, and olive oil as well as Mediterranean systems for cereals, meats, and milk products. No deliverables were due during this reporting period, but considerable progress was made in the work. The major tasks being undertaken are as follows:

- *Description and quantification of the European protection of fruits, vegetables and olive oil* - To undertake this analysis, we use the TARIC data base. From this database, the objective is to calculate ad valorem equivalent of the EU protection applied to Mediterranean countries.
- *Description and quantification of the Mediterranean protection* - The main activity in this part was the gathering of the different data available to measure tariffs applied by Mediterranean countries.
- *Computation of PSE and AMS for the olive oil sector* - The tasks undertaken to present are the gathering of bibliography and data in order to compute the PSE and AMS indicators of EU domestic support.

Again, the only problems encountered have been typical data problems.

Work Package 6

Work package 6 is to develop estimates of possible changes in European and Mediterranean production, imports, and exports of agricultural commodities using quantitative tools. This task is being led by IAP (Univ. of Bonn) with support from IAMM, INRA Nantes, METU, IAV, IO, and UC. Work was planned to start on this

package in year two, but we decided that model changes needed to be done in year one to permit the simulations to be done in a timely manner in year two.

The main result of first year activities is the revised data base and structure of the CAPRI market module as well as the inclusion of MFN and bi-lateral tariffs between EU and the Mediterranean countries. In addition, the model code and data base were revised in order to include the new products and, to break down the former Mediterranean country aggregates to Turkey, Algeria, Morocco, Tunisia, Egypt and Israel.

No significant problems were encountered in this work.

Work package 9

Work package 9 is the diffusion of results of the research as widely as possible and throughout the duration of the project. The first deliverable of this project was the launch of the project Web site, which was accomplished in July 2004. This site contains all the project publications and data sets as well as links to other useful information related to the project.

The other deliverable for WP9 during year one was the plan for disseminating knowledge, which was completed in October 2004. It is also on the Web site.

Another part of our diffusion of results strategy is to involve officials from the European Commission and Mediterranean governments in project decisions such as the liberalization scenarios that will be defined in year 2. A preliminary discussion on the involvement of EU officials was held at joint meeting with the MEDFROL project in Brussels in November 2004. Other contracts included intensive discussions with French and Moroccan government officials. Less intensive discussions were held with FAO and, by our METU partner, with Turkish officials. We feel it is quite important to involve agricultural policy officials in the research so that it will have maximum value to the policy community.

There were no significant problems encountered in this work.

PERIODIC ACTIVITY REPORT

1st period from 1st March 2004 to 28 February 2005

Section 2 :

Workpackage Progress of the Period

Section 2: Work Package Progress of the Period

This report covers the first year of project operation, which was 1 March 2004 through 28 February 2005. During that period we had planned on having activities in work packages 1, 2, and 3 plus 9 (dissemination of results). In fact, we have progressed in all of these work packages plus WP6, which was planned to start in year two. Table 2 provides an overview of the work packages and progress during this reporting period. Details on the activities, achievements, and problems encountered are covered in the sections below on each work package.

Table 2 – Work Package Progress During Year One

| Work Package | Leader | Participants | Deliverables and Due Date | Date Delivered |
|--|---------------------------|---|--|--|
| 1. Characterize the agricultural and agro-industry sectors in Mediterranean countries | CIHEAM/ IAMM | ENSA/ INRA, METU, IAV, IO, UC | D2 Characterization of the Moroccan Agricultural Sector with Special Emphasis on Fruits, Vegetables, and Processed Foods (9/04) D3 Characterization of the Turkish Agricultural Sector with Special Emphasis on Fruits, Vegetables, Olive Oil, and Processed Foods (9/04) D4 Characterization of the Tunisian Agricultural Sector with Special Emphasis on Olive Oil (11/04) D5 Characterization of the Egyptian Agricultural Sector with Special Emphasis on Fruits and Vegetables (1/05) D6 in progress | 11/04 10/04 12/04 1/05 expected soon |
| 2. Characterize the agricultural sectors in major European regions for production of fruits, vegetables, and olive oil | ENSA/ INRA Montpellier | CIHEAM/ IAMM, CSIC | D8/D9 Characterization of European Fruit and Vegetable Production and Markets (2/05) D10 in progress D11 in progress D12 in progress | 3/05 |
| 3. Describe and quantify the EU protection systems for fruits, vegetables, and olive oil | INRA Nantes | CIHEAM/ IAMM | D13 in progress D14 in progress | |
| 6. Quantify possible changes in European and Mediterranean production, imports, and exports of important commodities | IAP, University of Bonn | CIHEAM/ IAMM, INRA Nantes, METU, IAV, IO , UC | D24 in progress | |
| 9. Diffuse results | CIHEAM/ IAMM | All partners | D1 Project Web Site (6/04) | 7/04 |

Work Package 1

The first work package of our project is to characterize the agricultural and agro-industrial sectors in the Mediterranean countries, particularly as relevant to fruits, vegetables, and olive oil. The major elements and indicators included in the data base are as follows :

- general indicators for the 5 Mediterranean countries : population and agricultural labor force, land use, macroeconomic indicators, index of food production, food supply, agriculture trade balance,....
- data on production, prices and yields,
- agricultural trade (top 20 exports, top 20 imports).
- trade matrix among the 25 EU and 13 Mediterranean countries for fresh fruits and vegetables (processed and fresh) and olive oil. The matrix also include the products likely to be exported from the EU to the Mediterranean countries such as meat, cereals, and milk products.
- trade volumes of food and agricultural products (World, EU, Mediterranean countries),
- trade flows of fruits and vegetables (by country, by product, by destination and by origin) for the EU and Mediterranean countries.

The work on this database is still in progress.

Since two projects were funded in this area, a decision was made early on that the data acquisition would be divided between the MEDFROL project and our project. Some of this data is available from MEDFROL (<http://medfrol.maich.gr>) and some from EUMED-AGPOL (<http://eumed-agpol.iamm.fr>). In both cases, the Web sites are updated as new information becomes available.

Part of the agricultural situations reports also cover the agro-industrial sector. Most of the reports also cover agricultural and agro-industrial policies as well as trade policies.

As indicated in Table 2, reports have been completed on Morocco, Turkey, Tunisia, and Egypt. The activities undertaken in connection with each of these reports are described below.

Morocco

The Morocco work was led by IAV-Hassan II, and produced the deliverable D2, "Characterization of the Moroccan Agricultural Sector with Special Emphasis on Fruits, Vegetables, and Processed Foods." The major themes included in this analysis are as follows:

- The determinants of agricultural and agro-industrial production
- Evolution of performance of the agricultural sector
- Major tendencies in agricultural policies
- Structural policies and investment incentives
- Marketing and price policies
- Policies related to socioeconomic infrastructure and rural development
- Environmental and natural resource management policies
- International trade policies

- Case study of the tomato sub-sector

The approaches taken include both descriptive work on sector tendencies and performance as well as a more analytical approach to domestic and border policies. The tomato case study uses the traditional *filière* approach.

A final version of this report will be provided for May.

Turkey

The deliverable D3 of WP 1 was completed with Middle East Technical University (METU) as the component leader. This deliverable consists of the report on “The Characterization of the Agricultural and Agro-Industrial Sectors in Turkey”. The report followed the detailed outline developed for this deliverable to identify the major constraining factors, issues and accomplishments of the sectors under review as the availability of data permits.

All facets of the characterization are taken into account for the description of the sectors using simple tables and graphs as analytical. The study started with the availability of the natural resources and infrastructural endowments of Turkey, together with an overview of the farm to agro-industrial linkages. The performance of the agricultural sector was measured using price, production, yield and trade variables. The analysis of the evolution of the agro-industrial sector enabled us to differentiate the fruit and vegetable sectors. In addition, analysis of size, food retail system, and trade destination analysis enhanced the characterization of the sectors.

Problems encountered and corrective actions taken

There were two problem areas for the Turkey work – 1) delayed arrival of research funds, and 2) the availability of data for more in depth analysis. METU does not have the possibility of pre-financing research activities. For this reason, delayed arrival of the research funds caused a delayed start of the project, and increased the intensity of the work near the delivery date. The team was able to start using the funds available for the project toward the end of the second quarter. This problem is not expected to occur in future periods of the project.

The data problem was more intense for the agro-industrial sectors, especially in marketing. Marketing information was difficult to obtain, and it was necessary to rely in part on literature. Because comprehensive data were not available, cases and snapshots were necessary to piece together a holistic story.

Tunisia

For Tunisia, WP1 focused on the olive oil sector. The work was led by the Institut de l'Olivier in Tunisia with assistance from CSIC in Spain. It produced deliverable D3, “Characterization of the Tunisian Agricultural Sector with Special Emphasis on Olive Oil.” The characterization of agricultural and agro-industrial sectors of olive oil in Tunisia contains four major themes:

- The first theme related to the major determinants of agricultural and agro-industrial production in Tunisia. We started with a detailed description of natural resources endowments and a characterisation of agro-ecologic zones. Then,

we presented the farm structure (distribution of farm sizes and farm diversification), the structure and spatial distribution of the agro-industrial production units, the reorganization of the professionals in agriculture and agro-industry and infrastructure (roads, ports, airports, communication and electrification). Finally, we analysed the marketing systems and farm marketing, storage, processing and distribution for the main agricultural and agro-industrial products.

For the olive oil sector, we have determined the place of olive-tree-to-oil in the cultivation system, the geographic distribution of the plantations, the guiding mode, the structure and diversity of olive-growing farms and the know-how of olive-growers (the technical and economic management of farms). We have also presented a detailed description of the industrial olive-growing system. Finally, we have described the system of collection, storage and olive-oil marketing.

- The second theme concerned the performance of the agricultural and agro-industrial sectors during 1990-2002. We analysed the evolution of production, yields and prices of the main strategic agricultural products. We also examined the evolution of agro-industrial sector performance (production value, added value, employment and commercial balance).

For the olive oil sector, we have analysed marketing systems, yields, prices, and production costs. We have exports by destination and by operator and the Tunisia share in the European market for the different qualities. Other data was assembled as needed to complete the sector description and analysis.

- The third theme has treated agricultural and the agro-industrial policies. After a brief historical recall of the principal development policies of agricultural and agro industrial sectors, we analysed structural policies and investment incentives prices and markets (exchange rate policies, price stabilization policy), credit policy, rural development and natural resources. We also analysed government development policy for olive oil.
- The fourth theme was international trade policy. We examined the content of the Tunisian engagements with the World Trade Organization (WTO), and agreements which created free trade zones, particularly the agreement of the association with the European Union signed in 1995. This theme deals mainly with European olive oil imports originating from Tunisia.

Data for the analysis was obtained from a wide variety of national and international sources. The international institutions are the Food and Agricultural Organization (FAO) plus EUROSTAT and TARIC.

No significant problems were encountered in the work to date.

Egypt

The Egyptian activity was led by the University of Cairo and produced deliverable D5, "Characterization of the Egyptian Agricultural Sector with Special Emphasis on Fruits and Vegetables." Elements of the study include: natural endowment; farm structure; employment, rural infrastructure, transport and marketing systems, key characteristics of the food processing, distribution, and retailing systems, and trends in production,

consumption, yields, and price levels. Beyond these basic elements, the study has created useful indicators illustrating the relative importance of fruits, vegetables, and olive oil in the national economy. Trends of these indicators were explained. The entire agro-industrial sector also was covered. Agricultural and agro-industrial policies were reviewed with emphasis on fruits, vegetables and olive oil. The impact of international and regional trade arrangements including WTO, EU-Egypt Partnership Agreement and Arab-Free Trade Area (AFTA) were analysed.

The approach used relies on conventional sectoral analysis methods and case studies, using product marketing system approaches focusing on domestic and international factors affecting sector performance as a whole and marketing performance in particular. In this context the activities carried out during year one of the project include:

- Reviewing the previous studies that have dealt with the above topic.
- Collection of secondary data and information relevant to agricultural and agro-industry sectors with emphasis on fruits, vegetables and olive oil. Results were verified by contacts with trade officials, exporters and experts.
- Entering the data sets in the computer, organizing and tabulating the data, and conducting relevant computations and analysis.
- Writing up the report.

The main results of the study include the following:

- Egypt has a comparative and competitive advantage in several fruit and vegetable crops either fresh or processed. Among these crops are oranges, potatoes, grapes, green beans, strawberries, and frozen vegetables.
- The EU is the biggest market for Egypt's horticultural exports, whereas Gulf Countries occupy second place. The two markets together absorb more than 80 percent of Egypt's horticultural exports.
- Horticultural sector export performance is adversely affected by certain domestic factors and international factors. Domestic factors include lack of marketing facilities, domestic market-oriented production, and inappropriate policies. At the international level, factors include the misuse of technical and sanitary and phytosanitary trade barriers plus other protectionist policies applied in some markets, especially the EU.

Problems encountered and corrective action taken

In carrying out the study, the project team faced numerous data problems. The most critical problem has been the scarcity, inconsistency and contradiction of secondary data. CAMPAS, the official bureau of statistics, provides data for Egypt's exports of processed fruits and vegetables that are thought to be underestimating export values. The reasons reported are:

- CAMPAS does not include data on exports from the free-trade zones.
- Egyptian export values as reported by Egyptian customs are based on ex-factory or FOB prices, whereas export values as reported by private resources, such as exporters, associations and companies, are based on CIF or final selling prices.
- Companies under-report value of exports to Egyptian customs for tax purposes.

- Egyptian customs miscodes some exports, for example, uses harmonized codes for fresh products rather than processed. Data sets regarding fresh fruits and vegetables data were found to be in better shape compared to data on processed fruits and vegetables.

To counter these problems, data on exports of processed fruits and vegetables were verified through other sources, such as the Central Bank, Food Commodity Council (FCC), and USAID-funded projects (ALEB). Another aspect of information suffering from the data scarcity problem is the gross domestic product (GDP) of the agro-industry sector broken down by sub-sectors. This problem is, of course, beyond the scope of the current project.

Work Package 2

Work package 2 does essentially the same analysis for major European regions for fruits, vegetables, and olive oil, as work package 1 did for the Mediterranean countries. Here again, we rely mainly on data sources from public and international organizations, producer associations, and private sources. The olive oil portion of the analysis is led by the Spanish Council for Scientific Research in Madrid (CSIC), and the fruits and vegetables component is led by INRA-Montpellier. By making the early assessments widely available, we hope to obtain as much public input as possible and to stimulate others to use the information and data collected.

In WP2, we use the global supply chain approach for selected chains in order to take into account not only the global aggregates, but also the role and dynamics of institutions and economic agents involved in the whole food chain (producers, manufacturers, distributors, exporters/importers, consumers). We collected data on major food industries such as value added in the sector, number of enterprises, number of employees, profitability, foreign capital, etc., to develop a good understanding of the sub-sector. Changing networks of food supply is a prominent issue in the current context of increasing globalization of the food system. In this sense, it is helpful to investigate new horticultural and olive oil marketing networks linking MED producers with EU consumers. In other words, the supply chains will no doubt involve interactions on both sides of the Mediterranean. For the fruit and vegetable work, we use an innovative approach of defining “vulnerability indices” for particular regions in Europe. The fruit and vegetable and olive oil work in work package 2 is described below.

Fruits and vegetables

The WP2 fruit and vegetable work was led by ENSA/INRA Montpellier with participation by CIHEAM/IAMM. It produced the combined reports D8 and D9, “Characterization of European Fruit and Vegetable Production and Markets.”

The European Union is the largest importer in the world of fruits and vegetables, with the Mediterranean countries as very important trading partners. The EU is also an important producer of fruits and vegetables (110 million tons on average between 2001 and 2003). By taking into account the progressive liberalization of imports between Europe and the Mediterranean Basin, these production regions are at risk of being impacted by the production of fruits and vegetables in Southern Mediterranean countries, which benefit from important competitive advantages (lower labor costs, an enlarged product availability as a result of producing for longer periods). Some issues that were investigated include:

- What products would be impacted with the emerging of this new competition?
- Which regions would be greatly affected by the new competition?

After determining the potential constraints faced by the European regions specializing in the production of fruits and vegetables, we determine their **vulnerability** levels.

The methodology we use is focused on the actors strategy. The starting point uses the French *filière* approach (“commodity chain”), which includes the study of the

competitive dynamics of strategic groups involved in all stages of the commodity chain, i.e. agricultural producers and downward-related enterprises and their linkages with the macro and regional economy. The outcome of this analysis will elaborate on the composite index named **Vulnerability Regional Index (VRI)**. This approach uses *benchmarking* based on the *scoring* method. A set of quantitative and qualitative variables were selected. However the unavailability or low-quality of the information needed puts some limits to our analysis. Therefore, the number of variables has been reduced, and we have completed the method by using a deductive-approach with the support of experts involved in this commodity chain. Data limits at the product level did not allow us to focus our analysis at the product-level so the VRI was established for a range of products (fruits and vegetables).

This research was achieved in several phases:

- We undertook a bibliographical research (studies, reports, industry magazines ...), which was a necessary step to complete our knowledge of the industry with regard to the countries and regions selected to undertake this research.
- After defining the research problem, our project was presented to industry professionals and experts in the Languedoc Region. A conference-debate was organized during the general assembly of the FRCA (*Fédération Régionale des Coopératives Agricoles*), June 25, 2004 in Montpellier.
- This work was completed by surveying producers and specialists in the fruits and vegetables in order to identify the precise vulnerability variables related to globalization.
- The members of the European Commission fruits and vegetables service (DG Agriculture) expressed their views concerning our approach establishing the VRI, in a meeting held on November 25, 2004. These meetings helped us to improve our analysis, to focus our investigations, and further identify the information sources.
- Some contacts were established with the team leading the MEDFROL project in order to jointly co-ordinate the research tasks in a later phase.
- Additionally, we met several specialists of the Italian fruits and vegetable co-operatives in a seminar held at the University of Bologna in February 2005. Also, many phone interviews were conducted with leading experts of the European industry.
- Simultaneously, our analysis is supported by data collected from several specialized databanks: FAO, EUROSTAT, REGIO, RICA, AMADEUS

The main outcomes of our research will include the final report, a seminar with professionals, and the publication of an article, which we expect to present in an international symposium focused on international North-South trade (RINOS), June 2005 at Montreal.

The only major difficulties encountered in this work were the data problems described above.

Olive oil

The olive oil part of this work package is led by the CSIC team-Madrid, which in consequence is responsible for the EU olive oil report. That report, titled "Characterization of European Olive Oil Production and Markets", is now in an advance stage of elaboration, and it will be submitted in April 2005 according to the reporting calendar. It will be available on the project website once it is completed.

In order to achieve the objectives stated for EU olive oil sector characterization, the CSIC team first elaborated an analytical scheme illustrating concrete variables, factors and aspects to be analyzed, and methodology to be used in the olive oil report. That scheme has been conceived in agreement with INRA-Montpellier team (responsible for fruits and vegetables reports) in order to preserve certain homogeneity and unity in the analysis of the whole work package 2, albeit obviously considering the sectoral and product particularities in each case.

The methodology used relies basically upon conventional sectoral analysis methods and case studies, using product marketing system approaches in order to take into account not only the global aggregates, but also the role and dynamics of institutions and economic agents involved in the whole marketing chain (producers, manufacturers, distributors, exporters/importers, consumers) and stakeholders in general.

The analytical scheme (see document on the project website) is structured in four parts. Product categories concerned are extra virgin olive oil, virgin olive oil, olive oil (blend of refined and virgin olive oil), and olive-pomace oil. Countries explored are Spain, Italy, Greece, Portugal and France, and the period of analysis is 1990-2004.

The first part deals with the position of Europe in world production and trade, namely 1) world production, area and yields (special emphasis on European producers); imports: volumes and values, prices, by principal origins; exports: volumes and values, average prices, by principal destinations; 2) macro-level importance of olive oil in Europe: share of olive oil in total agricultural output, share of area with olives in total UAA, share of employment in the sector in total agricultural employment, percent imports of olive oil/total imports of agricultural products, and percent exports of olive oil/total exports of agricultural products...

The second part refers to the social and institutional environment, particularly evolution of consumption of olive oil and substitute oils:

- Consumer buying behaviour (countries differences);
- Common Market Organization for olive oil (objectives, dispositions, incentives, budget distribution, promotion);
- International agricultural agreements and negotiations underway: impacts and prospects (WTO negotiations and agreements);
- Technical status of the sector (innovations, quality and control, certification bodies...);
- Organisation of the profession (producers and exporters associations, professional organizations, local administration...);

- National and regional support and investment policies in the sector;
- Importance and quality of the transport and communication infrastructures;
- Fiscal systems, tax systems...;
- Wage policy (wage agreements, social charges, qualification of the labour force, training)...

The third part explores olive and olive oil production systems and their comparative performance:

- Production systems: natural endowment (soil and climatic conditions), investment in irrigation, production techniques, plant protection, emergent production systems at farm level (organic products, integrated production, precision production);
- Production systems at industrial level (first and second transformation stages);
- Economic organization and structure: farms: number, structure, size in ha, economic size, specialization/diversification, status, permanent/ seasonal labour force, type of the labour force (familiar/ hired labour, foreign/ local...), average age of the manager, qualification level...;
- Organization of the mills (first industrial transformation); concentration of supply, number of producer organizations (cooperatives...) per country, principal operators (dominating strategies), financial structure and sources (national/ international, public/ private, public incentives);
- Organization of the second industrial transformation: structure of the industry of olive oil refining and packing; governance of enterprises (capital composition and ownership: public, private, familial, presence on the stock exchange);
- Industrial model (in each country) : production technologies, localization of the places of production (concentration);
- Outlets: modern retail outlets, restaurants, hotels..., What prospects for the future?

The fourth part focuses on marketing structures and business strategies:

- Diversity of operators and marketing channels: identification of principal operators (n^o, market share) in each stage of the supply chain: olive producers, first processing stage (milling industry), second processing stage (refining and packers), wholesalers, retailers (large distribution formats, traditional commerce, hard discount), importers, exporters, HRC ;
- Marketing channels; pricing, marketing margins, price transmission and transparency;
- Predominant strategies: strategies used by the companies in accordance with their status (familial, cooperatives, multinational...), their size and their activities (specialization/ diversification); measures of structural change (introduction in foreign markets, internal growth ...);
- Product valorisation and supply strategies: certification and quality measures (PDO, IGP, organic products...), brand policy (producer vs distributor brands), supply segmentation, product innovation; factors that determine purchases; vertical arrangements within the supply chain (contracts, alliances, partnerships,...; contract specifications, certification and quality norms, partner choice, task outsourcing...), concentration at the purchase stages (purchasing centrals, platforms...), profiles of the suppliers (producers, co-operatives, oil mills, direct imports);

- Geography of purchase/strategic alliances with partners from the southern Mediterranean countries: identify the differential competitive advantages; identify the diversity of supply chains linking southern producers with northern (European) consumers/ importers; logistics, current and potential use of new technologies, especially ICT; marketing strategy (brands, prices, advertising, product segmentation, completion of product lines...);
- Target markets: in domestic markets, in the EU and beyond (special emphasis on non-traditional markets), importance of technical and non-technical barriers...;
- Quality and certification activities: compromise between national and international, private and public regulations?

This investigation is being accomplished basically with data collected from secondary sources, distinguishing between three categories of sources: 1) public, official (national and international) sources: IOOC, FAO, Eurostat, WTO, official national sources...; 2) private (professional associations, private consulting): Euromonitor, Alimarket, Asoliva, Anierac, Datamonitor, ACNielsen..., and 3) published literature and data bases.

Once this phase is completed (April 2005), all results will be verified and validated by consultations with experts in the sector from all the major producing regions in Europe. Moreover, the report will be reviewed in order to eventually integrate further useful information derived from olive oil report (mainly for Greece) submitted by MEDFROL project (see the plan for collaboration between MEDFROL and EU-MED AGPOL projects).

Work package 3

Work package 3 concerns an analysis of the protection now in place in the EU for fruits, vegetables, and olive oil as well as agricultural commodity protection of EU exports to Mediterranean countries. WP3 is being led by INRA Nantes with assistance from CIHEAM/IAMM. The deliverables for WP3 (D13 and D14) are due in May 2005.

Trade liberalization agreements between the EU and Mediterranean countries could result in major changes in European protection of fruits, vegetables, and olive oil. Protection of fruits and vegetables in Europe is unusually complex. In order to analyse the impacts of changes in EU policies for these commodities, we must have a comprehensive picture of the protection now in force between the EU and Mediterranean partners. The EU has a number of preferential agreements with Mediterranean countries, but the agreements may vary by commodity and country. To undertake this analysis, we made use of the TARIC (Directorate General for Taxation-EU) data base. This is a relational data base containing the tariff and non-tariff barriers and the measures and rules for their application. This data base serves as the reference point for European Union member states and is updated constantly as needed. The nomenclature used for tariffication is much more complex than that used for analysing trade flows. The additional specificity sometimes is related to quality, but may be linked to other characteristics as well such as seasonality or entry price. These elements are of great importance in understanding EU protection, especially for fruits and vegetables. These considerations lead us to examine the rules actually applied (TARIC), and the conditions of effective use of the rules by importers. This analysis is being done by treating information on Single Administrative Declarations (SAD) from the customs office (Domain Comext – Taric (Eurostat)). In addition to quantifying the effective tariffs in place, we will also summarize important regulations that translate to non-tariff barriers.

In addition to handling the important fruits, vegetables, and olive oil from Mediterranean countries, we will also conduct the same analysis for commodities likely to be important Mediterranean imports from the EU. That is, we will quantify the current protection levels for EU exports of cereals, meats, milk, etc. to the Mediterranean countries. We will also collect information on Producer Support Equivalent (PSE) and Aggregate Measure of Support (AMS) indicators of domestic support provided by the EU for commodity production.

The major tasks to accomplish these objectives are as follows:

- *Description and quantification of the European protection of fruits, vegetables and olive oil* - To undertake this analysis, we use the TARIC data base (*Integrated Tariff of the European Community* -Directorate General for Taxation-EU) which contains the tariff and non-tariff measures and the rules for their application. From this database, the objective is to calculate ad valorem equivalent of the EU protection applied to Mediterranean countries, by taking into account seasonal variations, the level of entry price, and the level of the tariffs quotas.

The main part of the work during this period was to understand the complexity of the trade measures regulating the access to the European Market and EU

preferential tariffs for Mediterranean countries. This was done in relation with the DG Fiscality and DG Agriculture. A first computation of the ad valorem Equivalent for the sector of fruits and vegetables has been done for the years 2001 to 2003.

Concerning the non tariff barriers, the task undertaken was a survey of the economic literature about NTBs (meaning, measure of these NTBs and impacts on trade) and a first gathering of the different measures applied at the entrance of the European market.

- *Description and quantification of the Mediterranean protection* - The main activity in this part was the gathering of the different data available to measure tariffs applied by Mediterranean countries. Two sources have been used; 1) the database IDB (Integrated Data Base of the WTO); and 2) Mac Maps from CEPII. The ad valorem equivalents have been introduced in the CAPRI models.
- *Computation of PSE and AMS for the olive oil sector* - The tasks undertaken to present are essentially the gathering of bibliography and data in order to compute the Producer Support Equivalent (PSE) and the Aggregate Measure of Support (AMS) indicators of domestic support provided by the EU for olive oil.

The protection for fruits and vegetable sector is very complex and implies different methodological choices:

- First, in order to have a comprehensive picture of this complexity, one needs to work at a very disaggregated level of the nomenclature. In fact, trade measures regulating the access to the European markets are defined at the 10-digit level of the combined nomenclature. This is particularly important for this sector, because entry prices with seasonal variations and different specifications of the product qualities are defined at this level.
- Access to the EU markets differs for each Mediterranean country, and the duties (ad valorem and specific duties) applied to the products differ from the origin of the product. So it is necessary to take into account all the bilateral agreements signed by the EU with its Mediterranean partners. However, these agreements don't cover all the products. In that case, the tariff applied is the MFN tariff, which must be also computed.

Problems encountered and corrective action taken

Once this very detailed picture of the EU protection computed, it will be necessary to have a more aggregated measure (at the 8 digits level). of the protection applied by the EU to its trading partners, in order to compare the levels and to analyse the impact on trade. These aggregations can be complicated.

For the computation of PSE for olive oil, the only problem we have faced is to obtain a "world price" of olive oil. We gather prices for different sources but these are rather "distorted" (prices in the EU are not representative of the world price because of the existence of support) or too "general" (not disaggregated by quality). The solution is to work not with prices but with unit values. The Comext database provides the values

and quantities of the EU imports of olive oil disaggregated by “quality”. Using these data could be a solution.

Work package 6

Although it was not originally planned to undertake work on WP6 in the first year, we decided that initial modelling work needed to be done this year so that the actual simulations could be completed on schedule. WP6 is being led by the University of Bonn, with participation from most of the other partners. The first deliverable for WP6 is due in June 2006.

The team at UBONN is responsible for the modification and application of the CAPRI modelling system, in order to analyse the effect of possible bi-lateral trade agreements between the EU and the Mediterranean countries for major agricultural products, not just fruits and vegetables. During the first reporting period, the main thrust was the modification of the CAPRI market module in order to integrate products relevant for Mediterranean Countries and the expand the country coverage to single Mediterranean Countries.

Data on market balance positions and bi-lateral trade flows are based on data from FAOSTAT, so that the concept of the Supply and Utilization accounts is underlying the CAPRI market model data base as well. Consequently, all processed products are aggregated into primary product equivalent using conversion factors. Accordingly, tariffs should reflect these product trees as well. Data availability at EU and FAO level combined with technical restrictions render it possible to expand the system to single vegetables or fruits, or even capture some seasonality aspects. Given the product list where trade and market data are available on a global scale, potatoes, tomatoes, other vegetables, citrus fruits (as an aggregate), an aggregate of apples, pears & peaches, other fruits, olive oil, table grapes and wine can be included in the CAPRI modelling system on top of the existing product list in the trade component.

Long-term trends are based on the @2030 report of FAO. The parameter set for the Mediterranean countries is based on elasticities of the WFM, and assumptions. The original idea was to introduce endogenous bi-lateral trade flows between the EU and single Mediterranean countries in the CAPRI market module, resulting in a framework of 36.000 equations and variables. Test revealed stability problems due to a lot of rather small trade flows plus an unacceptable high solution time. It was therefore decided to group the Mediterranean countries into a trade block

The main result of first year activities is the revised data base and structure of the CAPRI market module as well as the inclusion of MFN and bi-lateral tariffs between EU and the Mediterranean countries. In addition, the model code and data base were revised in order to include the new products and, to break down the former Mediterranean country aggregates to Turkey, Algeria, Morocco, Tunisia, Egypt and Israel. Elasticities for these countries and products were sampled, and integrated in the modelling system, and the parameters of the flexible functional forms were calibrated to the prices and quantities to meet microeconomic definitions. A first set of external projections was sampled to construct the intermediate reference run.

There were no significant problems encountered in this work.

Work package 9

The objective of work package 9 is to diffuse the results of the project as widely as possible. There were two deliverables for WP9 during this reporting period:

- D1 – Project Web site – launched in July 2004 with continuous updating as new data bases and reports become available.
- D02 – Plan for using and disseminating knowledge – completed in October 2004.

The project Web site (<http://eumed-agpol.iamm.fr>) contains all the project reports and other project documents. In addition, it contains other publications from project partners and links to other publications related to the project topic.

Another part of our diffusion of results strategy is to involve officials from the European Commission and Mediterranean governments in project decisions such as the liberalization scenarios that will be defined in year 2. A preliminary discussion on the involvement of EU officials was held at joint meeting with the MEDFROL project in Brussels in November 2004. Other contracts included intensive discussions with French and Moroccan government officials. Less intensive discussions were held with FAO and, by our METU partner, with Turkish officials. We feel it is quite important to involve agricultural policy officials in the research so that it will have maximum value to the policy community.

There were no significant problems encountered in this work.

PERIODIC ACTIVITY REPORT

1st period from 1st March 2004 to 28 February 2005

Section 3 : *Consortium Management*

Section 3 – Consortium management

1. Consortium management tasks and their achievement

CIHEAM –IAMM is in charge of the Consortium management task. This includes several activities besides technical coordination.

General coordination and administrative issues:

The project started on March 1, 2004. CIHEAM-IAMM organised the launching seminar with the participation of all the partners, and the steering committee on 18 March 2004, in Montpellier. The contract was signed in April and the first payment of the Commission was received in June 2004. Some partners had some reluctance to start work before funds were received. However it has been a good decision to have the kick off meeting at the very beginning of the project, because it gave the coordinators the opportunity to start up the work in good conditions and to be quite in time for the first deliverables.

It was anticipated some difficulties in the administrative and financial follow-up because several partners had no previous experience in EU project, and because for the partners from Mediterranean countries outside EU, national regulations and administrative rules may cause some interferences with the FP6 rules applying to the project.

Thus, a strong effort has been made by IAMM in information and assistance to the partners, especially on administrative issues. However in the process of collecting the annual individuals reports for the activity and management report, we realized that some points regarding eligibility of costs had still to be clarified. After this first year experience, we can consider that the partners have better understanding of management rules and that it will make things easier for the following years. Anyhow we plan to maintain a close relation with them on administrative questions.

In order to have a better control of the use of funding for the first year, and to make sure that the first deliverables will be completed in time, a decision had been taken on the distribution of funds, leading to a first allocation of funds to partners covering needs for the first months of the project, and a second one after deliverable approved.. This has been discussed among all the partners, and collectively approved.

CIHEAM-IAMM and Partner 6 METU are now organizing the next annual meeting of the project which will be held on 9-10-11-12 May in Istanbul.

Specific coordination among partners :

An important tool of communication among partners is the project Web site (<http://eumed-agpol.iamm.fr>) . It contains a private access, that provides information regarding deliverables, meetings reports , as well as administrative and financial issues.

Joining scientific coordination and administrative issues, we had an intermediate meeting in Montpellier on the 20 November 2004 with Partner 6 (METU Ankara) and partner 7 (IAV Hassan II – Rabat). We discussed the information required to finalize progress reports, and other administrative issues, particularly problems encountered by METU to finalize the sub-contract with Israel.

At this stage, this subcontracting METU-Israel was delayed due to difficulties finding the appropriate researchers in Israel. After that phase, the most important factor in delaying the subcontract has been the lack of experience in writing the necessary subcontract, and limited information in the Financial Guidelines on the conditions of subcontracting. The contract has been prepared yet, and is expected to be finalized this month.

We had frequent intermediate meetings with the Partners 2 (ENSAM) and Partner 3 (INRA Nantes), on scientific and administrative issues. Partner 3, after a first survey on the characteristics of EU protection, realized that additional work would be needed to conduct an analysis of non tariff barriers, a very important issue to our subject. Thus, with the agreement of the EU scientific officer we added 4 months of research to the initial person-months allocated to this WP.

Advisory group and coordination of MEDFROL:

MEDFROL project (contract n° 502459) is a joint project dealing with issues in relation with ours. Even if the two projects differ, especially on the methodological side, they have several features in common. Those common parts concerned mainly the first work packages (WP1 and WP2) .

Setting up a collaboration framework with MEFROL implied several coordination activities.

CIHEAM-IAMM, with partner 6 (METU), attended the MEDFROL initiation meeting 4-6 July 2004 – Chania; several phone calls were made with the coordinator of MEDFROL WP1

CIHEAM – IAMM organized a **joint advisory group** on the 16 of November 2004 in Brussels. The aim of this advisory group was to discuss the advancement of the project with the EU Commission Officials and to insure a better coordination between the two projects. Several decisions have been made in this meeting that have an implication for different Work Packages, and CIHEAM-IAMM is involved in coordinating the implications of these decisions.

2. Project timetable and status

Table 3 provides an overview of the work packages and progress during this reporting period

However the implementation of the project was delayed the project has achieved the objectives originally planned plus some additional activities. During the first period we had planned on having activities in work packages 1, 2, and 3 plus 9 (dissemination of results). In fact, we had progress in all of these work packages plus WP6, which was planned to start in year two. Most of deliverables are completed except D6 (forecast delivery date : May 2005).

Table 3 - Workpackages – Plan and Status Barchart

| Acronym : EUMED AGPOL Contract n° : SSPE-CT-2004-502457 | 12 month 1st periode | | | | | | | | | | | | 24month 2nd periode | | | | | | | | | | | | 36 month 3rd periode | | | | | | | | | | | |
|--|----------------------|--------|--------|---------|---------|--------|---------|--------|--------|--------|---------|----------|---------------------|--------|--------|---------|---------|--------|---------|--------|--------|--------|---------|---------|----------------------|--------|--------|---------|---------|--------|---------|--------|--------|--------|---------|----------|
| | 1st year | | | | | | | | | | | | 2nd year | | | | | | | | | | | | 3rd year | | | | | | | | | | | |
| | Month | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 | 21 | 22 | 23 | 24 | 25 | 26 | 27 | 28 | 29 | 30 | 31 | 32 | 33 | 34 | 35 |
| Date | mars-04 | Apr-04 | May-04 | juin-04 | juil-04 | Aug-04 | sept-04 | oct-04 | nov-04 | Dec-04 | Janu-05 | Febru-05 | mars-05 | Apr-05 | May-05 | juin-05 | juil-05 | Aug-05 | sept-05 | oct-05 | nov-05 | Dec-05 | Janu-06 | Febr-06 | Marc-06 | Apr-06 | May-06 | June-06 | Jull-06 | Aug-06 | sept-06 | oct-06 | nov-06 | Dec-06 | Janu-07 | Febru-07 |
| WP1: characterize the agricultural and agro-industry sectors in Mediterranean countries | █ | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| WP2 : Characterize the agricultural sectors in major European regions for production of fruits, vegetables, and olive oil | | | | █ | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| WP3 : Describe and quantify the EU protection systems for fruits, vegetables, and olive oil | █ | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| WP4 : Develop specific liberalization scenarios | | | | | | | | | | | | | █ | | | | | | | | | | | | | | | | | | | | | | | |
| WP5 : Estimate the production and export potential for each Mediterranean country | | | | | | | | | | | | | | | | | | | █ | | | | | | | | | | | | | | | | | |
| WP6 : Quantify possible changes in European and Mediterranean production, imports, and exports of important commodities | | | | | | | | | | | | | | | | | | | █ | | | | | | | | | | | | | | | | | |
| WP7: Interaction with world markets and international negotiations | | | | | | | | | | | | | | | | | | | █ | | | | | | | | | | | | | | | | | |
| WP8 : estimate the changes in European production, incomes, ag budgets, social changes, and other impacts | | | | | | | | | | | | | | | | | | | | | | | | | █ | | | | | | | | | | | |
| WP9 : Diffuse results | | | | █ | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

PERIODIC ACTIVITY REPORT

1st period from 1st March 2004 to 28 February 2005

Plan for Using and Disseminating the Knowledge

Annex - Plan for using and disseminating knowledge

Policy research does not have impact unless it reaches those who make or influence policy. It also has greater impact if those players have been involved in advisory roles at all stages of the research. Through our research design, we have made sure that users and professionals in the field are incorporated in the research process. In both EU and Mediterranean countries, we will ensure that policy makers and staff have ample opportunity to participate and to comment on project progress.

We are equally committed to diffusing the results so that a wide audience of researchers, public, and press are informed. To that end, project professional staff will be available for seminar and conference presentations throughout the duration of the project. Also, the following actions will be taken:

- Papers will be submitted to major professional journals on the impact analyses conducted.
- Public education materials will be prepared in the form of popular publications and press information materials.
- A European conference (joint with the MEDFROL project) will be held near the end of the project to communicate the results to both professional and popular audiences.
- A project web site will be maintained throughout the project to make available data, results, and progress reports. Details of the content and structure of the web site are provided below.
- A summary volume will be produced containing the impact estimates plus a summary of the results from the earlier tasks.

Since our project has nine partner institutions plus other researchers on the steering committee, good communication among the project participants is critical for effective functioning of the project. To ensure strong communication, we will use email, phone contacts, meetings, e-meetings and a website. The project is tightly designed so that each partners knows what is required from their contribution, but sharing of preliminary reports and ideas will help improve the quality of all the outputs.

Project Web site

The project web site is central to our dissemination efforts. The web site address is <http://eumed-agpol.iamm.fr>. Links to the web site are currently available on the partners institutions web sites. The image of the home page is captured in Figure 1.

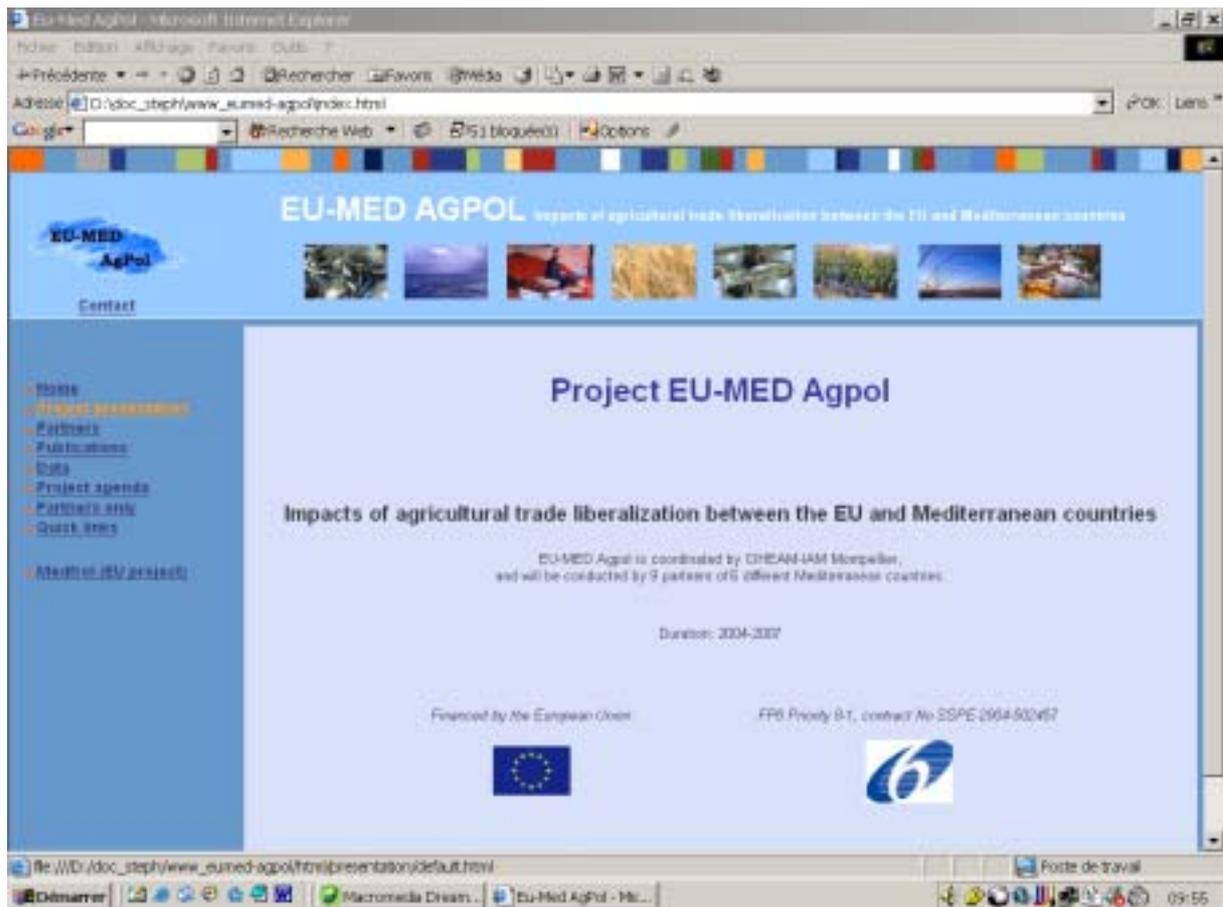


Figure 1

The site is currently divided into the following areas:

- Home
- Project presentation – provides:
 - o a general overview of the project and a description of each of the work packages plus the chart showing how they fit together (Figure 2).
 - o A list of the deliverables for each work package.

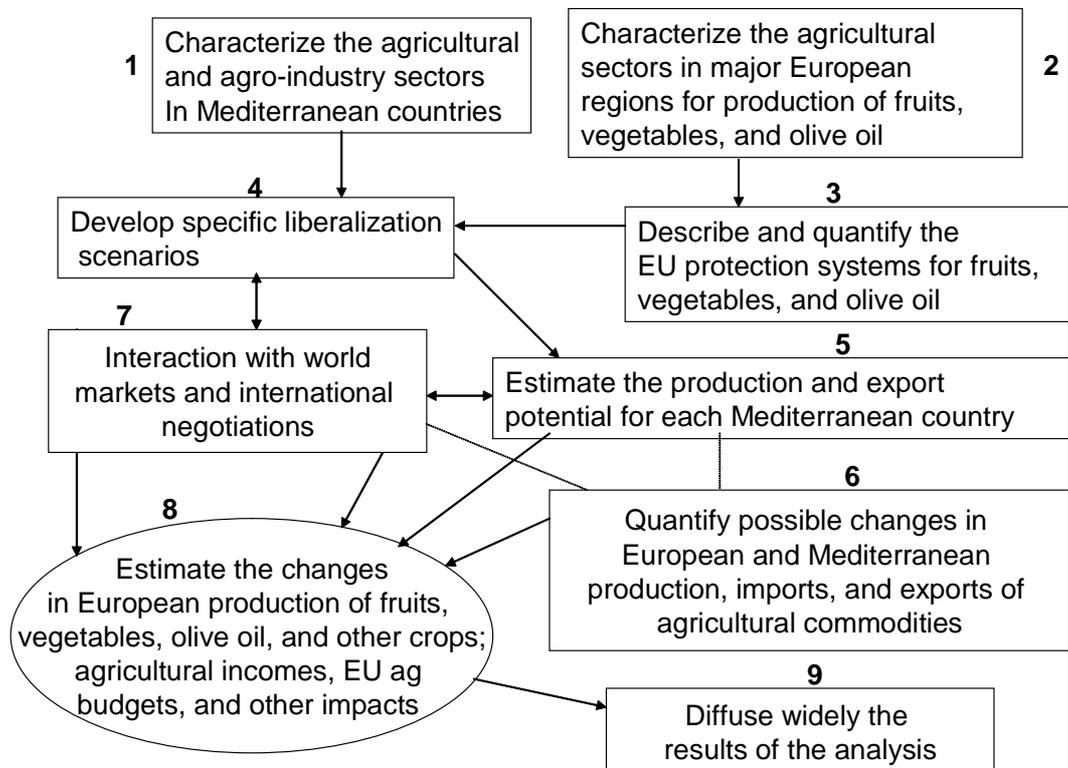


Figure 2

- Partners – provides the name and contact information for each partner plus a link to each partner’s web site
- Publications – provides project reports (deliverables), publications from partners and others references relevant to the project activities
- Data – provides data that is being used in the project analysis and that can be used by others for whatever other needs may exist. It contains
 - o Spreadsheets on agricultural situation of Mediterranean countries, containing general economic indicators and production and yields for agricultural products.
 - o Fruits and vegetables trade matrices give trade between all countries in the world for selected fruits and vegetables. Data users can use the “pivot table” function in Excel to structure the data to suit their needs. The original source of this data is FAO.
 - o Selected tables and graphs particularly relevant for our topic give information about EU -Trade of agricultural commodities and fruits and vegetables, at a detailed level.

We will be adding other data such as information on EU protection systems for fresh and processed fruits and vegetables and olive oil.

- Project agenda – It contains information on meetings and other events that is relevant to the project and project participants
- Partners only – this section of the site contains data, draft reports, methodological papers etc. that can only be accessed by project participants. It is organised by work package and is intended to permit a quicker exchange of information among participants. Access to this area requires a user name and password.
- Quick link – Gives link to each partner's web site and to some useful others web site
- Contact – provides a simple means for interested parties to contact project management.

Obviously, the content of the project web site will evolve over time as analysis is completed and reports are produced.

1. Project deliverables

The project has 27 substantive deliverables plus the management reports required by the contract. The list of deliverables is contained in Table 1. The project began in March 2004, so the projected deliverable date counts from that point.

Table 5 : Project Deliverables

| Deliverable No | Deliverable title | Delivery date | Nature | Dissemination level |
|----------------|---|---|--------|---------------------|
| D01 | Project Presentation | 4 | R | PU |
| D02 | Plan for using and disseminating knowledge | 6 | R | PP |
| D03 | Progress report to the European Commission | 12 | R | PP |
| D04 | Progress report to the European Commission | 24 | R | PP |
| D05 | Progress report to the European Commission and final plan for using and disseminating knowledge | 36 | R | PP |
| D1 | Project Web site | 4 - with frequent updating throughout the project | O | PU |
| D2 | Characterization of the Moroccan Agricultural Sector with Special Emphasis | 7 | R | PU |

*Eu-Med Agpol project, 1st period from 01 March 2004 to 28 February 2005
Activity report*

| | | | | |
|-----|--|----|---|----|
| | on Fruits, Vegetables, and Processed Foods | | | |
| D3 | Characterization of the Turkish Agricultural Sector with Special Emphasis on Fruits, Vegetables, Olive Oil, and Processed Foods | 7 | R | PU |
| D4 | Characterization of the Tunisian Agricultural Sector with Special Emphasis on Olive Oil | 9 | R | PU |
| D5 | Characterization of the Egyptian Agricultural Sector with Special Emphasis on Fruits and Vegetables | 11 | R | PU |
| D6 | Characterization of the Israeli Agricultural Sector with Special Emphasis on Fruits, Vegetables, and Processed Foods | 13 | R | PU |
| D7 | Characterization of Mediterranean Agriculture with Special Emphasis on Fruits, Vegetables, Olive Oil, and Processed Foods | 15 | R | PU |
| D8 | Characterization of European Fruit Production and Markets | 12 | R | PU |
| D9 | Characterization of European Vegetable Production and Markets | 12 | R | PU |
| D10 | Characterization of European Olive Oil Production and Markets | 14 | R | PU |
| D11 | Characterization of European Production and Consumption of Processed Fruits and Vegetables | 15 | R | PU |
| D12 | Characterization of European Production and Consumption of Fruits, Vegetables, Olive Oil, and Processed Fruits and Vegetables | 17 | R | PU |
| D13 | Description and Quantification of the EU Protection for Imported Fruits, Vegetables, Olive Oil, and Processed Foods from Mediterranean Countries | 15 | R | PU |
| D14 | Description and Quantification of Mediterranean Country Protection of Imported Agricultural Commodities Important to the EU | 15 | R | PU |

| | | | | |
|-----|--|----|---|----|
| D15 | Alternative Liberalization Scenarios for EU – Mediterranean Country Trade | 18 | R | PU |
| D16 | Moroccan Production and Export Potential for Fruits, Vegetables, and Processed Foods – An Expert Panel Analysis | 19 | R | PU |
| D17 | Turkish Production and Export Potential for Fruits, Vegetables, Olive Oil, and Processed Foods – An Expert Panel Analysis | 20 | R | PU |
| D18 | Tunisian Production and Export Potential for Olive Oil – An Expert Panel Analysis | 21 | R | PU |
| D19 | Egyptian Production and Export Potential for Fruits and Vegetables – An Expert Panel Analysis | 23 | R | PU |
| D20 | Israeli Production and Export Potential for Fruits, Vegetables, and Processed Foods – An Expert Panel Analysis | 25 | R | PU |
| D21 | Mediterranean Production and Export Potential for Fruits, Vegetables, Olive Oil, and Processed Foods | 27 | R | PU |
| D22 | Impacts of Alternative Trade Liberalization Scenarios on Turkish Agriculture with Special Emphasis on Fruits, Vegetables, Olive Oil, and Processed Food Products | 28 | R | PU |
| D23 | Impacts of Alternative Trade Liberalization Scenarios on Moroccan Agriculture with Special Emphasis on Fruits, Vegetables, and Processed Food Products | 29 | R | PU |
| D24 | Quantitative Assessment of EU-Mediterranean Trade Liberalization Using the CAPRI Modeling System | 30 | R | PU |
| D25 | Interaction and Linkages Between EU – Mediterranean Trade and World Markets and Multi-lateral and Bi-lateral Negotiations | 30 | R | PU |
| D26 | Conference on the Impacts of EU – Mediterranean Trade Liberalization | 34 | R | PU |
| D27 | Analysis of EU – Mediterranean Trade Liberalization – How Would the Agricultural Sectors and Economies Be Changed? | 36 | R | PU |

*Eu-Med Agpol project, 1st period from 01 March 2004 to 28 February 2005
Activity report*

Deliverable D01, the project presentation is contained in that section of the project web site. This report constitutes deliverable D02.

The substantive deliverables (D2-D27) will be provided to the EC as reports and placed on the project web site. In addition, the content of the reports, and sometimes the reports themselves, will be published and distributed through other outlets. At its launch meeting in March 2004 the project established publication guidelines, which contain the following three points:

1. Everyone is encouraged to publish in the best possible journals results coming out of the project.
2. All publications must cite the project EUMED-AGPOL.
3. Each principal author is encouraged to include co-authors as appropriate according to their contributions.

Thus the project has a comprehensive plan for using and disseminating knowledge gained over the course of the project.

2. Dissemination of knowledge

Table 6 – Actual and currently planned Publications Overview table (to completed)

| Partner responsible /involved | actual Dates | Type &References | Type of audience |
|-------------------------------|--|--|-----------------------------|
| Partner 1 CIHEAM-IAMM | Jul 04 - with frequent updating throughout the project | Project web-site http://eumed-agpol.iamm.fr | Research/ General public |
| | 11/ 2004 | Contributed paper : Les enjeux de la libéralisation agricole dans la zone méditerranéenne. authors : Emlinger C., Jacquet F., Petit M. ; Acralenos Seminar – Comparative analysis of North-South agricultural free-trade relationships – Montpellier- 19-20 November 2004 – GDRI-EMMA/CIHEAM-IAMM | Research |
| | 4/ 04 | Working paper - Fruit and vegetables global trade – author : Emlinger C, CIHEAM-IAMM | General Public |
| | 4/04 | Working paper : East and Central European countries fruit and vegetables imports. author : El Hadad F, CIHEAM-IAMM | General Public |
| | 8/2005 | Workshop in the annual Congress of the European Association of agricultural Economics Copenhagen | Research |

| Partner responsible /involved | Planned/actual Dates | Type &References | Type of audience |
|-------------------------------|----------------------|---|----------------------------------|
| Partner 2 - ENSA M | 6/ 2005 | Contributed paper : Vulnérabilité régionale a l'ouverture commerciale : le cas de l'euro-méditerranée. Authors : Rastoin J-L, Ayadi N., Montigaud J-C. Colloquium RINOS (réseau intégration Nord-Sud) Montreal, June 2-3-2005 ceim@uqam.ca | Research- |
| | 2005 | Seminar with experts and professionals fruit and vegetable european sector | Research/ Professional public |
| Partner 5 CSIC | 8/ 2004 | Contributed paper : Olive Oil Marketing in Non-Traditional Markets: Issues and Prospects. author : Mili S. AIEA2 International Conference on "Sustainable Development and Globalisation of Agri-Food Markets" (Laval University, Québec, Canada, 23-24 August 2004): | Research |
| | 2005 | Article : Olive Oil Marketing in Non-Traditional Markets". Revue « Economies et Sociétés ». (Submitted). Author : Mili S. | Research |
| Partner 6 – METU | 6/ 2005 | Contributed paper : Trade implications of extending the turkey-EU customs Union Agreement to agricultural products – Author : Eruygur O., Cakmak E. Middle East and North African Economies : Past Perspectives and Future Challenges. Brussels, June 2-4,2005 http://www.ecomod.net | Research |
| | July 2005 | Contributed paper: The Impact of the EU Membership on agriculture in Turkey International Conference on Policy Modeling (Ecomod 2005). Author : Eruygur O., Cakmak E. Istanbul, June 29-July 2-2005. http://www.ecomod.net | Research |