Advancing the aquaculture agenda

An industry perspective on enhancing economic conditions

Courtney Hough – General Secretary

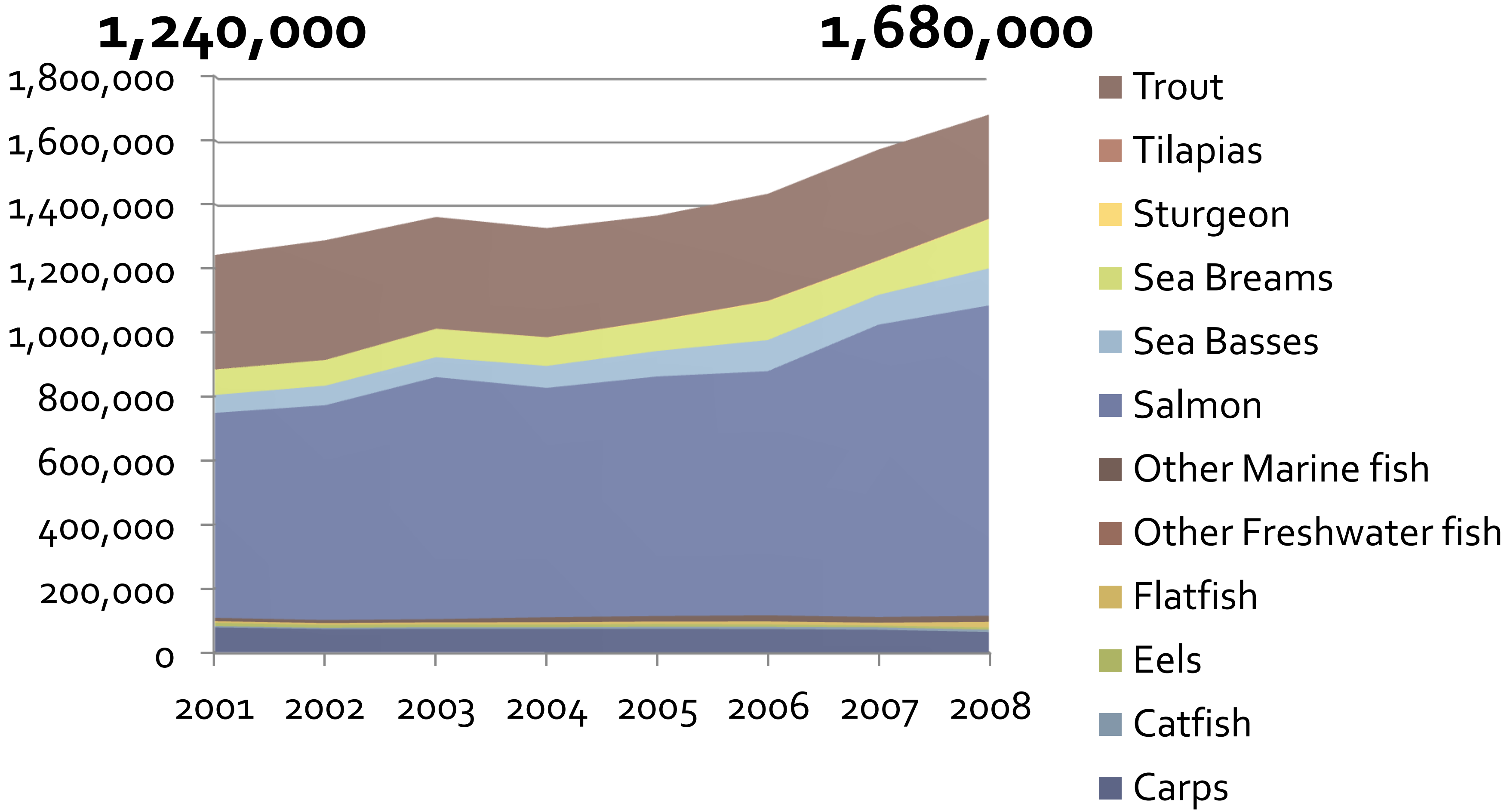
Why develop aquaculture?

- **Seafood is an integral component of the European diet**
  - A traditional component of the European diet
  - Originally, only sourced from fisheries
  - Provides healthy food
- **Europe is the top global market for seafood**
- With declining fisheries, **Aquaculture provided a new opportunity** for providing excellent, safe food for the European consumer
  - Initial growth based on high value species
    - Trout, salmon, seabass, seabream, turbot, eels….
- **Aquaculture created new businesses** throughout Europe, particularly in coastal and rural zones
- As a business, aquaculture is beginning to reach **'maturity'**

Why be in business?

- **To make/provide products and services that are attractive**
  - **to customers and**
  - **to consumers**
  - **And provide a profit to the investor!**
- **Business development means**
  - improving the performance of existing business sectors
  - creating new ones that take advantage of the available resources
    - **Natural** (climatic, geography…)
    - **Material** (infrastructure, services, logistics…)
    - **Intellectual** (knowledge…)

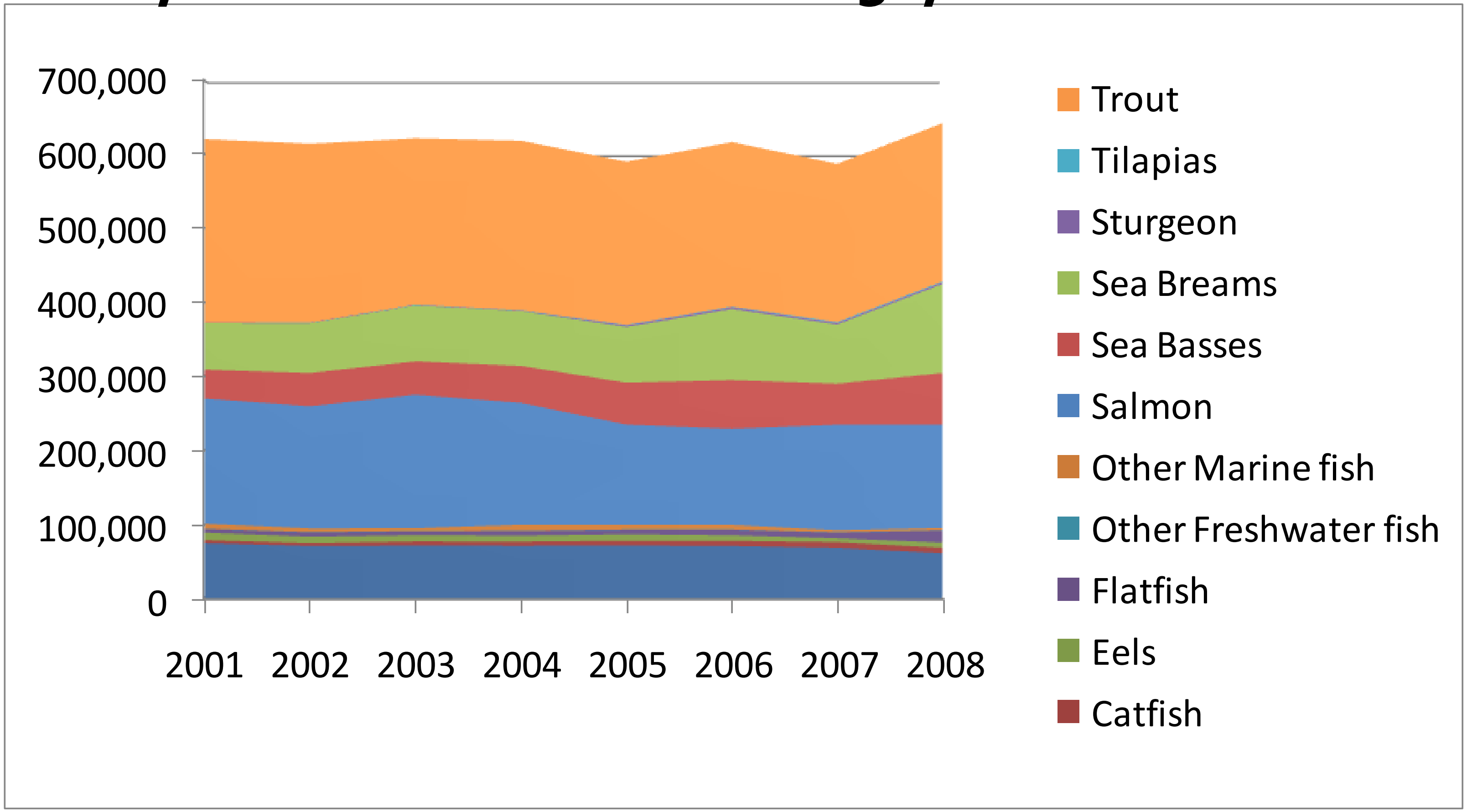
European fish farming



Source: FEAP Member Associations

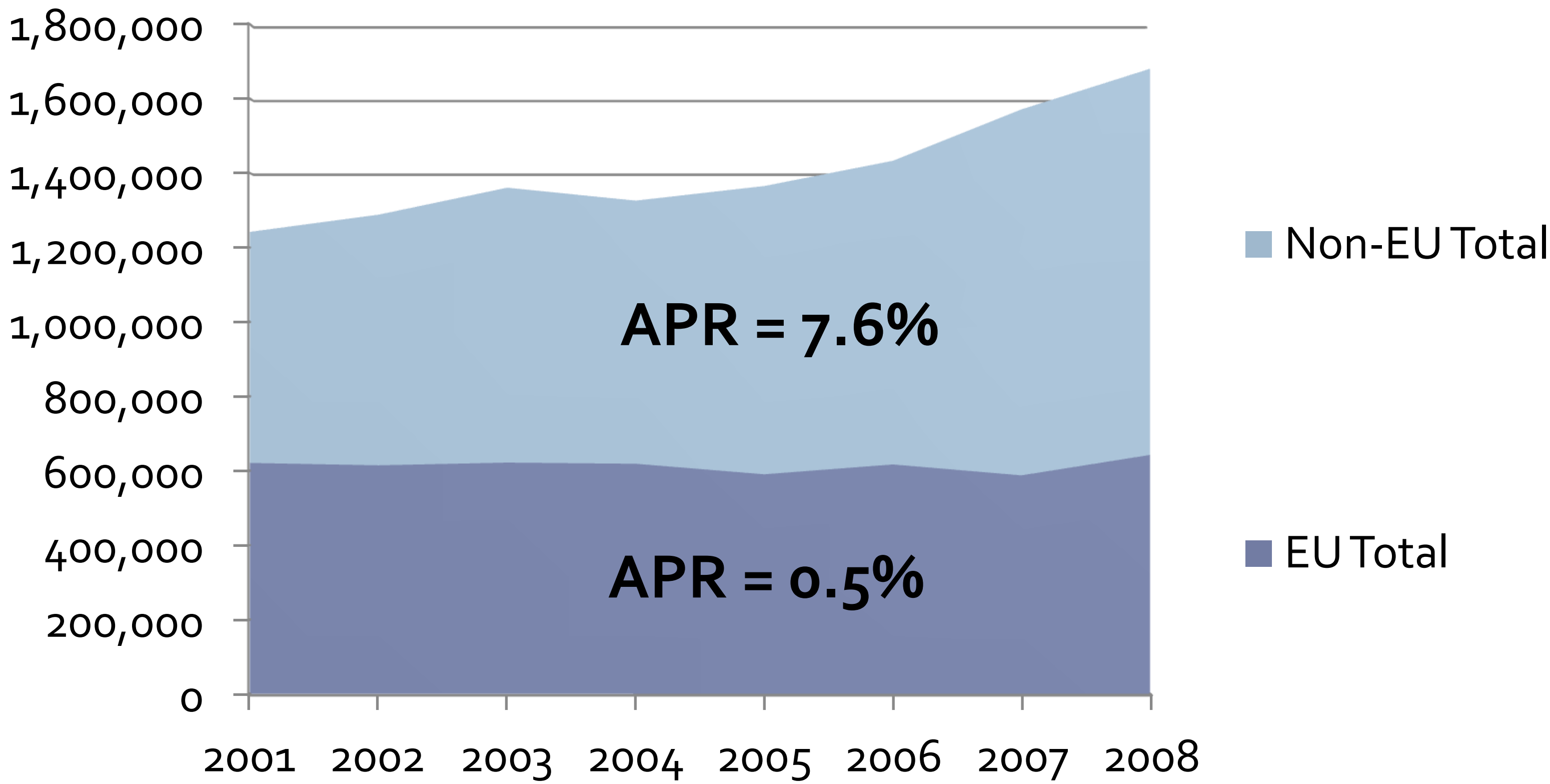
EU fish farming

620,000 **650,000**



- Source: FEAP Member Associations

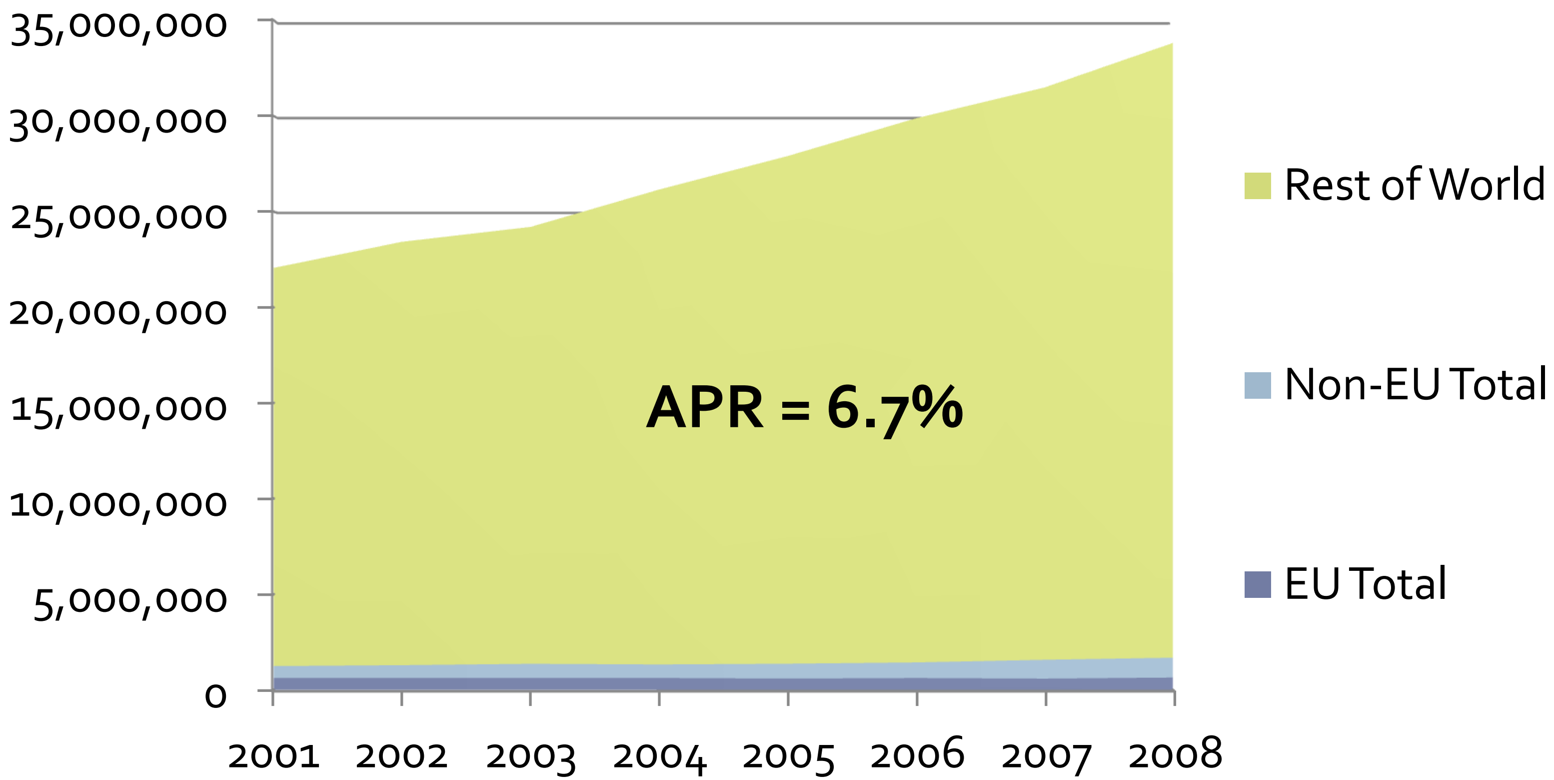
Net differences!



EU Aquaculture strategy (2002) forecast 4% annual growth

- Source: FEAP Member Associations

Position within the world



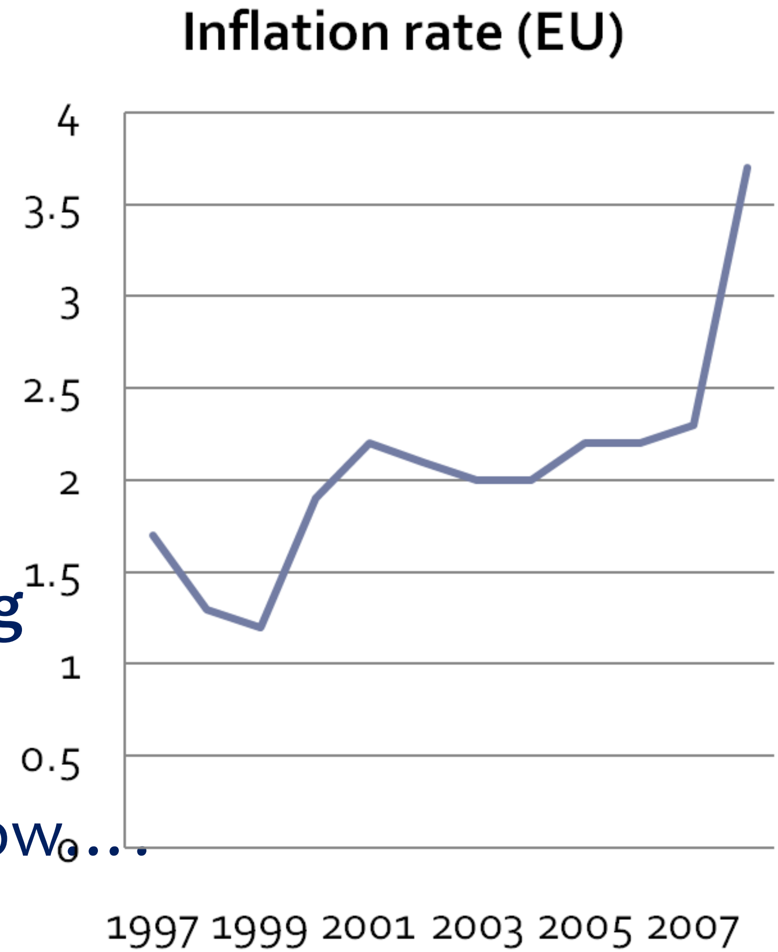
- Sources: FIGIS/FEAP Member Associations

The good old days!

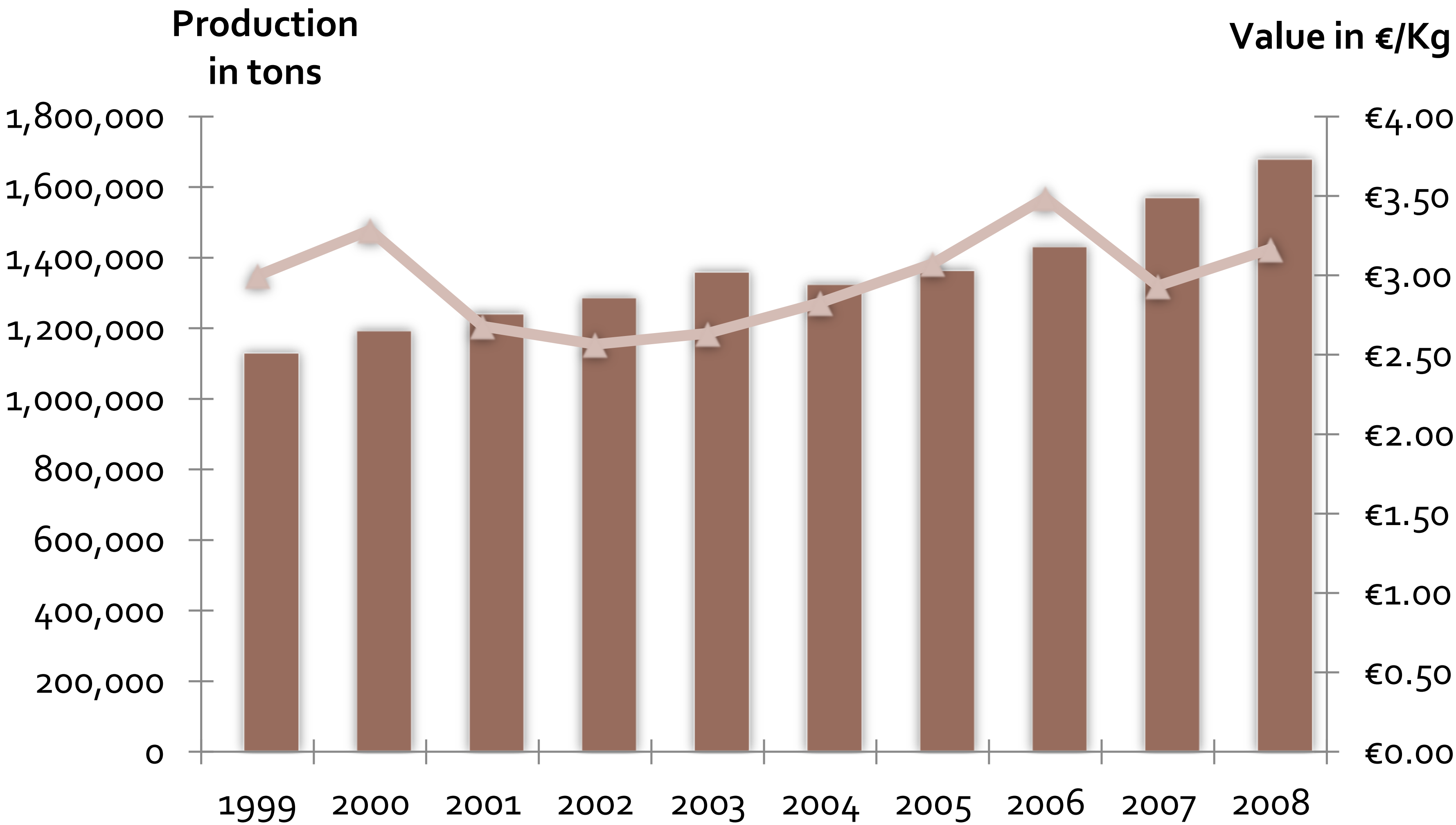
- **Ex-farm Prices in the 1980s**
  - **Salmon >€10-12/kg**
  - **Seabass & seabream >€20/kg**
  - **Trout >€6/kg**

- **Recent prices**
  - **Salmon at €4.0/kg**
  - **Seabass & seabream at €3-4/kg**
  - **Trout at €2.4/kg**

- **€5/kg** in 1997, should be **€6.4** now…



Production vs. Value



How did aquaculture respond?

By raising productivity & performance

- **Improved feeds**
  - Ingredients
    - Dietary understanding
  - Manufacturing technology
- **Enhanced health treatments**
- **Better equipment**
  - Tanks/Cages
  - Handling equipment
- **Better fish**
  - Superior strains & new species
  - Improved husbandry & hatchery technologies

How did aquaculture respond?

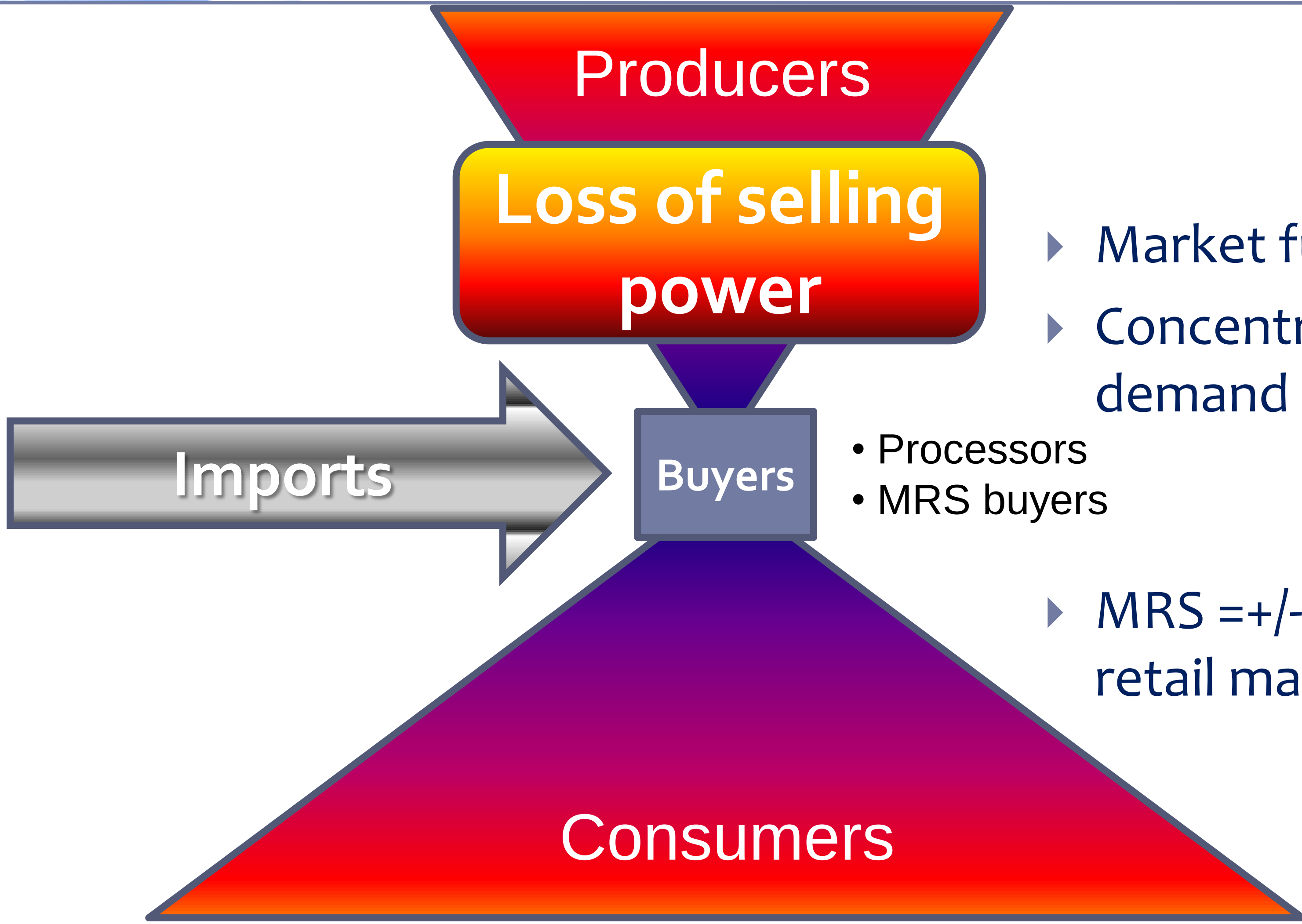
By raising productivity & performance

- A RESULT OF INNOVATIVE RTD
  - SUPPORTED BY
    - NATIONAL RESEARCH FUNDING (>90%)
    - EUROPEAN RESEARCH FUNDING (<7%)
    - SECTORAL EFFORTS
      - SERVICE COMPANIES
      - PRODUCERS (ON-FARM)

Structural changes

- **Markets**
  - Supermarkets became major point of retail sale
    - Centralised contract buying vs. auctions
    - Convenience purchases increased
      - Higher levels of processing needed
- **Decreasing European fisheries landings**
  - EU Market seafood demand stable/increasing
  - European Aquaculture production increased as a reponse
    - Salmon, seabass, seabream, trout, cod…
- **But increased (low-price) imports**
  - EU moved from 40% to 65% imports in 10-12 years
  - Increased market and price competition

Market results



- Market funnel
- Concentration of demand
- MRS =+/-85% of retail market

Sales profile of seafood in Germany

- Discount sales have taken the lead

	Volume	€/kg
Discount Supermarket	50%	4.82
Hypermarkets	28%	6.23
Supermarkets	9%	6.90
Fishmongers/Speciality	6%	10.45

Source: Deutsch See (2010)

Consumer lifestyle changes

More & more out of life

Individualism

Experiences

Health & Wellbeing

Belonging to a community

But money and time will not stretch enough

Needs

Convenience

And there are other influences….

Consumer conscience

Cocooning

Opportunities: The view of a major player

- **People look to food for personal & social pleasure**
  - 90% of consumers want great tasting food (UK)
  - 88% see meals as an important family occasion (Sweden)
- **Integrity and 'real' values are returning**
  - 77% want fresh ingredients (for home preparation) (UK)
  - 65% look for nutritional balance (UK)
  - 83% prefer to buy local foods when possible (Sweden)
- **Value (price) and convenience are still important**
  - 74% seek good value for money (UK)
  - 79% want quick preparation (Sweden)

Source: Mr. Chris Britton - Findus - (NASF 2010)

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But what does the consumer prefer?

- A question of choice?

- And transparency?

Structural results

- **Corporate size & capacity**
  - Decreasing profit margins raised minimum production levels for economic operation
  - Consolidation of production
    - Mergers/Buyouts
    - Decrease in number of SMEs & family firms
- **Modern companies**
  - Have to be highly professional & efficient
    - Production
    - Marketing
    - Management

Sectoral characteristics

- **SMEs**
  - **Much closer to agriculture in economic profile than fisheries**
  - **Growth stimulated by ‘need’ to produce more**
  - **Undercapitalised for growth**
    - Facilitated by credit from suppliers
  - **Invest in working capital (Stock) for +/- 2 years**
    - Very sensitive to price fluctuations
  - **Over-optimistic at start-up**
    - Speed to harvest
    - Prices obtained
    - A few bad months = bankruptcy

Changing concerns

Food conversion efficiency

→ Sustainable resource use

→ Elimination of contaminants

Fresh, natural products

→ Consumer-friendly preparations

Family farming activity

→ Professional, structured businesses

Service requirements (e.g. veterinary…)

→ Those of a modern business (finance, PR, skill development…)

Produce better!

- **Products** must be
  - Market-led
  - Adapted to buyer/consumer demand & conditions
    - Certifiable/Traceable (= responsibility)
- **Production technology** must be
  - Efficient and cost-effective
  - Adapted to
    - Environmental considerations
    - Evolving management issues
- **In summary, a professional approach within a modern market**
  - **Where the best public image is essential**

Produce better!

- **Options are different for each producer**
  - **New species?**
  - **‘Commodity’ differentiation?**
    - Organic
    - Eco-label
    - Freedom Food
    - Fairtrade
    - Sustainability
  - **But how many schemes are justifiable?**
    - **Are the products better than ‘normal’**
  - **All suggest ‘added-value’ will be obtained but**
    - **Will the buyer pay? Will the consumer pay?**
    - Increasing evidence that the consumer trusts his/her ‘supermarket’ vs. an independent label

Opportunities?

- **Carbon footprint**
  - **New initiative for promotion?**

Product	Carbon footprint Kg CO_2/kg at slaughter	Energy use Mj/kg edible component at slaughter
Beef	30	79
Pork	5.9	41
Chicken	2.7	29
Salmon	2.9	40

- Study noted optimising feed use and composition remain important issues
  - *Source: Winther et al. SINTEF 2009*

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Sell better!

- **Marketing & advertising?**
  - **Producer-led promotion activities almost non-existent in public domain**
    - Restricted to trade press and consumer magazines
  - **MRS hand-outs/mailings**
    - Certification/societal contribution increasing
    - Price promotion is a key marketing tool
    - Truthful labelling still an obstacle
- **Promotion of Healthy lifestyle? Obesity (& related diseases) is biggest public health cost**
  - Ω-3 long chain PUFAs
  - Diets & ease of digestibility
- **Trans-national marketing actions within Europe are seen as being an essential requirement**

Opportunities?

- **There is increasing sensitivity to:**
  - **Food miles & freshness**
    - **Promotion of local production**
      - Micro-markets (close to farm)
      - Labelling of geographic origin?
    - **Requires much more effort/kg**
      - Local promotion & marketing
      - Processing/packing
      - Distribution & follow-up
  - **Successful approaches reported in France/Italy**

Opportunities?

- **Achieve a concentration of selling**
  - Too many sellers in competition for fewer buyers
  - **Tools available:**
    - **'Grouping' Structures**
      - **Co-operatives** (often for common processing)
      - **Producer Organisations (EU legislation) –** opportunity for grouped larger volume sales

Both require commitment, trust, investment and confidence in the structure chosen

Opportunities?

- **New Centralised services (web-based)**
  - Trace-tracker (traceability)
    - www.tracetracker.com/
  - Globalfish.Net (sales/logistics)
    - www.globalfish.net
  - On-line fish auctions
    - e.g. www.pefa.com
  - Fish Pool (forward sales hedging (Salmon))
    - www.fishpool.eu/
- **New accessible options that are adapting to the changing world and its marketplaces**

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Conclusion

- **Enhancing economic conditions cannot avoid**
  - **Sustainability**
  - Which is **the** key descriptor and covers improving
    - **Competitiveness** & **profitability**
    - **Product quality** and **product development**
      - ***Nutritional benefits***
      - ***Contribution to health/lifestyle***
    - **Good management** and **forward planning**
    - **Response** to & **control** of **environmental** issues
- This is the basis for modern aquaculture to respond to the new obligations & responsibilities of the sector and assure its position in the market

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Some reflections…

- **Who** is the **target** for **developing aquaculture**?
  - **Large companies? SMEs?**
  - **New investors? Young professionals?**
  - **Adequate 'encouraging' support measures** and **services** needed **(one-stop shop?)** in most cases anyway **(licensing procedures, access to experience)**
- **Level playing field in Europe**
  - **Harmonisation** of legislative costs and economic impact
    - Water costs
    - Social costs
    - Availability of therapeutic agents
- **'Privileged' lending rates** (specialised lending support)
- **Accessible Venture capital** (avoid undercapitalisation)
- **Fiscal reductions for efforts in environmental investments**

Innovation is essential

- EATIP's main objective is to
  - Identify and stimulate innovation in European aquaculture
  - Involving more than 65 different organisations in Europe to reflect, analyse and provide new ideas and solutions for the sustainable development of aquaculture
- June 23 2010 – Annual Stakeholders Meeting in Brussels
  - Presentation of 1st Research Agendas

www.eatip.eu for details