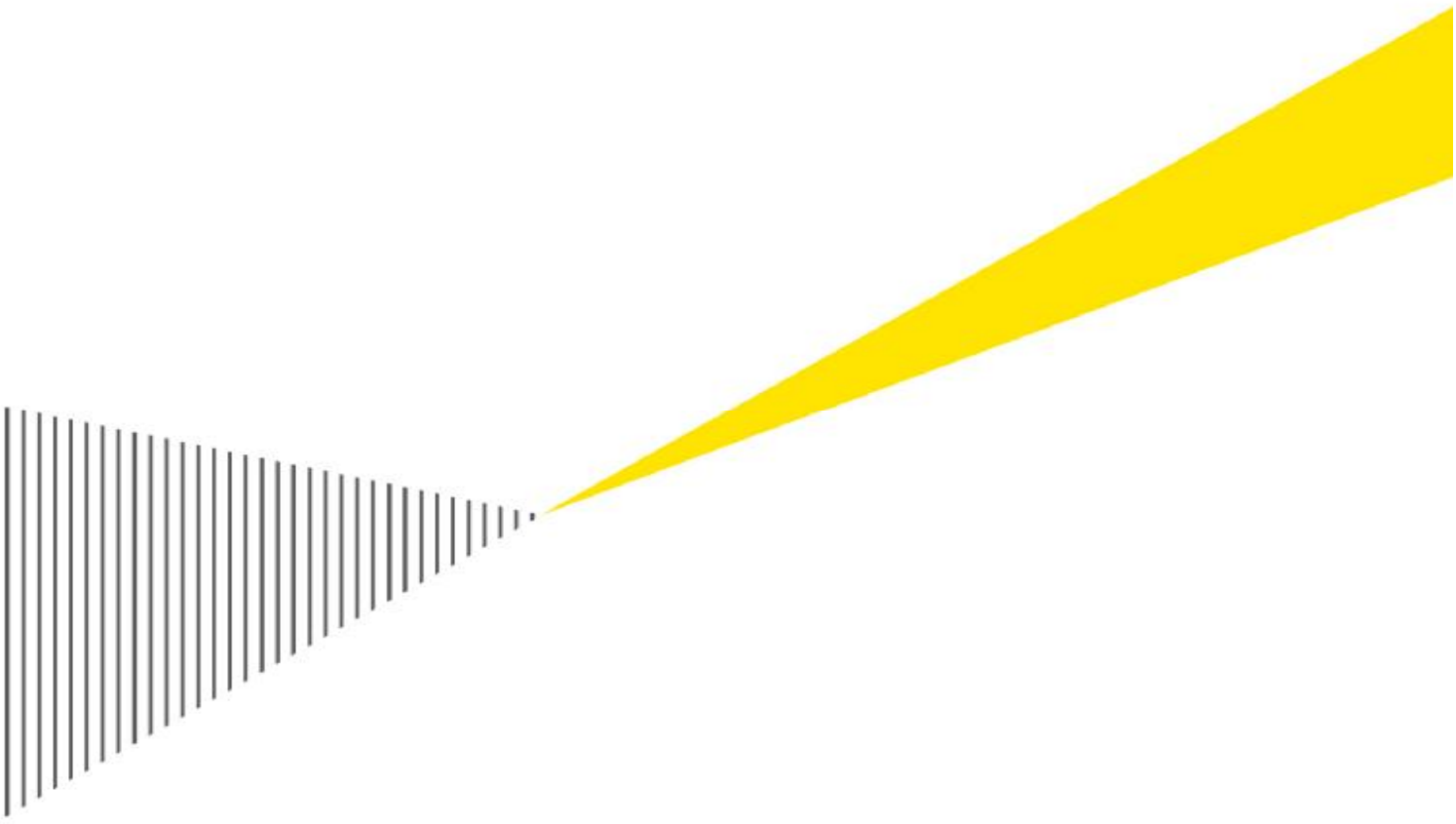
European Commission
Directorate-General for Maritime Affairs and Fisheries

Study on the supply and marketing of fishery and aquaculture products in the European Union

Executive summary

May 2009



Eurofish
INTERNATIONAL ORGANISATION

AND International

ERNST & YOUNG
Quality In Everything We Do

COGEA
Consulenti per la Gestione Aziendale

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*The study on the **supply and marketing of fishery and aquaculture products (FAP)** in the European Union was conducted by Ernst & Young, in cooperation with the firms AND International, COGEA and Eurofish, within the framework of the evaluation of Common Market Organisation (CMO) of fishery and aquaculture products.*

This study, which applies to all Member States (MS) of the European Union (EU27), aims to put forward an economic diagnosis of:

- *the various forms of consumption and marketing of FAPs and current demand trends across the various European markets;*
- *Community market supply prospects and its dependence in relation to imports;*
- *channel organisation and its impact on pricing and the distribution of value in the processing and marketing chains;*
- *the impact of the regulatory environment on these issues.*

The summary that follows picks up the main observations of the study and is based on detailed analyses in the three volumes that it comprises (summary report, detailed descriptive report and volume of appendices setting out case studies on eight channels in the FAP sector).

1 The Community market for fishery and aquaculture products

1.1 Demand position

→ A market of more than 12 million tonnes and €55bn

→ The leading world market, ahead of Japan and well ahead of the United States

→ Nearly two thirds of Community expenditure concentrated in three MS

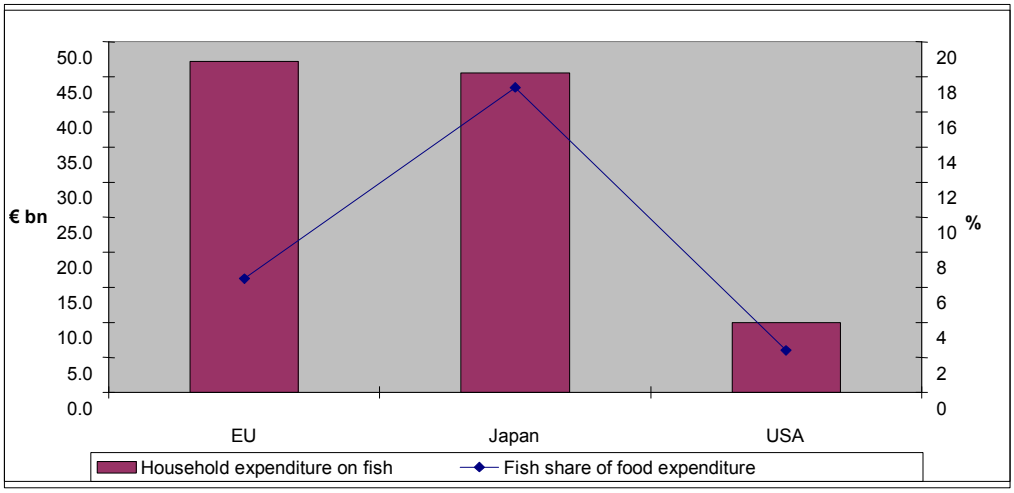
→ Very distinct differences in consumption per inhabitant between MS

The Community FAP market represented 12m tonnes in 2007[1] and a total value of €55bn in 2005[2].

Apart from HORECA (HOtel, Restaurant and CAtering, or "out-of-home catering"), European consumption represents €47bn, ahead of Japan (€46bn) and the United States (€10bn), although the percentage of food expenditure allocated to fish by European consumers (6.5%) is at an intermediate level between the United States (2.4%) and Japan (17.4%).

[1] Source: AIPCE
[2] Source: "2005 PPP Benchmark results", OECD

Figure 1: Household expenditure on fishery and aquaculture products in the 3 main markets in 2005 (out-of-home catering expenditure not included)

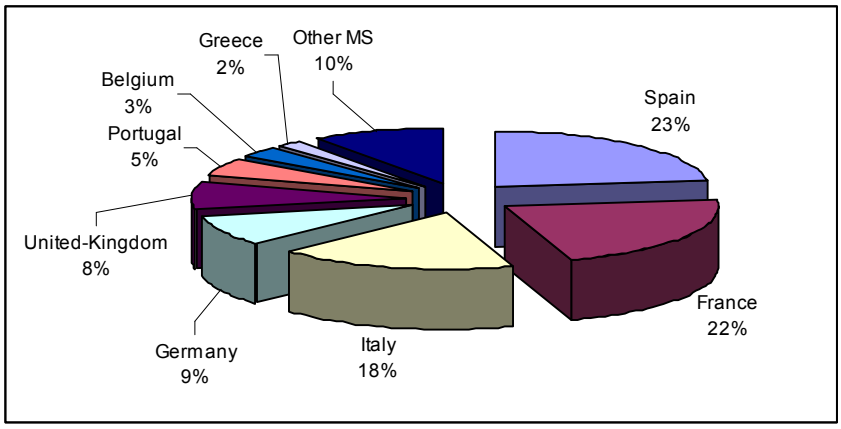


Source: OECD

As the leading world market, the EU is far from being a homogenous one.

Spain (€10.5bn), France (€10.3bn) and Italy (€8.6bn) alone make up 62% of Community expenditure. With Germany (€4.3bn), the United Kingdom (€3.9bn) and Portugal (€2.4bn), the share of the 6 leading Member States accounts for 85% of total expenditure allocated to FAP.

Figure 1: Distribution of expenditure allocated to FAP in EU-27 MS in 2005



Source: OCDE

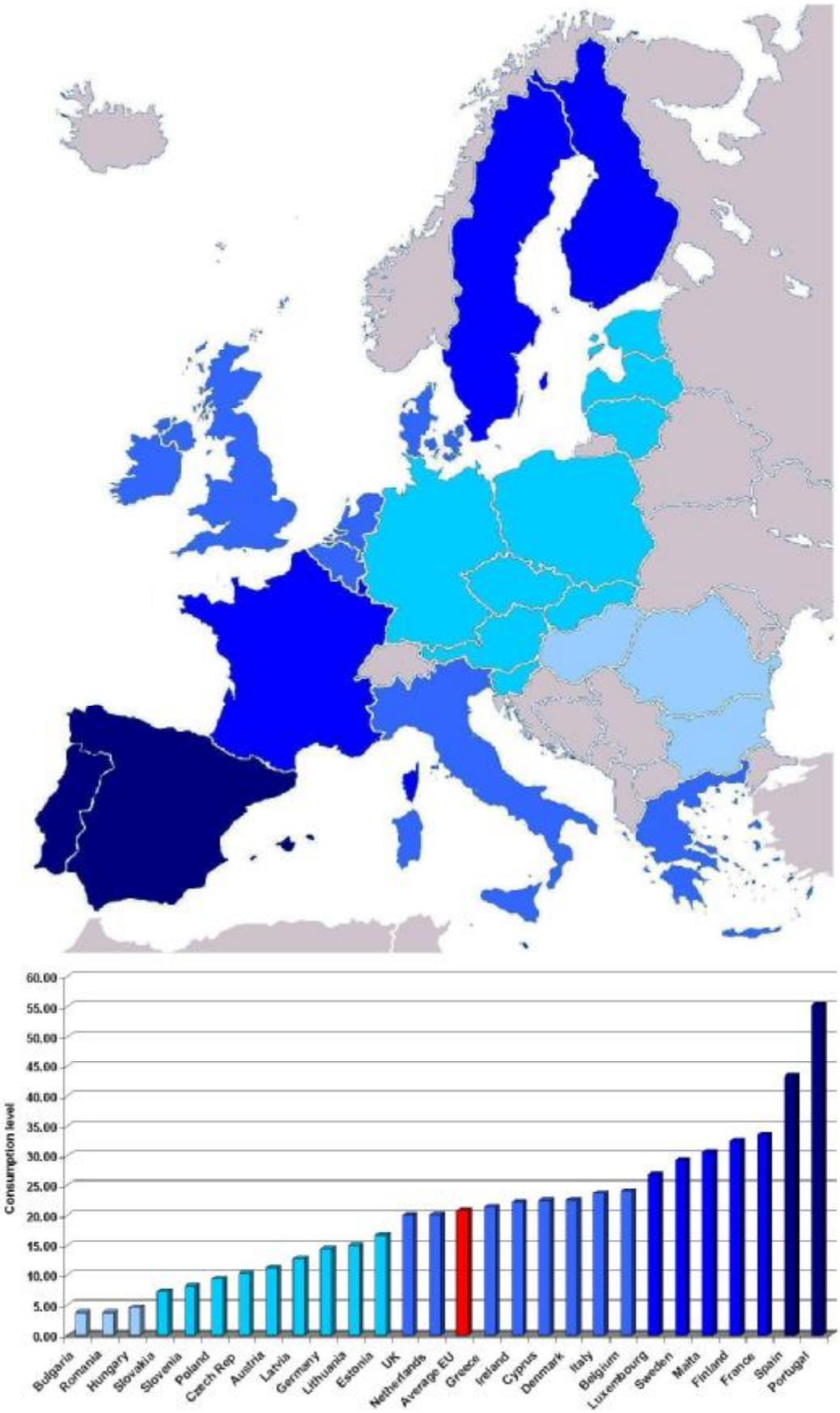
The FAP share of household expenditure varies considerably between MSs: from less than 0.5% in the majority of Central European countries to more than 3% on the Iberian peninsula. In relation to food expenditure, FAP accounts on average for 4%[3] across the EU27 but is above 5% in France, 8% in Spain and 10% in Portugal.

The level of consumption per inhabitant clearly shows different groups of countries with similar patterns:

[3] This percentage is lower than the OECD figure because expenditure on fish refers here to all food expenditure, including out-of-home catering.

- Southern European countries (Portugal, Spain, France, Malta, Italy, Cyprus and Greece) show the highest levels of FAP consumption in Europe.
- Countries in north-east Europe show average levels of consumption around 20 kg/year/inhabitant. Great Britain and the Netherlands are below the European average although other countries (Scandinavian states, Finland, Ireland and Belgium) are above the European average.
- Central and Eastern European countries and the Baltic countries show levels of consumption that are well below the European average, with average consumption per inhabitant varying between 6 kg and 16 kg, except in Bulgaria, Romania and Hungary where it is less than 5 kg.

Figure 2: Average consumption per inhabitant in Europe between 2000 and 2005



Source: FAO

1.2 Demand evolution and main trends

→ An evolving market, open to new species of fish and new forms of consumption

→ A growing domination of supermarkets which have an increasing influence on consumer choices

➢ Evolution of volume demand

In terms of consumption volumes, **the trend in the European Union is generally upwards.** The majority of markets are going through a growth phase, which is particularly strong in traditional markets such as France (increase of 5kg/year/inhabitant in 10 years) and Eastern European markets such as Poland and Romania. Certain markets in new Member States are experiencing a catch-up phenomenon in their levels of consumption compared with the other MS. Consumption in these markets should increase proportionally with the increase in the quality of life, with levels of consumption that could in the medium/long-term reach present consumption levels in Austria and even in Germany, two countries with traditionally quite low consumption of FAP but high quality of life.

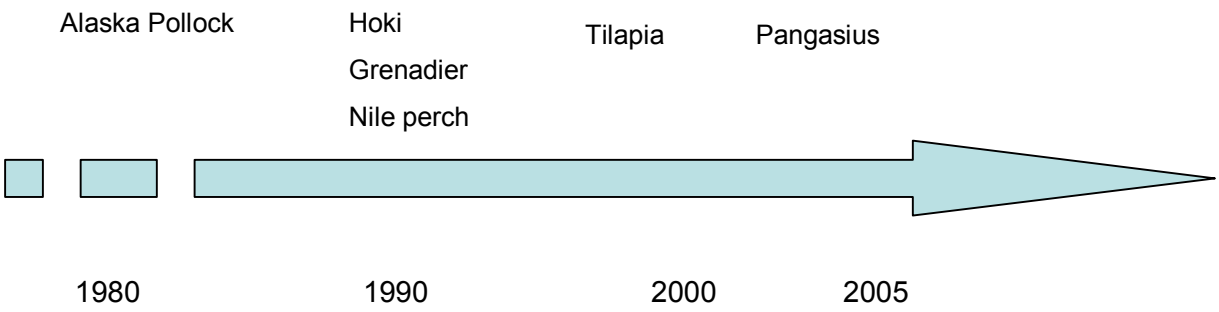
➢ Demand evolution in terms of species of fish

In terms of species of fish, demand has evolved over recent years according to several factors:

- reduction in availability of certain traditional species of fish (cod, plaice, haddock, redfish, etc.), limited by quotas;
- drop in herring consumption (Germany, Poland, etc);
- increase in availability of sea bass and sea bream in southern European markets;
- increase in demand for salmon in new MSs (Lithuania imports of fresh salmon went up from less than 500 tonnes in 2002 to 5,500 tonnes in 2007);
- increase in demand for shellfish and molluscs, notably linked to the increase in tropical prawn breeding and the development of a shellfish cooking industry in certain major markets (France and Spain) as well as good availability of Italian clams;
- growing pressure for new exotic species of fish to meet the qualitative and economic expectations of consumers (white boneless fish fillets, without a strong taste and at a low price) and to satisfy distribution requirements in terms of volume and availability.

Consumption trends demonstrate **great market flexibility.** European markets are open to the arrival of new species of fish (Alaska pollock, Nile perch, pangasius, etc.) which replace certain others (deep sea species for instance). There are huge and rapid shifts in consumption between products and there is a tendency towards harmonisation within the EU, with the spread of modern distribution methods.

Although the breakthrough of pangasius over the past 5 years is particularly spectacular (imports of deep-frozen pangasius fillets went up from 20,000 tonnes in 2004 to 154,000 tonnes in 2007), it is not the first time in the last 30 years that the European market has shown to be receptive to new species of fish.

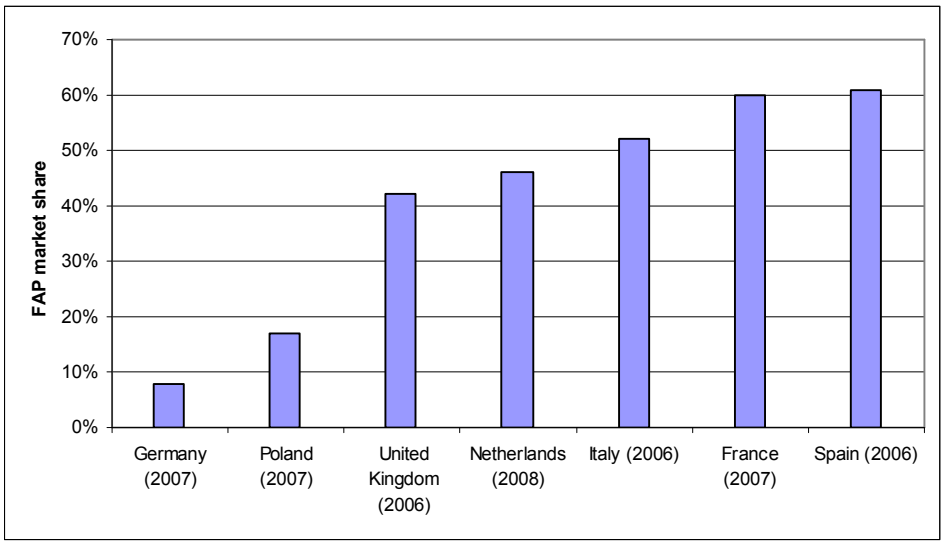


- Demand evolution in terms of products

Fresh fish continues to dominate in the majority of European countries, particularly in southern European countries (Spain, France and Italy) where more than 50% of FAPs are consumed in this form (although a slight decline in the dominance of fresh fish in Spain and France has been detected in recent years). There is an interesting increase in the consumption of fresh fish in Eastern European countries, led by the availability of fresh salmon and refrigerated pangasius fillets. Innovations in terms of packaging (fish or seafood packaged in a protective atmosphere) also help to improve mass-market availability.

The fresh fish catering sector is in a high growth phase, demonstrated by the increase in the number of sushi bars in the United Kingdom and the growth of the fresh surimi market in France.

Figure 3: Fresh fish market share in certain MS (in volume)



Source: based on national data

Deep-frozen products are attracting growing and consistent interest across almost all markets. Ready meals, breaded fish and fillets are growth drivers in this segment.

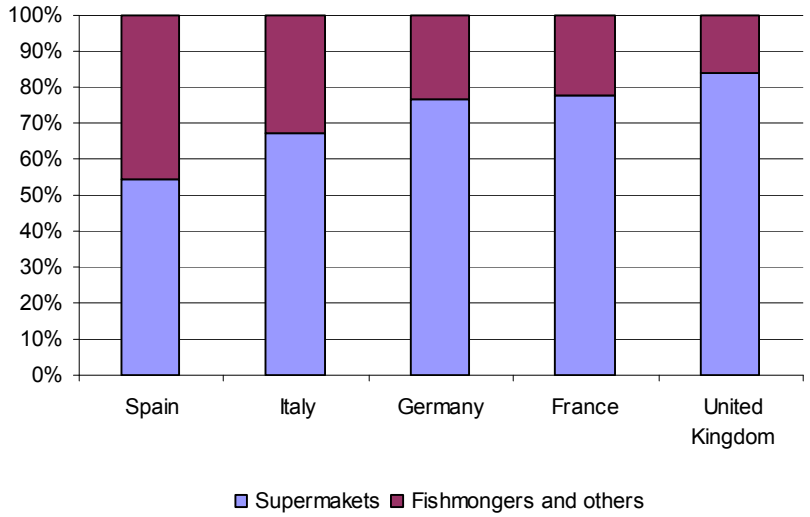
Canned and pickled fish represents a market segment that has reached maturity, even showing signs of a slight decline in several MS. Their very high penetration rates and their practicality guarantee them a minimum market share in the long-term in spite of the greater dynamism of other segments.

The salted/dried/smoked fish segment is experiencing different growth dynamics depending on the products. The smoked fish segment, led by salmon, is witnessing strong growth and still retains an image of a luxury or festive product whilst offering generally affordable price levels. Demand for dried, salted cod remains strong in the Iberian peninsula but is declining in Italy.

- Evolution and trends in distribution channels

Supermarkets have a majority share of FAP retail distribution that continues to grow in all major EU markets. This growth essentially comes from the distribution of fresh products, given that mass-market domination is already almost total in other product segments (mainly cans and pickles but also deep-frozen products).

Figure 4: Market shares of supermarkets in FAP retail distribution in certain MS (2006)



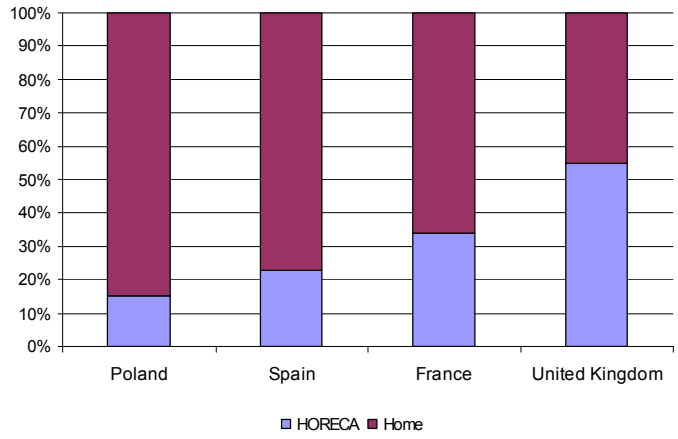
Sources: Spain: MARM; Germany: GfK ; United Kingdom : Mintel, Fish and Seafood, Market Intelligence; Italy: ISMEA AC Nielsen

Mass-market distribution of fresh fish is less significant in southern European countries than northern ones. Spain is the major market where supermarkets have a lower market share in the fresh products segment (55% in 2006, as against 67% for Italy, 77% for Germany, 78% for France and 83% for the United Kingdom).

The out-of-home catering sector has experienced strong growth in recent years in the majority of MS due to lifestyle changes that favour eating out. FAPs are very widely available in out-of-home catering, which is becoming a significant player in terms of demand and the provision of consumer information. This dynamic could however be called into question by the economic climate.

The out-of-home catering share of total FAP consumption is extremely variable from one member state to another, as shown by the graph below.

Figure 5: Distribution of FAP catering between home and HORECA in certain MS



Sources: United-Kindom: Seafish (2005); Spain: Instituto Cerda (2006); France : Ofimer (2006) ; Poland: estimations (2008)

The importance of out-of-home catering in the United Kingdom can be explained by the predominance of fish and chip shops, which account for half of FAP catering: there are 11,500 establishments of this type, which annually serve 260 million fish-based meals, in which cod and haddock represent 80% of sales.

1.3 Factors influencing demand

→ A demand influenced by a combination of economic, sociological and biological factors

→ An increase in quality channels and eco-labels

The main factors influencing FAP demand are as follows:

- purchasing power

FAPs are often considered as relatively expensive products and demand for them is elastic, according to price and purchasing power.

FAP prices nevertheless vary from one country to another: as underlined by Eurostat in "Food: from farm to fork statistics, 2008 edition", price levels for fish are around 2.5 times higher in Denmark (index: 137.0) than in Lithuania (index: 56.6). The 8 MS where fish is the least expensive (from 25% to 44% cheaper than the Community average) are 7 Eastern European MS (Bulgaria, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia) and Portugal.

- sociological factors

Apart from price, FAPs are purchased based on a combination of criteria which vary depending on types of presentation, species and countries. The diversity of situations in Europe does not

automatically allow these various criteria to be ranked. The following notes can nevertheless be drawn up:

- the health qualities and nutritional values of fish are important criteria throughout the EU; the current trend for consuming healthy and natural products, demonstrated by the rapid emergence of organic products, benefits the fish sector;
- quality in the broadest sense (organoleptic features, guarantee of freshness and safety) is also taken into consideration by European consumers when purchasing FAP;
- practicality in preparation and availability of products throughout the year may also be purchasing criteria, in certain regions and for certain species;
- lastly, respect for the environment and product origin is quoted in certain countries, particularly in the north of Europe and Germany.

In the long and even medium term, these sociological criteria may encourage a rising demand as:

- FAPs are adapted in line with changing mentality (the importance of health and consumer protection);
- the emergence of new species, the development of new products and new methods of packaging are gradually helping to eliminate the main barriers to consumption, which are the difficulty of preparation, the presence of bones and very distinctive smells.

- availability of species

Reduced availability of some traditional species may force distributors or producers to turn to the importation of new products that act as substitutes for traditional ones (in the same way that Alaska pollock has made up for reductions in cod and other European white fish).

European aquaculture, notably that of sea bass and sea bream, and in time perhaps that of continental species bred in recirculation systems (tilapia, pangasius, etc.), could benefit from this situation, on condition, however, that the product (presented as a whole fish) is adapted to taste and local consumption practices in northern Europe.

- purchasing strategy of distributors

The purchasing strategy of distributors strongly influences FAP consumption methods in European markets: central purchasing units of mass-market distribution are looking for products that are homogenous in quality, available in significant volume throughout the year and at stable prices, which is the reason for their interest in mass importation products such as Norwegian salmon, Vietnamese pangasius fillets and tropical prawns. Supermarkets also show a clear preference for aquaculture products as compared to products from the wild, since product price, volumes, sizes and quality are consistent and can be determined in advance.

- Impact of quality marks

European quality marks (PDO, PGI) are not very widespread in the fishery and aquaculture sector.

Mass-market distribution, on the other hand, is quite active in developing quality channels in parallel with the development of distributor brands. These quality labels are a device used by supermarkets to reassure and help consumers in making their choices; in some countries (France, Italy and northern European countries), consumers are prepared to pay a higher price for products that bear these quality labels.

Regional quality labels and marks are also common in some countries (Spain and France); however, these quality marks are usually national in scope and enjoy little recognition outside their countries of origin.

Environmental labels, particularly MSC, have seen rapid increases in the past two years, mainly driven by northern European countries and mass distribution chains. Many supermarket chains have in fact committed to maximising their MSC product range, that is to say referencing MSC products only between now and 2011.

Although quality marks are a means of reassuring Eastern European consumers (generally considered to be the least knowledgeable FAP consumers) with regard to the quality of FAP on offer, the market in this region is still not interested in environmental labels.

1.4 Demand in the 2015 and 2030 timeframe

→ An average annual rate of growth in consumption from 0.5% between now and 2030. This rate exceeds 1% in Central and Eastern Europe whereas it is stable or slightly decreasing in the major markets (Iberian peninsula and France)

→ Strong growth in demand for prepared products, shellfish and fillets

→ An increase in demand of 1,500,000 tonnes (equivalent live weight) between 2005 and 2030 and an additional import requirement of 1,400,000 tonnes

➢ General trends

The report published in 2007 by the FAO ("Future prospects for fish and fishery products – Fish consumption in the European Union in 2015 and 2030") addresses a broad spectrum of the FAP market in the European Union. Base assumptions regarding trends relating to the European market have been used to adjust the FAO model to the 2005 situation:

- Countries with high FAP consumption (Spain, Portugal, etc.) have reached a maximum in terms of consumption per head. Their levels of consumption could even be eroded as a result of a reduction in traditional consumption methods that are essentially based on the preparation of fresh products (fresh and whole fish).
- Countries with average fish consumption will continue to see their consumption per head increase, by different percentages according to the characteristics of national demand and the increasing importance that the consumer places on health protection in general. The increase in new products that are easier to use and new types of presentation and packaging (vacuum packed, packaged under a modified atmosphere, etc.) will also help to increase FAP penetration rates amongst groups of people who were previously reluctant to consume products associated with an unpleasant smell or considered as being difficult to prepare (e.g. the presence of bones and scales).
- Lower consumption countries in Eastern Europe will be the main drivers of European FAP consumption in the next 20 years. Several factors will combine to contribute to increased demand in this region: the expected economic growth in these regions (prospects for economic growth for Eastern European countries are above the European average for at least the next 5/10 years) will create a rise in purchasing power and, in the medium/long term, changes in consumption patterns and consumer priorities. The increasing penetration rates of supermarkets will encourage greater availability in terms of product volume and range within the distribution sector.

➢ Projections for 2015/2030 by country

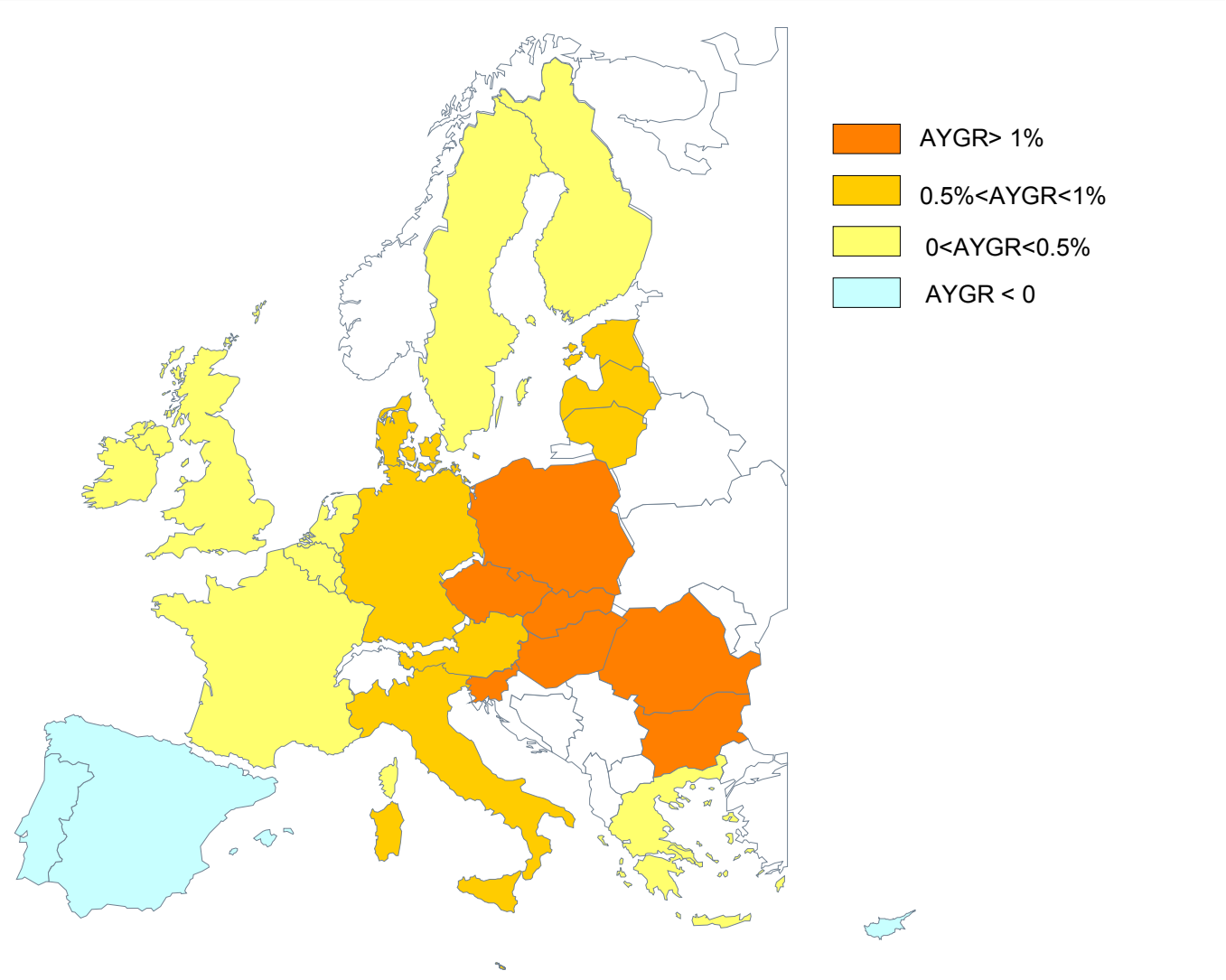
A rise in average consumption is expected in the majority of European countries (Austria, Belgium, Denmark, Finland, France, Germany, Greece, the Netherlands, Italy, Luxembourg, Malta and the United Kingdom), with a more significant rise in consumption in the new MS (notably Bulgaria, Romania, Hungary, the Czech Republic, Slovakia, Poland and Slovenia).

Although growth in consumption in the Baltic countries (Estonia, Latvia and Lithuania) will continue, it will not be as high as in other new MS, given their relatively high current FAP consumption level and a consequently lower catch-up potential.

Spain, Portugal and Cyprus will experience a reduction in growth, whilst Ireland and Sweden will see their FAP growth remain the same.

The sum of these developments within the different groups of countries should lead to an overall increase in consumption per inhabitant within the EU that, according to projections, will go up from around 22kg in 2005 to 25kg in 2030.

Figure 6: Expected average yearly growth rate (AYGR) of FAP consumption over 2005-2030



2 Supply prospects and increased Community dependence on imports

2.1 Global supply summary and change in self-sufficiency rates

→ A Community market of 12 million tonnes that has increased rapidly since 2005

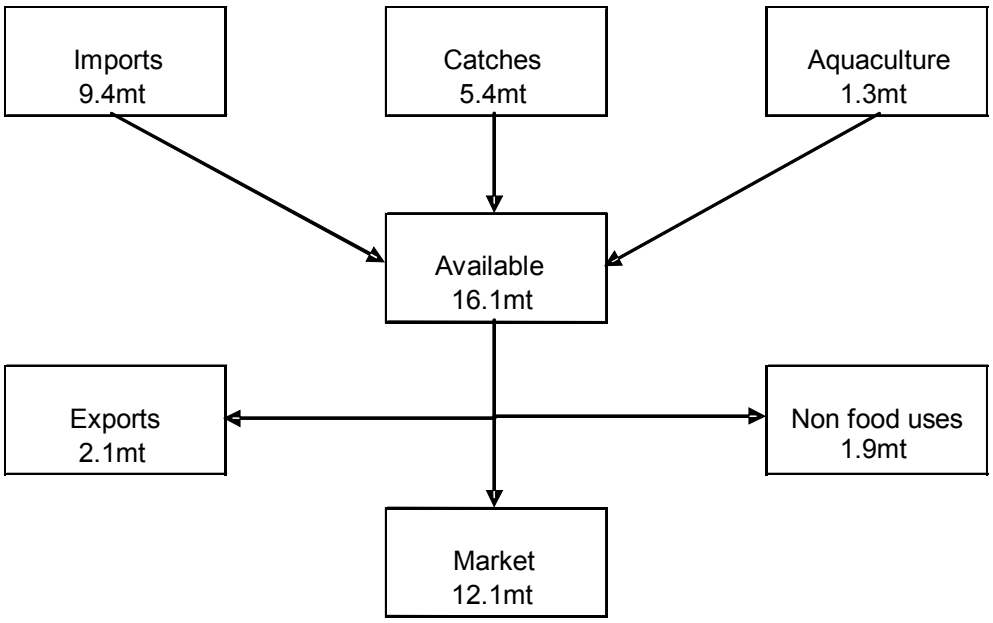
→ A Community market that is increasingly dependent on imports

→ Self-sufficiency rates went down from 57% to less than 40% in 8 years, with a consumption coverage rate from imports of over 77% in 2007

→ Additional import requirements estimated at 1.4 million tonnes in the 2030 timeframe

In 2007, the European FAP sector indicates the following characteristics:

Figure 7: EU27 fishery and aquaculture products sector (2007) (millions of tonnes in equivalent live weight)

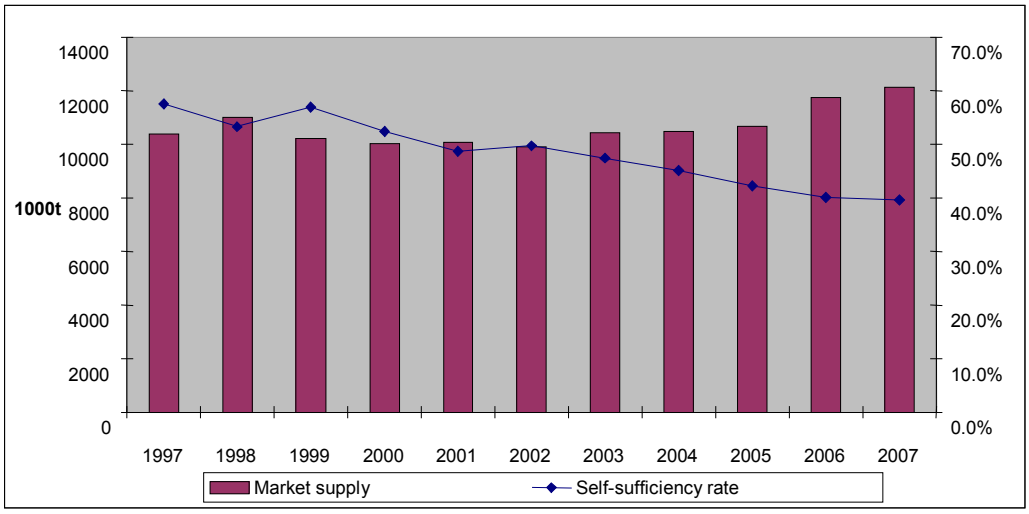


according to AIPCE

Whilst the market increased by nearly 2 million tonnes (equivalent live weight) between 1999 and 2007, the EU self-sufficiency rate fell from 56.9% to 39.6% in the same period and the coverage rate by imports went up from 58.8% to 77.4%.

It is mainly over the past two years that the market has been increasing, going up from 10.7 million tonnes in 2005 to 12.1 million tonnes in 2007.

Figure 8: EU market growth (thousands of tons in equivalent live weight) and self-sufficiency rates



Source: according to AIPCE

This reduction by more than 17 percentage points in 8 years can be explained by:

- a reduction of 1,027,000 tonnes in production intended for human consumption; (sources: AIPCE, FAO)[4]
- a rise in imports of 3,383,000t;
- and a rise in exports of 445,000t.

In view of the projections made elsewhere in terms of production (stagnation in the supply of fish, weak growth in aquaculture production and export stabilisation), additional import requirements in the 2030 timeframe can be estimated at 1,400,000 tonnes.

Figure 9: Net supply movements for the European Union in the 2030 timeframe

	2005 (a)	2010	2015	2020	2025	2030	Trend 2005/2030	TAAM* 2005/2030
Consumption (kg/inhabitant)	22	23	23	24	24	25	↑	0.48%
Population (thousands)	490 421	495 207	497 593	498 405	497 878	496 116	→	0.05%
Net supply tonnes (equivalent live weight)	10 890 674	11 144 292	11 451 161	11 770 292	12 093 943	12 426 610	↑	0.53%

* TAAM = Taux Annuel d'Accroissement Moyen (average annual growth rate)

Sources:

Consumption per inhabitant and net supply

[4] NB: Eurostat and AIPCE show different data, although the trends are similar; the discrepancy comes from the method of handling catches that are not intended for human consumption.

(a): FAO, except for Lithuania where the FAO data were changed to correct statistical errors.

2010-2030: projections were adapted from the Failler/FAO 2007 model.

Population: World Population Prospects - The 2006 Revision (Population Division of the Department of Economic and Social Affairs of the United Nations Secretariat)

2.2 Movement in European production

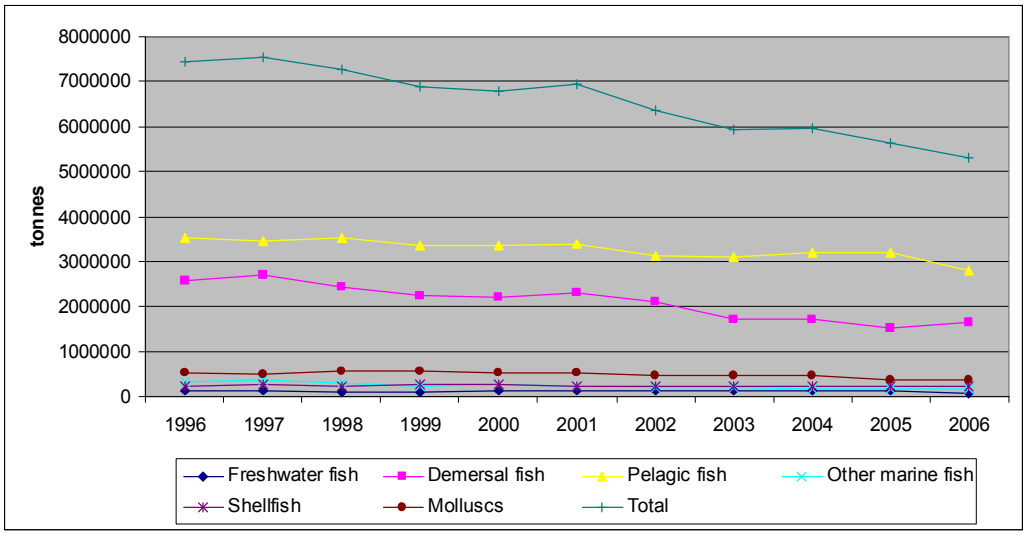
→ Steadily decreasing production but stabilisation in catches expected

→ Aquaculture production stagnating, only increasing for Mediterranean species and supplying 80% of the fresh fish market

- Fishery

Mainly due to the availability of resources, European fishery production has been steadily decreasing for ten years (-28% between 1996 and 2006, which represents a loss of more than 2 million tonnes according to Eurostat); it affects above all species that are subject to quotas and accounts for over a million tonne of the reduction in Denmark's production, essentially for non-human uses.

Figure 10: Evolution of EU-27 landing by species (in tonnes)



Source: Eurostat

The demersal fish group has fallen more sharply (-36%) than that of pelagic fish (-21%).

The main reductions in catches of white fish relates to the gadoids: cod (-66%), haddock (-51%), whiting (-52%) and redfish (-40%).

By contrast, catches of black pollock have increased (+10%) and those of hake, having decreased until 2001, have almost recovered their level at the beginning of the period in 2006.

Catches of pelagic fish, between 3.1 and 3.5 million tonnes for the whole of the 1996-2005 period, dropped by 14% during 2006 alone to fall to less than 2.8 million tonnes. It was mainly catches of tuna and tuna-like fish that went down (-50% for big-eye tuna, -48% for yellow fin tuna, -36% for red tuna and -28% for skipjack tuna).

A stabilisation in catches is expected in the future.

- Aquaculture

European aquaculture, with a production of 1,300,000 tonnes in 2006, does not make up for the reduction in fishing fleet catches. Its production barely increased between 1996 and 2006.

Figure 11: Evolution of EU-27 aquaculture production between 1996 and 2006

t	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Freshwater	333 414	339 321	327 932	330 829	332 178	341 495	314 100	324 283	306 629	288 332	284 156
Brackish water	107 105	105 693	115 589	118 474	122 942	122 034	62 169	46 324	49 686	99 696	51 345
Sea water	789 843	809 229	934 422	982 435	944 111	922 749	897 402	973 927	975 732	888 601	948 468
Total	1 230 362	1 254 243	1 377 943	1 431 738	1 399 231	1 386 278	1 273 671	1 344 534	1 332 047	1 276 629	1 283 969

Source: FAO

Freshwater aquaculture (-15%) and brackish water aquaculture (-52%) declined, whilst saltwater aquaculture increased significantly (+20% between 1996 and 2005).

Aquaculture production in the EU is dominated by the 3 large Mediterranean countries (Spain, France and Italy) and the United Kingdom, which between them account for two thirds of EU production.

During the past few years alone, production of "Mediterranean" species has increased: +60% for turbot, +37% for sea bass and plus +24% for sea bream.

European aquaculture production supplies nearly 80% of the fresh fish market. Some species nevertheless play a significant part in supplying the processing industry: mussels (Spanish canning industry), salmon and trout (fish smoking industry in Poland, France, Germany and Denmark) and eels (fish smoking industry in the Netherlands and Denmark).

Possibilities today for expansion based on traditional breeding methods (cages at sea and catchment tanks in flowing water) appear to be limited. The possibilities for expansion in aquaculture production come from the development of new technologies (essentially based on closed loop systems); these enable new areas to be used and help to reduce conflicts of use or environmental conflicts that are at the root of the expansion limitations for traditional technologies.

- Processing industry

European dependence should not obscure the importance of processing activities and the dynamism of intra-community exchanges - dominated by a north/south current - that play a considerable part in EU market supply.

The 20 leading companies in the fishery and aquaculture products sector come from 5 MS: Spain (5 companies), the United Kingdom (4), France (4), Germany (3), Denmark (3, including two fishery companies for processing prawns in Greenland) and Italy (1).

Out of these, the large British and German companies mainly specialise in freezing white fish, whilst the major Spanish and French groups are more diversified.

2.3 Situation and prospects for import requirements

The table on the following pages summarises the situation in different market segments, for the main species and groups of species where there has been a significant use of imports, by showing:

- rate of dependence on imports;
- volume and structure of imports;
- principal sources of supply;
- reasons for undersupply: insufficient volume of European production or production not in line with industry or market needs;
- trends: is dependence increasing, stable or decreasing?
- risks: where growing, does the level of dependence pose any risks for the European Union and, if so, what are they and at what point in the chain?

Nature of imports (rate of dependence on imports)	Source	Cause of import requirements		Trends	Risks
		Volumes	Other		
White fish (90%):					
- Fresh fish market: whole cod: (37,000t), cod fillets (50,000t), whole hake (50,000t)	Iceland, Norway	Reduction of TAC, recovery plans for cod stocks		Price convergence of Community hake and that imported from Namibia	Marginalisation of the EU offering and price alignment
- Deep-frozen: whole deep-frozen hake (54,000t), Alaska pollock fillets (275,000t), cod (104,000t), hake and pangasius (151,000t)	United States (Alaska pollock), China, Russia (Alaska pollock, cod), Iceland, Norway (cod), Argentina, Namibia, South Africa (hake), Vietnam (pangasius)	Increase in demand	Regularity of supply and ability to supply tailor-made products Intrinsic product qualities (lack of bones in the case of pangasius)	Rapid rise in pangasius market share Rise in imports coming from China (attributable to increased filleting)	Risk for production (fishery and aquaculture) linked to the booming sales of deep-frozen pangasius at the expense of the fresh fish market Risks for the industry linked to stocks of Alaska pollock
- Salted fish sector: whole deep-frozen cod (91,000t), salted *'green cod'* (64,000t)	Iceland, Norway	Reduction in EU resources	Quality of Norwegian products	Trend towards reduction in imports of green cod and dearer prices	
- Surimi sector: surimi base (42,000t), surimi preparations (49,000t)	United States, Chile, Vietnam (surimi base), China, Thailand (surimi preparations)	Insufficient EU production of surimi base		Trend towards stabilisation (tariff quota 55,000t)	Risk for the industry linked to stocks of Alaska pollock
Sea bass (19%): - Fresh fish market: fresh sea bass (15,000t)	Turkey		Low price	Rising imports	Downward pressure on European prices Risk of oversupply (above all with the risk of a large number of Greek cages moving to sea bass, related to the current crisis in overproduction of sea bream)

Nature of imports (rate of dependence on imports)	Source	Cause of import requirements		Trends	Risks
		Volumes	Other		
Salmon (83%): - Fresh fish market: whole salmon (400,000t), fresh fillets (32,000t) - Fish smoking industry: whole fresh salmon, frozen fillets (81,000t)	Norway Norway (fresh salmon), Chile, China (frozen fillets)	Insufficient EU production	Norwegian prices, availability and logistics	Moderate increase in imports	Risk of increase in frozen smoked products
Herring (32%) - Imports of fresh herring (73,000t), whole frozen herring (31,000t), frozen fillets (46,000t), frozen flesh other than fillets (62,500t), marinated herring (16,000t)	Norway, Iceland			Reduction in imports of frozen herring (82,000 tonnes in 2000) Slight increase in imports of pickled herring (13,000 tonnes in 2000) Stability of quantities imported in other segments	
Sardine (28%): - End consumer market: fresh sardines (1,600t), canned (46,000t) - Industry: frozen sardines (10,000t)	Morocco (deep frozen, canned), Thailand, Namibia (canned)		Uncompetitiveness of EU industry for marketable produce	Imports reducing (both frozen and canned)	

Nature of imports (rate of dependence on imports)	Source	Cause of import requirements		Trends	Risks
		Volumes	Other		
Tropical prawns (99%): Imports of frozen prawns, cooked and uncooked, shelled and unshelled (492,000t)	Ecuador, India, Argentina, China	No European production in line with demand for cooked frozen prawns (price, size, quantities) No Community aquaculture		Continual rise in imports Rise in consumption of products cooked and frozen at the place of production Defrosted products sold on fresh food shelves Rise in sales of fresh cooked prawns	Relocation of European cooking companies Sustainability of resources (epidemics in Latin America, working conditions in Thailand) Price volatility
Mussels (10%): Imports of frozen mussels (12,500t), and processed mussels (4,200 t)	New Zealand, Chile		Price Increased control of Community processing in import channels	Rise in imports of mussels, including those prepared or canned, but still marginal compared with Community production	Competition from Chile on prices which could affect profitability of Community mussel breeding (above all in Spain) Competition from new countries of production on processed products Risks of destabilisation in the canning sector, already weakened by relocation of tuna (Spain)
Cephalopods (77%): frozen squid (285,000t), frozen octopus (92,000t), frozen cuttlefish (73,500t)	India, Morocco, Falkland Islands, Thailand, China	Growing demand and only Spain produces significant quantities (134,000t)		Rise in imports	

2.4 Analysis of import dependence

2.4.1 Main import sectors

Prawn, salmon, cod and tuna are the main import sectors.

Figure 12: Most imported species/ products in the EU-27 in 2007 (in value)

Species	Segments	Imports *t in equivalent live weight* t product	Imports M€	Main suppliers (M€)	Main importers MS (M€)
Prawn	frozen	492 455	2 144	Ecuador 246 India 246 Argentina 239	Spain 712 France 321 Belgium 259
Salmon	fresh	*537 572*	1 558	Norway 1 516	Sweden 826 Denmark 454 Germany 105
	frozen	*227 570*	507	Chile 203 China 101 Norway 79	Germany 171 France 75 Denmark 70
Tuna	canned	509 586	1 363	Equateur 287 Thailand 182 Mauricius 133	UK 281 Italy 265 Spain 248
Cod	frozen	*434 952*	953	China 256 Russia 199 Norway 122	UK 325 Netherlands 125 Portugal 114
	salted/dried	*312 292*	705	Norway 400 Island 204 Feroe Islands 41	Sweden 265 Netherlands 182 Denmark 124
Freshwater fish *	frozen	*632 721*	563	Vietnam 332 Russia 39 Kazakhstan 37	Netherlands 95 Germany 87 Poland 80
Allaskan pollock	frozen	*871 856*	547	China 259 USA 220 Russia 66	Germany 324 France 63 Poland 44
Cephalopods: squid/ octopus	frozen squid	197 755	467	Falkland 84 Thailand 83 India 61	Spain 196 Italy 185 Greece 29
	frozen octopus	92 326	390	Morocco 195 Mauritania 41 Mexico 32	Spain 189 Italy 155 Greece 29

***other than salmons, trouts, carps and eels**

Source: Eurostat/Comext

2.4.2 Summary of import dependence

→ In sectors currently with low dependence on imports, the prospects for maintaining a position in European production are good.

→ The sectors that are currently heavily dependent on imports are likely to remain so and the prospects for recapture by European production are very limited.

The table on the following page highlights the sectors that are heavily dependent on imports and those that are less or not at all dependent.

Market segment	**Sectors dependant on imports**		**Sectors little dependant on imports**	
	Species	Mid-terms prospects for recapturing by the EU production ?	Species	Mid-terms prospects for maintaining a position by the EU production ?
Fresh fish market	salmon cod merlu haddock redfish	no no partly no no	trout sea bass sea bream sardine mussel oyster flat fish black pollock monkfish carp grooved carpetshell	yes yes yes yes yes yes yes yes yes yes yes
Frozen fish market	cod hake haddock black pollock Alaska pollock redfish pangasius shrimp cephalopods	no no no no no no no no no	Norway lobster	yes
RM for the fish smoking industry	salmon herring	no no	trout hareng sprat mackerel	yes yes yes yes
Smoked fish market			salmon trout herring sprat mackerel	yes rather yes (trout TR ?) yes yes yes
RM for the salting industry	cod herring anchovies	no herring from Baltic Sea no		
Salted fish market	cod	ES-PT ?	herring	yes
RM for the marinating/ pickling industry	herring	no		
RM for the surimi industry	surimi base	blue whiting North Sea ?		
Surimi market	surimi lieu Alaska	surimi blue whiting ?		
RM for the canning industry	tuna anchovies herring	out of scope no yes, partly	mackerel sardine	? (Canada-USA ? Peru ? …) ? (Morocco ?)
Canned fish market	sardine	no	tuna herring mackerel mussel	no (decrease of duties) yes ? (Morocco ? Peru ? …) no (Chile)

RM : raw materials

2.4.3 Segment by segment analysis

❖ **Fresh fish market**

The sectors that are currently little or not dependent on imports are likely to remain so:

- the Community production system in aquaculture species (trout, sea bass, sea bream, oysters, mussels and clams), given comparable regulatory conditions, seems likely to continue satisfying fresh fish market requirements;
- sardines: fresh sardines, a product susceptible to a limited life cycle, will remain a locally supplied product and import trends will remain low;
- flat fish: the fresh fish market will continue to be supplied by Community products, the reduction in availability of sole being made up for by imports of tropical sole fillets (potentially sold defrosted on the fresh fish shelf) with the reduction in availability of plaice initially affecting the processing industry market;
- black pollock: good stock management and limited market enthusiasm for the product suggest that the fresh fish market will continue to be supplied with Community products, complemented by products coming from Norway, Iceland and the Faroe Islands;
- monkfish: quotas increased by 43% between 2004 and 2008; Community production is likely to supply the basic demand for fresh fish, complemented by imports coming from the same source as black pollock.

Sectors largely dependent on imports should also remain so:

- salmon: the huge market for fresh salmon, which is constantly growing, cannot be recaptured, even in part, by EU aquaculture production; this has been reducing in recent years (145,000 tonnes in 2006 as against 173,000 tonnes in 2004 and is constrained in its future development by ecological restrictions and commercial strategies based on quality rather than quantity;
- cod: changes in the cod quota (149,000 tonnes in 2002 as against 107,000 tonnes in 2008) have resulted in a significant fall-back on imports of whole fresh cod (31,000 tonnes in 2007) and fillets (43,000 tonnes equivalent live weight) from Norway and Iceland; this trend will remain a key factor in the supply of the fresh fish market;
- hake: the situation with regard to hake stocks has seen an improvement during recent years (EU quota rising, from 35,000 tonnes in 2002 to 61,000 tonnes in 2007), which suggests that a partial recapture of the fresh fish market by Community production can be anticipated (imports of fresh hake have otherwise started to go down, reducing from 61,000 tonnes in 2004 to 48,000 tonnes in 2007);
- haddock: imports (46,000 tonnes of fresh haddock) will continue to have a predominant position in the supply of the fresh fish market; regular reductions in the EU quota (down from 108,000 tonnes in 2002 to less than 72,000 tonnes in 2008) leave little hope for recapturing the market;
- redfish: with the rapid drop in the EU quota, which fell from 76,000 tonnes in 2002 to 18,000 tonnes in 2007, the fresh fish market has become dominated by imported products (19,000 tonnes of whole redfish and 5,000 tonnes of fresh fillets in 2007) and is likely to remain that way.

❖ **Frozen product sectors**

These are almost entirely dependent on imports and there are few signs to suggest any possible reversal of this trend:

- white fish: in 2007, the EU imported 2.1 million tons (equivalent live weight) of frozen white fish (cod, black pollock, redfish, haddock, hake, Alaska pollock and hoki); it is these imported products that supply the vast majority of European frozen white fish channels (processing industry and retail channel); the main species, Alaska pollock (915,000t) is not produced in Europe; there are few prospects for European production channels;
- prawns: prawn aquaculture is almost non-existent and specialist fishing fleet catches are stable at around 100,000t, mainly consisting in shrimps (about 40% brown shrimps), northern shrimps (around 25% pandalus borealis) and deep water pink shrimps (about 15% parapenaeus longirostris); these products are mainly intended for the fresh fish market, often after shelling, or for canning and freezing; the cooked prawn industry works with other species, tropical imported prawns (penaeus vannamei and peaneus monodon) that are unlikely to be produced in the EU;

❖ **Fish smoking industry**

This is heavily dependent upon the import of raw materials for two major species:

- salmon: the raw salmon used by the European fish smoking industry primarily comes from Norway (more than 60% of the total), followed by the EU (Scotland and Ireland), the Faroe Islands and Chile;
- herring: although the herring quota is not fully used by the Baltic States and Poland, the EU source of supply appears to have little capacity for increasing its share in so far as manufacturers, notably Polish, prefer herring from the North Sea/Atlantic coastline.

In terms of other species mainly used by the fish smoking industry (trout, sprat and mackerel), EU production seems to be capable of continuing to supply in volumes required by the processing companies.

❖ **The smoked fish market** is predominantly supplied by Community manufacturing. Extra-Community imports are very much lower: these represent around 10% of the market, which is mainly made up of trout from Turkey, herring from Canada and salmon from Norway. European manufacturing should retain its market share, although smoked trout from Turkey, which doubled its market position between 2000 and 2007, is one to watch. The risk of seeing major Norwegian salmon farming companies getting further involved in the production of added value salmon products (smoked or other) is also to be taken into consideration.

❖ **The European salting/drying industry** is heavily dependent on imports:

- cod: the EU does not have the necessary raw materials and imports large quantities of salted, non-dried cod (64,500 tonnes in 2007) as well as deep frozen cod intended for the drying industry; there are no prospects for it to recapture this segment;
- herring: Polish manufacturers, which produce a significant amount of salted herring (around 22,000t) mainly work with imported raw materials (from Norway and Iceland, as well as the United Kingdom, the Netherlands and Denmark) although it may increase catches in the Baltic Sea since it considers that North Sea herring is better suited to its requirements;
- anchovies: the Spanish anchovy industry mainly uses salted herring imported in barrels from Argentina, a situation that is unlikely to change whilst the ban on anchovy fishing in the Bay of Biscay remains in force.

- **The market for salted/dried cod**, partly supplied by Community manufacturing (or repackaging) companies, mainly located in Portugal, Spain and France, also depends heavily on imports of finished products. However, production by the Portuguese and Spanish drying industries is in a growth phase (+44% in the case of Portugal and +35% for Spain between 2001 and 2006) and further, albeit limited, recapture of the market by EU manufacturers is therefore possible

- **The herring pickling industry** is also dependent on imports for its supply and European production does not seem to have the quantity and quality required to increase its share of manufacturing purchases.

- **The European surimi industry** mainly works with imported surimi base (about 85,000 tonnes/year). French and Lithuanian companies also have limited production of surimi base for their own use. This production is limited because Alaska pollock, the main raw material used for surimi base, is not produced in Europe. However, other species that are abundant in Community waters but little used for this purpose (blue whiting), offer some potential.

- **The European canning industry** (this means factories operating in the EU, not Spanish or French-owned plants that have relocated to Morocco or Latin America) is heavily dependent on imported raw materials for anchovies and herring, a situation that has already been mentioned above. It mainly works with raw materials coming from within the Community, for mackerel and sardines, species of which there is still abundant fishing stock and where there are good prospects for the EU to maintain its position. Resorting to imports of frozen sardines (from Morocco) is on a limited scale, which is also the case for frozen mackerel from outside the Community.

- **The canned fish market** heavily depends on imports for sardines (tuna is not part of this study), where Moroccan domination is total. Other segments of the canning market are supplied more by Community manufacturers, such as tuna, where prospects for maintaining its position are low with the probable reduction in customs duties on canned products from Asia, or mackerel, where the Community's position may be challenged by Morocco and Peru, or even mussels, where Chile has set up a plant that could be expanded.

2.4.4 Sectors heavily dependent on imports

The table below lists the various market segments for which there is heavy dependence on imports and tries to assess whether resorting to imports has a damaging effect on Community production.

Market segments	Species	**Damaging effect on EU production ?**
Fresh fish market	salmon	No: imports only concern basis products (Norway) whereas EU products are sold at a reasonable price
	cod	No: EU products are sold at a reasonable price
	hake	No: EU products are sold at a reasonable price
	haddock	No: EU products are sold at a reasonable price
Frozen fish market	cod	No: the EU market is not profitable and EU products mainly go to the fresh fish market
	hake	No: the EU market is not profitable and EU products mainly go to the fresh fish market
	haddock	No: the EU market is not profitable and EU products mainly go to the fresh fish market
	black pollock	Yes: quotas are not fully used (necessity to innovate to overcome the product's bad image among distributors and consumers)
	Alaska pollock	No: no EU production and no other species to replace imports (black pollock does not have the same characteristics: colour, etc.)
	redfish	No: the EU market is not profitable and EU products mainly go to the fresh fish market
	pangasius	Yes: potential damage is not linked to the species itself, but to the legal framework which allows the selling of refrigerated products as fresh products (loss of any freshness advantage)
	shrimps	No: production is sold at a reasonable price (EU shrimps aquaculture is almost non-existent)
	cephalopods	No: the EU market is not profitable and EU products mainly go to the fresh fish market
RM for the fish smoking industry	salmon	No: EU products are sold at a reasonable price
	herring	Yes: Baltic Sea quotas are not fully used (PL) as Scandinavian herring is preferred by the industry
RM for the salting industry	cod	No: there is not enough EU raw materials to supply the fish salting industry.
	herring	Yes: Baltic Sea quotas are not fully used (PL) as Scandinavian herring is preferred by the industry
	anchovies	No: there have not been any EU production in the Gascogne Golf for 4 years
Salted fish market	cod	No: imports of salted/ dried cod are complementary to portugese and spanish production.
RM for the pickling/ marinating industry	herring	Yes: Baltic Sea quotas are not fully used (PL) as Scandinavian herring is preferred by the industry
RM for the surimi industry	surimi base	Raw material is available from North Sea (blue whiting), but there are very few producers (only one vessel)
Surimi market	surimi	No: EU production is not sufficient to meet demand
RM for the canning industry	tuna	Out of scope
	anchovies	No: there have not been any EU production in the Gascogne Golf for 4 years, and Italian production is increasing despite imports
	herring	Yes: Baltic Sea quotas are not fully used (PL) as Scandinavian herring is preferred by the industry
Canned fish market	sardine	Yes: due to production costs and moroccan competition, the EU canning industry should refocus on niche markets.
	mussel	Yes: Galician production relies on the industry and suffers from the Chilian competition

RM: raw materials

2.4.5 Summary of damaging effects on EU production

The segment by segment analysis of sectors heavily dependent on imports demonstrates that there is in general no "damage" to the Community production sector and that imports only occur when European production is unlikely to meet supply demands from manufacturing or distribution.

In some segments the situation (under-utilised quotas, undervalued and abundant species, etc.) invites the question as to whether European production (fishery and aquaculture) could establish itself in this segment:

- black pollock: the quota is not fully utilised (quota 2006: 83,085t / production 2006: 67,549t), although some markets (the French market in particular) are doubtful about this product, which is sometimes not well received by distributors and consumers; research in progress on new products (notably at Boulogne-sur-Mer) could enable this disadvantage to be overcome;
- pangasius: the EU market boom in pangasius fillets is explained by market interest in a product that is white in colour, practical (presented as fillets, without any bones), inexpensive and regularly available in volume; however, continuation of this trend is likely to hinder the development of Community aquaculture products; it is not the species that is in question here but rather regulatory acceptance of retail sales of "fresh" (refrigerated) products and the thin dividing line in fresh EU products in terms of how close they are to being fresh;
- herring: for this product as well, fishing quotas in the Baltic Sea are not fully utilised, since fishing is not considered to be sufficiently profitable and Baltic herring is not seen as being as attractive by the processing industry, which prefers North Sea herring;
- sardines: due to production costs and its lack of competitiveness, the European canning industry has had to refocus on niche markets and has been pushed out of the mass market by Moroccan sardines, imported by the EU without customs duties;
- mussels: imports of canned mussels from Chile are increasing, whereas mussel-breeding in Galicia, the main European production area, relies on the manufacturing market to take half of its production and is experiencing difficulties due to this competition.

3 Pricing and profit margins in the sector

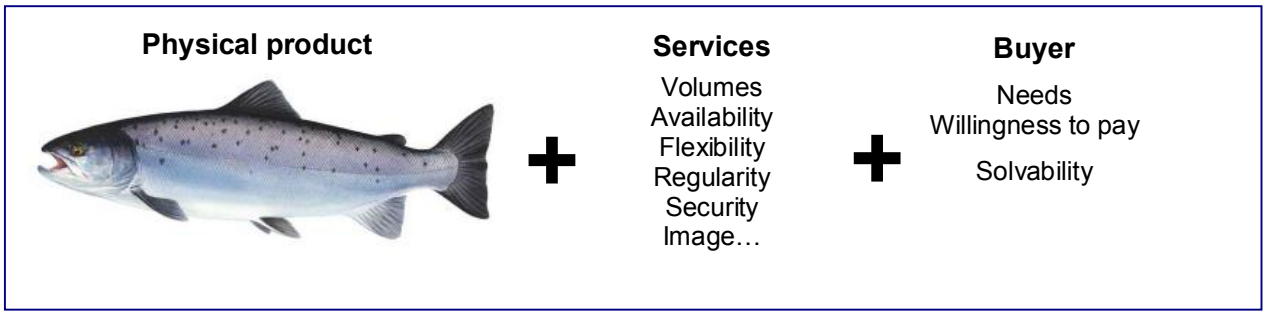
3.1 Main observations on FAP pricing

→ A long-debated subject that often creates conflicts between producers and buyers

→ An "objective" assessment of prices is difficult due to the multiplicity of products, the complexity of sectors and markets and the lack of consistency and continuity in systems for measuring prices of the various links in the chain

→ Since 2000, retail fish prices that have not risen more quickly than other food products in the main EU markets

The price of fish, as is the case for the majority of goods, greatly exceeds the value of the physical product itself. It incorporates various services provided by a supplier (fishery, aquaculture, processing and distribution) to buyers, who themselves help to determine market price by their ability and agreement to pay the price.



In fact, the price confirms the mutual acceptance of the transaction between seller and buyer; the seller must cover its purchasing and operational costs by applying an added value (margin) and the buyer has to satisfy various requirements (nutritional, gastronomic, commercial, etc.) for the best quality/price ratio.

The diversity of FAP channels and markets within the EU makes it difficult to analyse pricing mechanisms and passing on of prices in the channels, with a horizontal perspective at the Community level in any case.

- First sale prices

First sale prices of fresh fish products (fresh catch auctions and markets) **are generally characterised by significant volatility,** as a result of many factors being at play in terms of fishing (natural fluctuation in abundance of species) and **local context**: fresh catch auction and market history, its size, sales method specialisation, industry organisation, proximity of markets, etc. make for highly variable prices with differing susceptibility to fluctuations in supply and demand.

First sale prices are also generally, but not solely, **proportional to the level of quality.** Size can also be responsible for significant discrepancies depending on demand from manufacturers' (size suitable for processing) or buyers who, depending on the region, are overpaying for either small or large sizes.

- Over and above first sale prices

Prices over and above first sale prices are partly conditioned by the players involved in the chain up until the final sale to consumers. Several channels often co-exist to supply the various types of retail distribution and HORECA (hotels, restaurants and cafes), with specific pricing mechanisms and margins for each intermediary.

However, there is no relationship between the length of the supply chain and the price paid by the end consumer: some short distribution channels add value to products at levels higher than those of mass-market product channels, more efficient in terms of buying power and distribution logistics.

- Prices of imported products

Prices of imported products appear to be much more stable, notably for major commodities coming from aquaculture or major fisheries where stock status is still "satisfactory" (salmon, tropical prawns, frozen blocks of Alaska pollock, southern whiting, pangasius, etc.). Prices are mainly determined by production cost factors (fodder, fuel, etc.), incidents of overproduction and underproduction in the case of aquaculture and currency parity with the euro (the majority of imported products are negotiated in dollars).

- Movement in consumer prices

In the absence of comparable data at the Community level, movement in consumer prices is studied for three major markets.

Figure 13: Index of FAP, food products and general consumer prices (index price: 100 in 2000)

	2000	2001	2002	2003	2004	2005	2006	2007	2008
UK - FAP	100.0	101.9	104.7	103.3	101.5	103.2	111.4	120.7	126.7
UK - Food	100.0	103.8	104.5	105.8	106.5	108.1	110.8	115.8	126.3
UK - General	100.0	101.2	102.5	103.9	105.3	107.4	109.9	112.5	116.5
FR - FAP	100.0	103.5	106.4	108.1	108.0	108.4	111.3	112.8	116.6
FR - Food	100.0	105.6	108.5	110.9	111.4	111.6	113.5	115.1	121.0
FR - General	100.0	101.7	103.6	105.8	108	110.0	111.7	113.4	116.6
ES - FAP [5]			100.0	103.6	105.8	109.6	114.7	117.3	119.5
ES - Food			100.0	104.1	108.1	111.5	116.1	120.4	127.5
ES - General			100.0	103.1	106.3	109.8	113.6	116.8	121.6

[5] The calculation method of the consumer price index (IPC: Indice de Precios de Consumo) changed in January 2002, which does not enable any comparison before that date.

In the United Kingdom, the price of fish for the period in question has risen in line with the average across all food products (+26.3%), with a high rise in 2006 and 2007.

In Spain, fish is the product category for which prices have increased the least quickly, along with that of sweet products: +19.5% between 2002 and 2008, as against +27.5% for all food products and non-alcoholic drinks.

In France, the price of fish has increased less since 2000 (+16.6%) than the average across all food products (+21.0%) and meat in particular (+25.3%).

It should be noted that these average movements conceal differences that are sometimes very different depending on products. For example, the prices of cod and salmon have experienced unsymmetrical movements since 1997 and very different from those of meat products.

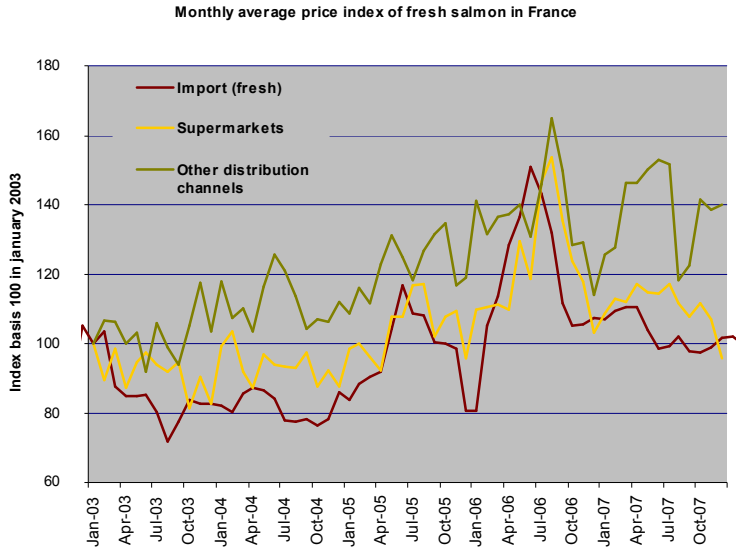
3.2 Main observations on value distribution in FAP chains

→ Profitability at the various stages in the fishery and aquaculture product chains is lower overall than that for other food supply chains, which are often more "marketed"

→FAP producers are less disadvantaged than farmers from the downstream value distribution perspective (with significant variations according to whether related to fresh or processed products)

Studies available on the major fresh and frozen FAP chains in the EU do not show evidence of value capture by a particular link in the chain and do not indicate the presence of "abusive" margins at the intermediary or distributor level. For example:

- Although French companies in the FAP sector have been recording stable or reducing margins for 15 years, it also appears that downstream players seem to be playing the role of "shock absorber" in many fresh fish FAP chains, by absorbing upstream fluctuations in the price of fish, thereby guaranteeing relative stability and transparency in consumer prices.
- **With regard to salmon in France, mass market distribution does not make unfair margins.** Applying a comparative time series analysis method in the case of fresh whole salmon shows that between 2003 and 2007 the supermarket price changed almost in direct proportion to that of imported Norwegian salmon, with "absorption" of fluctuations that was often time-shifted (2006 peak). For their part, other retail channels (fishmongers and market stalls) have not reflected the reduction in import prices from 2003 and have tended to continue their upward trend.



Overall profitability of FAP chains in the EU is somewhat less than that of other food supply chains, due to the predominance of fresh products and weak marketing. Value distribution does not seem fundamentally to be unfavourable to producers (compared to meat sectors, for example). Only some very specific segments, at the manufacturing as well as the retail distribution level (canned tuna and sardines), are clearly experiencing the force ratio taking hold to the advantage of the downstream chain.

4 Prospects and challenges related to supply of the Community market

Community FAP demand is growing. This growth should continue over future decades at an average annual rate of +0.5% and should affect all segments of the market. The relative drying-up of consumption in major traditional markets in the southern hemisphere is gradually being picked up by markets in Central and Eastern Europe, where increases in buying power, improvements in product distribution and changes in consumption methods should translate into a very appreciable increase in levels of consumption per inhabitant.

Imported FAP supply requirements in the EU are going to increase considerably in the coming two decades, without having an overall impact on Community production from fishery and aquaculture (and least in volume); however, there will probably be some negative effects on certain general purpose and/or utility labour activities (canning, filleting, cutting and packaging, etc.), although it is estimated that the prospects for maintaining European production positions are good in channels that currently have low dependence on imports, such as many fresh product sectors (prepared fish, sardines, monkfish, the majority of European aquaculture species, etc.).

A Common Market Organisation should consequently look, on one the hand, to facilitate mass importation of products that the market requires, whilst on the other hand retaining the competitiveness of sustainable Community production sectors (from the twin perspectives of the economy and the environment). The gradual reduction and eventual elimination of exchange barriers, promoted by the World Trade Organisation (WTO), should (if the "Millennium Round" negotiations reach

a successful conclusion) lead to a very open European market, with consequences, negative or positive depending on the sector, for the competitiveness of Community channels.

Three main challenges stand out in terms of a policy to support these changes:

- **1/ Ensure a balanced supply of the Community market**

Guaranteed market supply is a significant challenge but one that in fact involves few risks on account of European consumers' solvency and willingness to pay (all exporting countries target the EU market). Worldwide supply continues to be supported and the development prospects for aquaculture are good. In an expanding market, Community fishery and aquaculture products should not experience any significant marketing difficulties if they can be tailored to market expectations (quality, availability, presentation, etc.) and by dint of their proximity, which represents an additional advantage.

- **2. Improve competitiveness of Community production, in terms of fishing and breeding activities as well as in marketing and processing**

This involves paying close attention to market adaptation requirements, segment by segment and chain by chain, with the intention of coming up with differentiated solutions: manufacturers depending on imported raw materials should benefit from total market openness whereas the last canning plants in the EU may be wiped out by the free entry of canned products from Asia and South America.

Tools that can be considered to support European companies during this transition towards an "open" market are of several types:

- Trade measures with third countries: these have played an important part in the regulation of Community market supply during the recent period. Quotas with reduced or zero duty on raw materials have clearly helped to maintain the competitiveness of some processing industries without significant disruption to Community prospects and production prices. On the contrary, the retention of certain import duties for processed products has to date enabled some industries to be kept within the EU (canning in particular). In anticipation of an agreement at the WTO, these tools are still relevant.
- Support for approaches to valorise Community production: support from the CMO to producers organisations and support from structural funds (EFF and ERDF) for product differentiation/enhancement approaches (certification, development of quality marks, etc.) are still relevant ways within the CFP field; this is due to the still fragile structure of many sectors (predominance of very small and small/medium sized companies and weakness of inter-professional approaches).
- Financial intervention mechanisms: through the support of withdrawals and carry-over, these mechanisms temporarily help to improve planning and provide better long-term enhancement (development of agreements)

- **3. Protect the interests of European consumers and meet their expectations**

The twin objectives of guaranteed supply and competitiveness of Community production must be achieved whilst **in parallel guaranteeing the best possible quality/price ratio for FAPs**. Quality is considered here in the widest sense (freshness, nutritional value, production method, etc.) and in line with certain consumer expectations (sustainability of production channels, information about production sources, etc.).

For this reason, a regulatory framework for certain practices and approaches is still required:

- around certification and labelling initiatives of production channels considered to be sustainable (eco-labels). The promotion of MSC certification by major distributors and processing companies, sometimes not considered very demanding, and the emergence of rival initiatives (private and

public) are likely to justify a minimum Community framework in the short term, in order to avoid a multiplicity of systems, with varying levels of reliability, and the loss of credibility of eco-labels.

- around the strengthening of consumer information provisions. The extension of mandatory product information is demanded by many consumers and sector players and should be taken into consideration (for example, for defrosted products sold on the fresh produce counter in some MS and on the sources and methods of production, which are currently unclear).

➢ 4. Help to improve knowledge about FAP markets

Better knowledge of FAP markets, which represents a challenge for well thought-out engagement and adaptation of existing data

Economic intelligence and forward-looking capacity are two tools that are increasingly essential for the design and management of effective public policies. However, in a complex European FAP market, which is rapidly expanding and evolving, it is paradoxical to note that there is no formal monitoring tool at the Community level and available to Community market players, whereas current EU market "monitors" are external organisations (FAO, USDA, Scandinavian merchant banks, etc.).

Community monitoring of FAP markets should be a particularly useful tool, both for:

- institutional players, as a strategic analysis tool for preparing, managing and evaluating policies relating to the CFP (market policy and sectorial policy);
- and for industry players, as structured, horizontal benchmark information, which helps to improve their visibility of all markets and put into perspective certain economic and/or local perceptions (price and import dynamics in particular).

There are already many tools for collecting statistical data and many monitoring systems for FAP companies and markets, both in the various MS and at the Community level; however, these different sources are rarely put to use in a concerted manner and with an overall monitoring logic for markets and channels.

The conditions required for implementing monitoring of FAP markets is not so much about generating new information but rather of adapting existing information and using it differently. In particular, the harmonisation of classifications and segmentations used in European consumer panels (for certain relevant products) and in customs statistics (introduction of new species, such as pangasius) will need to be well thought-out.