Background paper - CFP: which future for aquaculture?

Introduction

The aquaculture sector represents more than 80.000 direct jobs[1]. These jobs are a vital source of income in numerous EU coastal and rural areas.

European aquaculture has a high level of environmental sustainability and offers quality fish, produced with the highest animal health and consumer protection standards.

In spite of these characteristics, EU aquaculture has not been following the overall worldwide growth trend in aquaculture. Around 25% of all fish (including crustaceans, shellfish …) products consumed in the EU come from aquaculture (i.e. EU aquaculture production plus imports of aquaculture products). EU imports represent some 1.9 million tonnes of aquaculture products which represents 22% in volume and 32% in value of the total seafood imports. Worldwide aquaculture production is likely to continue to increase: the FAO estimates that already now half of fish consumed in the world comes from aquaculture and that by 2030, this percentage will reach 65% of seafood consumption worldwide. Aquaculture is and should remain one the fastest growing segments of the food industry.

The development of a strong, high-quality EU aquaculture sector that is environmentally and economically sustainable has the potential to contribute to growth, to the creation of jobs especially in coastal and inland areas and to the supply of healthy food products, in line with the Europe 2020 strategy. Aquaculture can also alleviate fishing pressure and thus help to preserve fish stocks.

The purpose of this document is to launch a debate on a number of issues that require joint effort in order to unlock the potential of EU aquaculture. This requires, on the one hand, removing the barriers for growth that may exist, and on the other hand, to turn creative ideas into innovative products, services and processes both on the basis of traditional aquaculture and in new markets such as non-food aquaculture.

Strategic Guidelines for promoting aquaculture in the EU Member States: what should they aim at?

The consultations leading to the adoption of the 2009 Commission Communication "Building a sustainable future for aquaculture - A new impetus for the Strategy for the Sustainable Development of European Aquaculture", and to the package of proposals for the reform of the CFP in July 2011 identified a number of barriers that prevent the development of the full potential of EU aquaculture: limited access to space and licensing; industry fragmentation; limited access to seed capital or loans for innovation in a risk averse context; pressure from

[1] 70.258 reported under the DCF. Figures missing for: Belgium, Latvia, Lithuania, freshwater sector for Germany and Slovenia. Poland estimates 5.642 employments on freshwater aquaculture.

imports; time-consuming administrative procedures and red tape. Many of these barriers concern policies that are of Member States' competence. EU policies also have a clear impact, especially when it comes to research, structural policies (common market organisation).

This is why, in full respect of the subsidiarity principle, the CFP reform proposes to promote aquaculture through an EU coordinated approach based on non-binding strategic guidelines and common priorities and exchange of best practice[2]. The open method of coordination is a voluntary process for cooperation on policy areas that can have a significant impact on the development of aquaculture. Its success depends on political commitment and on its capacity to support national reforms and initiatives. Policy cooperation should produce visible results and engage all relevant actors: national authorities, the industry (throughout the supply chain), as well as representatives from civil society.

The commitment of the Commission to give impetus to EU aquaculture is also reflected in its proposal for a European Maritime and Fisheries Fund (EMFF) which gives prominence to aquaculture[3].

European aquaculture is not a uniform sector, there are various types of aquatic farming: closed or open systems, extensive or intensive, on land, in lakes, in ponds fed by rivers or even groundwater, near the shore or offshore. There is, in other words, a large diversity of freshwater finfish, marine finfish or shellfish farming with their own characteristics. The EU needs to improve its competitiveness, to foster economic activity, increase profitability of its enterprises and to improve the quality of life in coastal and rural areas. European aquaculture can contribute to these objectives and for this, legislation alone is not enough. The EU, the Member states and stakeholders throughout the supply chain should join forces to achieve these goals.

A. Improving the competitiveness of the aquaculture industry

Improving the competitiveness of EU aquaculture requires improvements throughout the supply chain. Most prominently, the upstream industry (feed suppliers, research organizations, veterinarians, equipment suppliers) and downstream industry (i.a. harvesting, live transport, processing, exporting, distribution) are to be taken into account to provide a complete picture.

In order to be truly competitive and viable, EU aquaculture must adapt quickly to market trends and consumer expectations. The reform of the Common Market Organisation[4] focuses mainly on producer organisations and inter-branch organisations. The Reform will support tailored production and marketing plans and provide more precise information to consumers

[2] See http://ec.europa.eu/fisheries/reform/proposals/index_en.htm
[3] See http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2011:0804:FIN:EN:PDF

[4] See http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2011:0416:FIN:EN:PDF

to differentiate aquaculture products. This can be a challenge for an industry that is made up of small and micro-enterprises to a large extent.

In addition to better matching supplies with market needs and avoiding recurrent price crises due to overproduction, aquaculture producer organisations will be empowered to launch projects of common interest that require technical expertise. Examples of such projects are, organisation of production, market analysis, development of new markets for less popular species, structural contracts with clients, marketing and branding. Aquaculture inter-branch organisations on the other hand will be vehicles for launching initiatives of shared interest for the whole sector, e.g. self-regulation of quality standards, promotion campaigns, market studies and product innovation.

The reform of the CFP proposes to create an Advisory Council for aquaculture to bring all stakeholders together to formulate suggestions and give advice to the Commission and to the Member States.

Question:

1. How could cooperation between producers, retailers, consumer associations, civil society contribute to increase the competitiveness of European aquaculture? How could public authorities create the conditions for small and micro-enterprises to be actively involved in this process of cooperation?

2. Which role can the new Advisory Council for aquaculture play in this context?

Competitiveness requires a level-playing field. The EU aquaculture industry often points out that it has to compete with imports from third countries whose industry is subject to lower regulatory requirements than those in place in the EU. Regulatory requirements are at the heart of the high-quality production of EU aquaculture.

There is clearly room for public authorities to look into whether the current regulation is implemented in a smart manner. Red tape, especially for small and micro-enterprises, can create significant obstacles without contributing to achieving any policy goal.

The open method of coordination will offer an interesting platform for the exchange of best practices among public authorities, and between authorities and business, to identify and eliminate red tape without questioning the policy objectives of those policies that constitute major competitive advantages for EU aquaculture and appreciated by consumers.

EU environmental and health & welfare legislations are baseline requirements. The high standards they encompass inevitably lead to higher costs thereby also affecting competitiveness. Together with smart implementation of legislation in force, one could think of developing complementary actions that can contribute to increase competitiveness. For

example, there are experiences of self-regulatory practices in other policy fields that have proven effective to incorporate societal concerns into business processes in a business-friendly way. As an example, on the initiative of the European Commission and the Belgian Presidency, representatives of European farmers, meat industry, retailers, scientists, veterinarians and animal welfare NGOs signed a declaration on alternatives to surgical castration of pigs, which set the basis for a voluntary cooperation. This voluntary initiative, the first of its kind at EU level for animal welfare, resulted in an agreement between several of the main actors in the pig meat chain to voluntarily end the surgical castration of pigs in the EU by 1 January 2018.

Question:

3. What scope do you see for self-regulatory initiatives to be launched in the framework of the open method of coordination for aquaculture? How can they contribute to turn societal concerns into market advantages?

Another crucial dimension is given by the fact that consumers are often not in the position to distinguish high quality characteristics and therefore to reward the high level of produce of EU aquaculture. These standards are important for consumers in the EU, and beyond. There would be only advantages in highlighting these features, both for consumers and citizens, and for industry.

The increase in recent years of purchase of organic products is a signal that a significant number of consumers are demanding these products and that they are ready to pay a premium price for them. The EU rules on organic aquaculture animal (fish, molluscs and crustaceans) and seaweed production together with the launch of the new European organic logo (the "Euro-leaf")[5] will help consumers recognising organic aquaculture products that meet European organic production standards.

More generally, consumers require more reliable information on the sustainability of the products that they buy to make more informed choices. This is driving retailers to offer these products in a more visible way. Local production of high quality fish that is produced sustainably can only benefit from this trend. The proximity of the market for consumption should also stimulate business opportunities that would allow small local producers to diversify their business by getting together to offer their products locally for direct sale.

Another important element is given by the changing perception with the general public of the quality of farmed fished compared to wild fish. This change is driven by ever improving farming techniques, feed quality and sustainable farming. The sustainability of piscivorous fish farming is often questioned by reference to the amount of wild fish caught to feed

[5] http://ec.europa.eu/fisheries/cfp/aquaculture/index_en.htm

aquaculture, notably using the 'Fish In / Fish Out" (FIFO) ratio (i.e. the amount of wild fish used to produced 1 kg of farmed fish). The FIFO indicator is useful in relative terms, to compare feeding performance between wild and farmed fish or to monitor progress over time. For example according to the EU financed project CONSENSUS[6], it is estimated that today approximately 3-4 kg of wild fish are needed as feed to produce 1 kg of farmed salmon (compared to between 10 kg and 15 kg of forage fish to produce 1 kg of wild salmon). Aquaculture is however not only an important part of European aquatic animal farming consists in rearing non-fish eating species (e.g. carp, tilapia) or species like shellfish which do not need artificial compound feed. These segments of aquaculture represent approximately half of the EU aquaculture production.

Question:

4. Which methods could be used in order to further decrease the fish in fish out ratio and hence decrease the reliance of carnivorous fish on fish meal and fish oil steaming from wild fish?

Today, 25 % of fish consumed in the EU comes from aquaculture. However, consumers are often unaware of this and some prejudice remains both in relation to farmed fish and to aquaculture industry in general. The sector is occasionally unfairly associated with threats such as pollution or the introduction of alien species into the environment. To the contrary, little or nothing is known of the crucial role that traditional forms of aquaculture play in relation to preservation of the biodiversity, or land and water management for example.

Question:

5. To which extent can increasing consumers' awareness on the existing high standards of EU aquaculture contribute to its further development? How do you think this could be done? Are you aware of existing schemes that could be promoted as best practices?

B. Encouraging economic activity

In Europe, SMEs are the main source of economic growth and of creation of new jobs (between 2002 and 2010 85% of new jobs in the EU). More than 90% of the aquaculture businesses are SMEs. Aquaculture producers are first and foremost economic operators. Profitability expectations determine investments in the sector. In that perspective, Operators also need transparency, efficient administrative procedures and predictability.

[6] See http://www.easonline.org/files/News%20items/consensus_brochure_web.pdf

Administrative simplification is crucial for the development of competitive aquaculture. Measures to reduce the time to set-up a business, or to obtain licenses and permits would need to be analysed in depth in a coordinated manner by the different levels of authorities concerned. Measures to support business start-ups, especially by young entrepreneurs during the first year of activity and possibilities to support intergenerational transmission of family businesses may also contribute to job creation. A special focus on micro, small and medium enterprises would be necessary since they are disproportionately affected by regulation.

The open method of coordination can offer to Member States and other stakeholders to learn from each other by developing a mutual learning process involving the scrutiny of specific policies, programmes or institutional arrangements presented as good practices in the multiannual national strategic plans[7]. One of the main tools in this respect are peer review seminars which encourage the dissemination of good practices across participants by assessing the effectiveness of key policies or institutional arrangements.

Question:

6. What are the main obstacles hampering the competitiveness of European aquaculture? How can we address them in an effective and efficient way?

Traditional aquaculture, including inland aquaculture, plays also an essential role in maintaining the aquatic habitat, providing rural livelihoods, contributing to biodiversity, providing essential services through the maintenance and management of water in the landscape. It also represents a traditional cultural heritage in many regions. EU research has been essential in key aquaculture areas such as reproduction (e.g. sea bass, sea bream, bluefin tuna) nutrition (improved feeds) control of diseases (vaccines) and development of technology (improved recirculation systems). The EU is promoting the development of innovative forms of aquaculture (off-shore or algae cultivation) new techniques (recirculation water systems, multi-trophic aquaculture) and products (seaweeds, micro algae) that have the potential to boost development and create new jobs. Other industries, such as pharmaceutical or cosmetic companies and producers of food supplements are increasing their demand of aquaculture products (algae, Omega 3) as input into their production processes.

Question:

7. What are the specific needs of inland aquaculture?

The Commission also supports aquaculture research within the instruments of the Union Policy for Research and Innovation. Priority topics of interest to aquaculture have been

[7] See Article 43 of the proposal for a Basic Regulation + http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2011:0425:FIN:EN:PDF

included in every Research Work Programme along the 7th Framework Programme for Research and Technological Development and in its proposal for "Horizon 2020"[8], the 2014-2020 EU Framework Programme for research and innovation. The new European and Maritime Fisheries Fund is specifically designed to stimulate such innovation. It will typically support projects that use new techniques, develop new products or processes, save energy or reduce environmental impacts. It is to be noted that Productive investments in traditional aquaculture ponds would be covered under the EMFF as long the investments aim at adding value to products, creating new forms of income – multifunctional aquaculture - introducing new species with growth potential or promoting aquaculture with a high level of environmental protection.

Question:
8. How can we improve the efficiency and the complementarity of EU funds with national R&D funds?

The increasing competition for space represents another major challenge for further economic development of freshwater fish farming and aquaculture production sites in coastal areas.

Tools to properly site aquaculture in waters and on land, including tools to identify activities for potential co-location with other economic activities should be looked at more carefully. For example, in some Member States research is developing to assess the possibility to co-develop aquaculture with other activities (wind farms, solar energy plants).

These developments increase in particular the demand for Maritime Spatial Planning (MSP)[9], an instrument that is essential for resource efficiency in maritime activities. MSP provides a framework for the management of human sea uses in a context of intensifying economic activity in sea basins around Europe. As such, it has a vital role to play both in terms of maximising the development potential for economic activities and of arbitrating between human activities. By providing long-term stability, predictability and transparency, MSP encourages investments for sustainable growth and jobs and secures ongoing activities.

Question:

9. How can the implication of the aquaculture sector be improved in the context of allocation of space and/or access to waters, especially in areas where there is a crowded interest for such space and water? Are you aware of means to improve cohabitation of different activities, such as for instance coexistence of windmills and offshore aquaculture parks?

[8] COM (2011) 808 final : Communication from the Commission to the European Parliament and the Council, the European Economic and Social Committee and the Committee of the Regions – Horizon 2020 – The Framework Programme for Research and Innovation

[9] http://ec.europa.eu/maritimeaffairs/policy/maritime_spatial_planning/index_en.htm

C. Diversification and improvement of the quality of life in coastal and rural areas

Coastal areas account for over 40% of Europe's population and present many opportunities for development.

Rural areas in the EU are very diverse, some regions are facing decline with young people leaving, while others are among the most dynamic in the EU. Some have been severely hit by the economic crisis against the backdrop of an already fragile economic situation since income in rural areas is on average 50% lower than in urban areas.

Growth in aquaculture can, among others, be achieved through horizontal integration (diversification and integration of other activities into the main farming business) and through the development of sustainable vertical integration of the aquaculture industry. This approach can offer additional income to traditional family businesses both in landlocked countries and in coastal areas and meet new demands and opportunities. At the same time there are growing expectations from consumers for quality and diversity of food products including for those that are produced and distributed locally, close to consumers. This can open up new possibilities to give value to the assets of coastal and rural areas.

There are promising initiatives of business clusters (organic clusters) or synergies between entrepreneurs, public authorities, associations, education and training organisations that can help stimulating local economies. The EFF already supports measures to promote economic diversification (i.a. tourism, food, renewable energy) and seeks to mobilise local actors from all sectors to work together as "groups" to design and implement integrated local development strategies. The EFF has funded so far 243 FLAGs in 19 Member States, that have helped local communities to develop new business ideas in a coordinated way. For example, Danish waters produce high quality seaweed that until now has not been exploited commercially as there is no tradition for eating seaweed in Denmark. With the recent growth in the sushi market and New Nordic Cuisine, the Danish Small Islands FLAG and the Bornholm FLAG, both situated in remote areas have identified a new opportunity: the two FLAGs are cooperating in a project to create and develop a range of new local products that use seaweed as a raw material. This project brings together local producers, including fish farmers, mussel growers and processors to promote the sustainable cultivation, harvesting and processing of seaweed. The project is expected to create new jobs and generate additional revenue for the areas concerned.

Questions:

10. In what way partnerships between public and private sector can support business diversification in order to contribute to create jobs and growth? How can these partnerships be promoted? In addition to financial support how can we further support the development of coastal and rural areas?

Annex I

Roadmap:

11 May 2012 – Aquaculture Conference: Launch of the consultation process

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May 2012 – October 2012: Consultation of stakeholders

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November 2012 – Aquaculture Conference: Closure of the consultation process

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February 2013 – Adoption of Commission Strategic Guidelines on Aquaculture

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Endorsement by the Council and European Parliament

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December 2013 – at the latest together with the EMFF Operational Programme, Member States send their Multiannual national strategic plan (2014-2017)

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June 2014 1st Peer Review/exchange of best practices seminar