



AIPCE·CEP

# FINFISH STUDY 2010

A.I.P.C.E.-C.E.P

EU Fish Processors and Traders Association

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# 1. The Purpose of the Finfish Study

The European finfish and seafood added value processing industry relies on a consistent and sustainable supply of raw materials to satisfy consumer demand for seafood products, both for domestic and out-of-home markets.

AIPCE-CEP and its members use the Finfish Study at EU and member state level to justify the need for imported seafood, particularly white fish to produce added value seafood within Europe. The European Commission Directorate-General for Maritime Affairs and Fisheries published their 'Study on the supply and marketing of fishery and aquaculture products in the European Union' of May 2009, which was undertaken by Ernst and Young. This report corroborated both the importance of and reliance on imported seafood for the European processing industry. Further, it was suggested that the imported seafood for further processing did not impact on nationally landed seafood supplies.

It is also pleasing to see the Finfish Study increasingly being quoted as a source in trade media.

There have been significant changes to sources and conditions of supply in fish raw materials since the first AIPCE-CEP annual white fish report was issued twenty years ago. Over this period, the added value seafood market has experienced sustained growth, new product innovation and sophistication. With changes to seafood raw material supply occurring, particularly as a result of declining European fish stocks, sources from alternative regions and new species have been introduced into a receptive market. This has been beneficial to both grow the overall market and to compensate for loss of traditional species.

Alaska pollock was the first successful introduction of a new volume white fish species, which quickly occupied the number two spot for popularity behind cod before briefly becoming the top species in 2008. However, a combination of raised prices, due to Bering Sea stock fluctuations, and a strong US\$ saw volumes drop by over 20 % in a year. Whilst cod is currently experiencing recovering stock levels, ongoing development of a range of species is essential to ensure sustainable supplies to the market.

For example pangasius from Vietnamese aquaculture has recently proved invaluable as a substantial new source of supply to grow the market, and helping to compensate for current declines in Alaska pollock supply.

Aquaculture salmon continued to be an important supply source to both supplement declines in white fish availability, but also maintain a wider market choice for consumers. Disease problems in Chile are creating a serious supply problem, but Norway's increased production has helped to fill the shortfall. MSC certified wild Alaska salmon continued to be a popular development to the fillet and added value market, providing an alternative to the more traditional canned product options. With the provision of MSC Russian Pacific salmon now entering the market and British Columbia salmon MSC certified fishery in 2010, greater utilisation of Pacific salmon can be anticipated.

Tuna loins from yellow fin tuna have also entered the added value market.

All of the above species have been included in the Whitefish study over recent years, hence the change in title to Finfish Study in 2009. This year, for completeness herring and mackerel data are also included, although unlike the other species, they do not tend to compete in the white fish market.

Such significant changes in supply and demand bring with them new challenges, some which are not only of direct concern to processors, but to all stakeholders, most important of whom are the consumers. Among these challenges can be included sustainable fisheries, ethical and legal supply, including the growing demand for ecolabelled products, plus of course price and international trade and tariff considerations.

Supply statistics in this report are based on analysis and interpretation of EU Eurostat data. Key developments impacting supply and highlighted in this report, are based on the experience of AIPCE/CEP members. Proactive steps have been taken to either enable supply or to mitigate potential supply issues. The aim is to ensure a regular, consistent and price competitive supply base that meets stakeholder and consumer expectations.

## 2. Overview of the Study Findings

### 2.1 Data Base

This report is largely based on statistics taken from Eurostat 2009 data and refers to the entire EU 27 group of member states. Other data is ascribed to source. Eurostat provides information by fishery product, species and/or category. Since the intent of this study is to understand the actual quantities of fish utilised, conversion factors are used to back-calculate to live weight equivalent of the fish (WFE). Accordingly, all tables and figures in the study refer to whole weight of fish.

Whilst this is primarily a white fish report, fish supply fluctuations, product innovations and added value developments utilising a wider range of species, have resulted in a gradual broadening of the scope of the document. Fresh water aquaculture species, such as pangasius were initially included in 2006, followed by salmon species, surimi-base and surimi presentations in 2008; tuna species in 2009 reflecting the growing interest in tuna loins for further processing, with herring and mackerel included for completeness in 2010.

It was for the above reasoning that 2009 witnessed the evolution of the Whitefish Study into the Finfish Study. This reflects the evolving fish raw material supply situation of declining availability of traditional species and greater reliance on alternative species, particularly imports and fresh water aquaculture species such as pangasius. Whilst herring and mackerel do not impact on the white fish market supply, as do salmon or tuna loins and steaks, supply statistics have been included into this year's study, but without comment.

Following AIPCE-CEP requests, specific Eurostat and Customs codes have been introduced for freshwater species such as pangasius, Nile perch and tilapia. This means that it has been possible to identify these species separately for the first time, but data only exists for the first 6 months of 2010 at the moment. It will be interesting to be able to track future developments in these species in more certain detail.

### 2.2 Conversion Factors to Calculate Live Weight of Fish

Eurostat data for fishery products do not estimate the amount of whole fish from which the fishery products are derived. In order to estimate the whole live fish weight equivalent from Eurostat data, AIPCE-CEP has adopted its own set of conversion factors based on actual processing yields gleaned from the experience of its members.

## 2.3 Key Finding From Statistical Analysis

Supply data used in the study is from 2009 statistics, but, discussion and comment within the report take account of the changing supply and political developments up until September 2010.

The overall supply trends are following those of previous years with reduced supplies from EU waters and huge reliance on third country imports including a growing reliance on aquaculture species some of which are not only replacement for the declining marine-captured white fish supplies, but are being used to develop new growth opportunities.

Total fish supply from EU landings and aquaculture both grew slightly in 2009, whilst imports marginally declined, leading to an overall available volume of 15.27 million tonnes, which was marginally down on the 2008. When exports of 2 million tonnes are subtracted, this left an available volume for consumption in the EU of 13.3 million tonnes.

The overall reliance on fishery product imports was 60 % in 2009.

For the marine white fish species, which are of particular importance to AIPCE-CEP, reliance, nearly 2.9 million tonnes were utilised in 2009, of which 2.5 million tonnes were imports. Dependency on imports fell slightly to the level of 89 %. However, this statistic is somewhat of an under estimate of total white fish import reliance, because inclusion of 908 thousand tonnes of freshwater species, such as pangasius and tilapia into the equation would raise total white fish reliance to over 92 %.

Cod imports increased by 7 % to 799 thousand tonnes (WFE), whilst Alaska pollock imports decreased to 720 thousand tonnes due to catch restrictions.

All salmon species, both wild and aquaculture now account for almost 1 million tonnes of fish with a significant part of the wild fish being canned.

As referred to above, total imports of freshwater fish species remained steady at 908 thousand tonnes, or 25 % of all marine and freshwater white fish supplies. Pangasius from aquaculture continued to rise in importance, both to compensate for declining marine-captured white fish species, but also for market development. 2009 pangasius imports of frozen fillets were featured as the second white fish species after cod when measured at whole fish equivalent.

## 2.4 Costs

Like every other industrial and economic activity, the global economic crisis has impacted the whole fishing and supply sector in many ways. Fuel and energy costs; feed costs for aquaculture and volatile currency exchange rates dominate. Consumers behaviour suggested a period of down trading across the whole food sector although this may now be adjusting again.

The weakening US\$ in early 2009 and stabilising oil prices was beneficial for purchasing international seafood supplies for Euro zone countries since most trade takes place in US\$. Cod had been at a consistently high price through to the autumn of 2008, but reduced rapidly after this, stimulating demand. As referred to elsewhere, this reversed the trend of cod consumers substituting salmon for cod, particularly in France.

Other factors impacting price realisation include changing fishing quotas, ability to land fish to meet demand and processing capabilities as well as the welcome positive progress in IUU controls.

Although the economic climate became a little more stable in 2009 there were still significant changes that impacted the fishing and processing sector in Europe. The price of oil moved from

the low point of around \$40/barrel at the beginning of the year to settle into a range of \$70-\$80 since the middle of the year. This is some way off the peaks of 2008 but still represents a major cost for the industry.

The recovery of the dollar against the euro and GBP was a feature throughout 2009 although we have seen this trend reversing again in 2010 (see also Fig. 11 A).

## 2.5 Labelling, Quality and Authenticity of Imports

Very much linked to costs and flat pricing for fish raw materials within the EU, concerns continue to be expressed by sectors of the industry that quality and labelling of some imports do not match that of nationally EU caught fish and aquaculture products. As we have always stated AIPCE-CEP members invest heavily to ensure that imported fishery products comply to the highest standards and to point out that many third country processing plants producing semi-processed products are purpose built modern facilities designed to meet the requirements of all international markets be it the EU, USA or Japan and are comparable to the best to be found anywhere (see Chapter 10).

## 2.6 Ecolabelling

After a period of inactivity on the DG Mare ecolabelling dossier, work was re-commenced at the end of 2008 with a proposal in early 2009 to develop legislation for a set of minimum standards for voluntary private labels. The initial thoughts of DG Mare were to expand the ecolabelling scope beyond sustainable fisheries and provide a more comprehensive set of standards to include other environmental and social criteria. However, the scope was subsequently simplified to fisheries sustainability labelling, with final proposals by November 2009. Subsequently, the EU-Commission legislation simplification process team questioned the necessity for such legislation given the success of existing schemes already in place, so that now it is believed that DG Mare will resort to simply the inclusion of minimum standard proposals within the revised COM during 2011/12.

Interestingly, the French Government is proposing to develop a national ecolabel encompassing the sustainability, environmental and sociological aspects (see Chapter 7).

## 2.7 EU IUU Regulations

The EU IUU Regulations EC 1005/2008 and EU-Commission Implementing Regulation 1010/2009 came into effect on 1<sup>st</sup> January 2010. A Handbook accompanied on the practical application of the Regulations was also published, to which an addendum was subsequently released in January.

Despite the fact that a number of member states did not have their inspection bodies in place until very late in 2010 and there were many unresolved matters into January, there were surprisingly few issues in the early phase of introduction. The inclusion of multiple catch certificates onto a single document certainly simplified procedures and reduced the anticipated deluge of paper.

The delay in final application of Russia to be approved as a third country supplier and final approval on 19<sup>th</sup> February 2010, certainly created supply issues for processors. The Commission would not allow entry of fish (or its products) caught between the end of December and 19<sup>th</sup> Feb-



ruary (subsequently changed to 12<sup>th</sup> February), whether of direct or indirect shipment via other third country processors. Fortunately, many European processors had anticipated potential issues and built contingencies using 2009 stocks.

A number of weaknesses within the Council Regulation, not least concerning issuance of catch certificates, use of original catch certificates and how catch certificates should be issued for imports created many issues during the middle months of 2010. One of particular concern was a letter issued to all third country exporters to the EU stating how catch certificates should be completed, with a warning that incorrect certificates issued after 15<sup>th</sup> August would lead to import rejections at border inspection posts. Timing was awful at the start of the summer holidays, but the lack of warning to EU importers and failure to acknowledge their concerns was most alarming.

Whilst the addendum to the Handbook clarified definition of freshwater fish, the Russian Authorities continued to assume that no Pacific salmon required catch certificates. Whilst the EU-Commission did write to the Russian Authorities, but refused to circulate this letter to EU importers for some time until they put it on the website.

This lack of appreciation of EU importer concerns is particularly worrying, since they have to commit payment for the exports once the shipments leave the third country ports. EU importers did eventually manage to acquire the relevant Commission letters via third country suppliers but the Commission should appreciate that these suppliers worked hard ahead of the implementation of the Regulations to ensure third country compliance and can continue to do so as issues inevitably continue to arise.

The biggest single concern has been the wording on the catch documentation and catch certificates, particularly what weights to use, which often bear little resemblance to what is asked for on the documents. Because the original Regulation 1005/2008 was a Council document, it is understood that amendment of this is slow, hence the EU-Commission attempt to clarify what they require via the Handbook and letters to third countries. The legibility of this approach is both questionable and confusing, so an urgent amendment of the Regulation is required.

AIPCE-CEP has been and will continue to be engaged very actively in resolving issues and many members took precautionary measures to ensure their supply chains were not put at risk.

Now that the regulation has been in effect for a number of months there are inevitably queries and clarifications required in some of the details and interpretation of the application. AIPCE-CEP is helping bring these to the attention of the EU-Commission and working to resolve these using the pragmatic approach our members have to such issues.

We fully endorse the efforts of the EU-Commission in impacting the trade in IUU fish but continue to express our concerns that this is a global issue and needs the adoption of similar standards of focus and control globally to have real effect. Whilst the EU is the biggest market for fish products it is not the only market and AIPCE-CEP urges all parties to ensure that these regulations do not simply displace any trade in IUU products (see further commentary in Chapter 6.1).

## 2.8 EU Control Regulation

The Council Control Regulation EU 1224/2009 came into progressive effect on 1<sup>st</sup> January 2010. Labelling and traceability requirements are being detailed in draft implementing regulations many parts of which still require clarification (see Chapter 6.2).

## 2.9 CFP and CMO Reform

The CFP Reform was discussed in last year's report and AIPCE-CEP has continued their active role providing clear opinion and dialogue throughout the consultation process.

Within the CFP Reform program that is now well-developed the over-arching legislation covering import tariffs, the Common Market Organisation for Fisheries, Council Regulation (EC) No. 104/2000 is also undergoing a full review by DG Mare. AIPCE-CEP is and will continue to actively participate in the review and potential reform discussions. Reports on the CMO progress recognise both the need for continued support for the processing sector through provision of imports and the need to aid market development of the fishing sector (see Chapter 8).

# 3. Methods of Back-calculation to Whole Live Fish Weight (WFE) Utilised for Imported Headed and Gutted Fish, Fillets and Portions

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When publishing fishery product statistics Eurostat does not include a back-calculation to estimate the weight of whole live fish utilised, whole fish equivalent (WFE).

During the first 16 years of the Whitefish Study, official conversion factors used by AIPCE-CEP to back-calculate the WFE of fishery product imports were those adopted by the German Government. Widely variable conversion factors across EU member states were rationalised in 2008 with a common set of EU factors. AIPCE-CEP considered that these are generally relevant for fresh primary catching/conversion purposes. However, direct evidence of processing yields for semi-prepared fishery products has confirmed significantly improved yields are now being consistently achieved. Accordingly, AIPCE-CEP agreed alternative conversion factors, which result in greater fish utilisation from less whole weight equivalent of fish processed.

Justification for use of alternative factors is explained in the 2009 Finfish Study. Factors used in this report can be found in Table 4.21.

## 4. Import Supply Trends

The EU added value processing sector has developed rapidly over the past 20 years and has become progressively more reliant on fishery product imports for its base raw materials, particularly semi-processed products.

The Finfish Study is primarily concerned with supply of white fish to the added value processing sector. However, it is important to place these supplies within the context of total fish availability in the EU. This includes the nationally based catch, imports and exports.

Over the past 3 years, the scope of the report has been expanded to include salmon species, some fresh-water fish species, tuna and surimi. For this year's report, herring and mackerel data have been included for completeness, although these pelagics do not tend to be substitutes for white fish. Salmon, on the other hand, can often comprise 50 % of all fish in some retailers and is seen by consumers as an alternative to white fish, particularly in a price sensitive market.

All of the import data, origin and degree of semi processing of imports can be found in tables 4.1 to 4.15, but key features are discussed below.

### 4.1 Total Fish Supply (all species)

From Table 4.1, which is expressed graphically in Fig. 4.1 A below, the total seafood supply for consumption, including EU landings and aquaculture products plus imports and product subsequently exported, has been relatively stable over the past 3 years, peaking at 15.329 million tonnes in 2008, but decreasing slightly to 15.265 million tonnes in 2009.

This comprised 6.09 million tonnes of national landings and aquaculture products plus 9.18 million tonnes of imports. Exports amounted to 1.94 million tonnes. Hence the relative food balance between the EU origin fish supply and imports resulted in a EU dependency on imports to the extent of 60 % in 2009.

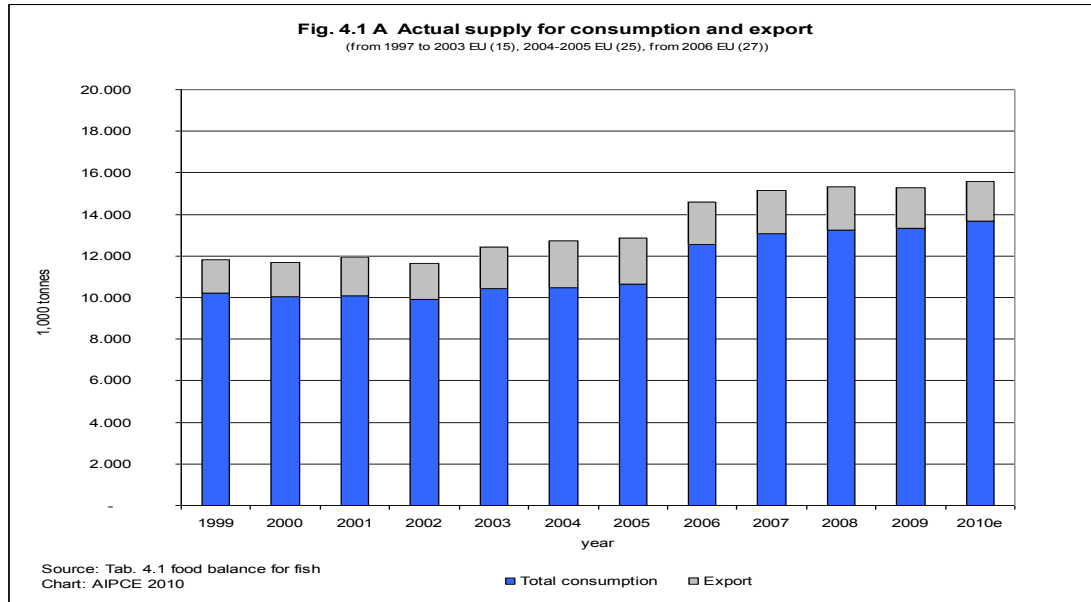
Whilst the data for 2009 is based on Eurostat figures, there are always retrospective amendments, so that as in all previous Whitefish/Finfish studies, the data for the year under discussion are confirmed the following year. However, experience indicates that the changes are not great. Best estimate data for the current year, 2010, are always included within the report as well. These are based on known current trends, which for this year indicate slight increases in all supply sources.

2009 saw the first decline in imports since 2002, bringing to an end the steady rise that had been witnessed for over 20 years, with the exception of 2002, which was the result of the EU ban on China imports that year. Conversely, 2009 also saw a slight increase in EU landings along with a small, but steady rise in aquaculture production.

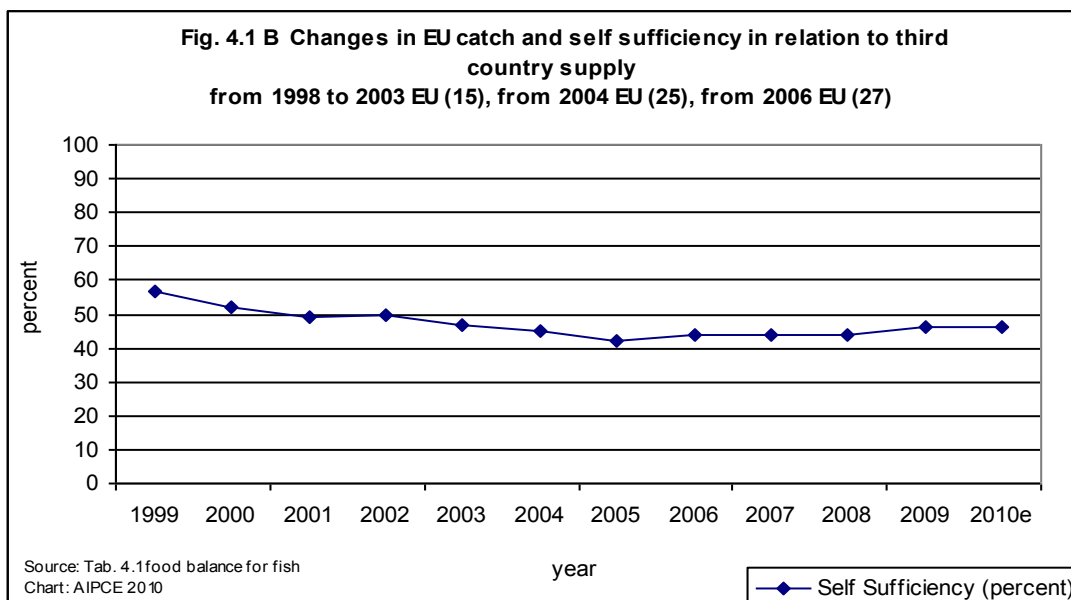
The overall impacts of the fall in imports linked to the rise in EU catches and aquaculture actually resulted in the balance between imports and community supplied fish slightly dropping to 60 % from the 62 % of the 3 previous years.

The bulk of EU fish exports comprise herring and mackerel, particularly to the Far East. The overall export volume has been steady at around 2 million tonnes, but did decline very slightly in 2009.

Total fish for consumption within the EU, after accounting for exports, actually resulted in a marginal increase in availability to a peak of 13.33 million tonnes of fish. However, this represents a steady state of 26.7 kg fish/caput/year. Obviously, there are significantly differing consumption rates across member states, but it is anticipated that overall growth and demand will increase. This is according to the EU Commission study published and conducted by Ernst & Young in May 2009 into marketing of fishery and aquaculture products in the European Union. The report suggests that the traditionally high fish consumption member states will hold steady or decline slightly, whilst the newer member states will increase their consumption rates.



An alternative way of expressing the EU dependency on imports is to express it in terms of self-sufficiency, where it is assumed that all fish caught in the EU is utilised within the EU, so there would be no exports. From Fig. 4.1 B, it can be seen that self-sufficiency increased from 44 % to 46 % in 2009.



## 4.2 Total White Fish Supply

Whilst the overall fishery product supply base is reliant on imports to a level of 60 %; marine white fish dependency remained much higher at 89 % for 2009, as indicated in Table 4.2 in the tables section.

Overall, the total supply volumes of marine white fish decreased slightly for the third successive year to 2.75 million tonnes.

Cod was usurped as the principle whitefish species for the first time in 2008 by Alaska pollock. However, cod recovered prime position again in 2009 with volume increases from 863 to 925 thousand tonnes, which was still short of the peak of 963 thousand tonnes in 2006. With a contribution of 126 thousand tonnes of EU catch; import dependence remained steady at 86 %. Falling cod prices in spring 2009 increased consumer demand, particularly in France, where substitution of cod for salmon occurred particularly as the price for that material began to increase. Whilst there has been a period of consumer doubts over long-term sustainability of cod in general, MSC certification of USA caught Pacific cod, Norwegian Offshore Cod plus pending certification of parts of the Eastern Baltic cod and Russian Barents Sea fisheries are ameliorating these concerns. However, NGO activity in Germany continues to see the overall demand for cod remaining at only 1 % of white fish demand.

A significant fall in Alaska pollock import volumes had been predicted after the 5-year high achieved in 2008. This was due to reduced quotas in the USA and Russian sectors of the Bering Sea. The result was a 720 thousand tonnes import compared to 907 thousand tonnes in 2008. US supplies contracted to 202 thousand tonnes with Russian and Chinese supplies of Alaska pollock falling by a cumulative 42 thousand tonnes to 512 thousand tonnes.

All other important white fish supplies, including saithe, hake, haddock, Atlantic redfish and hoki showed little change in supply over 2009:

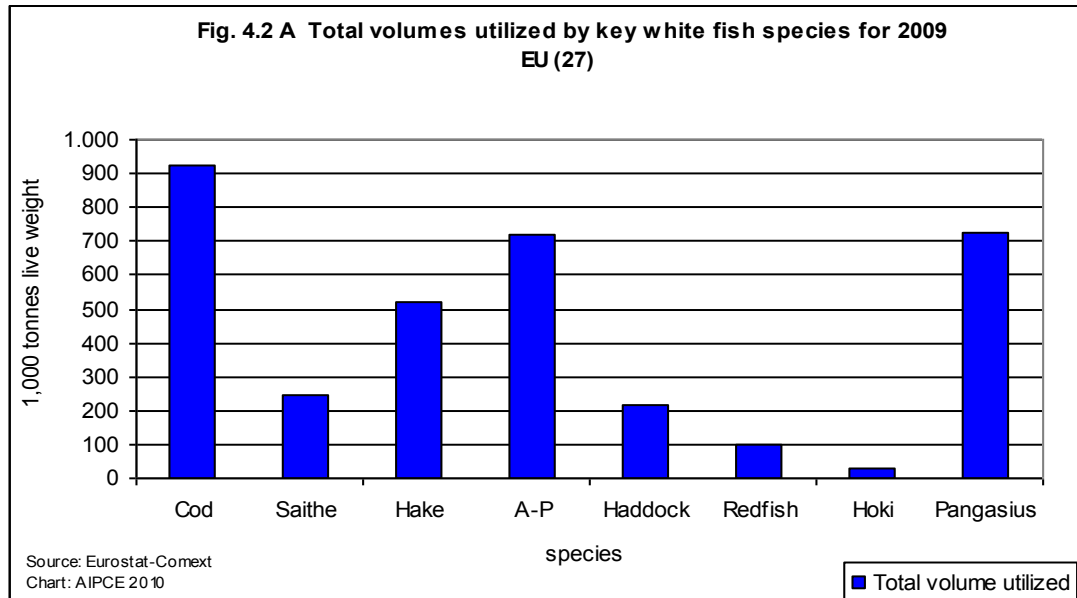
1. Hake volumes were slightly lower in 2009 at 519 thousand tonnes and 91 % import dependency. Comment is frequently made about the inferior quality of South African and Namibian hake when compared to the European species, but their flesh and colours are most certainly comparable. The South African fishery is MSC certified. The other hake species tend to be darker and softer fleshed, but their utilisation is for added value products, often under the generic white fish banner and is not a direct challenge to traditional hake outlets.
2. Saithe volumes rose to 243 thousand tonnes with 78 % import dependency. Now that the large Norwegian fishery is MSC certified the market preference in Germany for the MSC product has helped to maintain higher price levels.
3. Haddock volumes rose slightly to 214 thousand tonnes, but have essentially remained steady over the past 5 years. Import dependency has also remained steady at 77 %. In 2010 the entire Norwegian resource has become MSC certified. As an observation it is worth noting that on its own the increase of haddock quota in the Barents Sea in 2009 more or less equalled the total quota for the species in EU waters.
- 4 Atlantic redfish volumes remained steady at 97 thousand tonnes and 77 % import dependency.

As discussed at the beginning of the section, there has been a reduction of over a quarter of a million tonnes of available marine wild caught white fish in the EU in the past 6 years, during

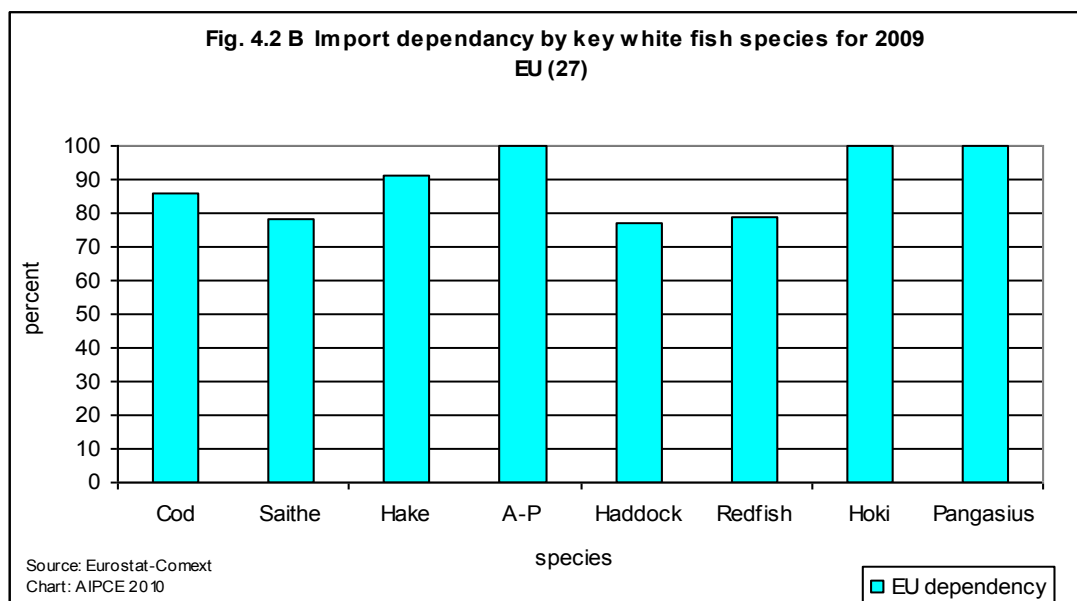
which time the expansion from EU25 to EU27 has taken place. Pangasius supply has developed over this period, which has both served to fill the gap left by Alaska pollock and other species, but has also enabled the continued expansion of the added value processing industry.

The Figs. 4.2 A and 4.2 B below illustrate total volumes of marine white fish and pangasius utilised in the EU in 2009 along with relative import dependency.

Fig. 4.2 A illustrates the total whole weight volumes of the key white fish species utilised in 2009.



Overall percentage reliance on imports for these key white fish species is illustrated in Fig 4.2 B.

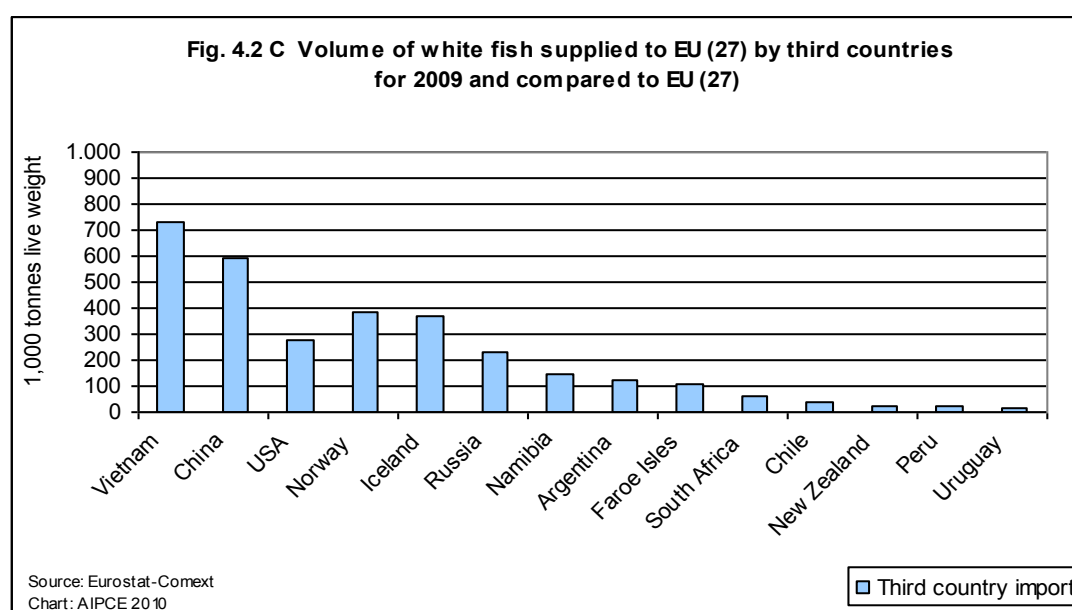


## 4.2.1 Principle Supplying Third Countries

Table 4.3 provides an analysis of the third countries supplying the EU with white fish in its various presentation formats of fresh, frozen, whole fillet, meat etcetera. The subsequent Tables to 4.4 to 4.14 provide a detailed breakdown by presentation and species.

As indicated previously, there was an overall fall in imports of wild captured fish species into the EU in 2009. This was by 4 % to 2,450 thousand tonnes, the major contributing factor being the large reduction in supplies of USA Alaska pollock.

From the analysis in Table 4.3, Fig 4.2 C indicates the volumes of white fish supplied by each third country. The inclusion of Vietnam clearly shows the impact of pangasius aquaculture supplies. However, the apparent pre-eminence of Vietnam could be considered somewhat misleading because the volume figure used for Norway only includes marine white fish and not aquaculture salmon. If these were included, the Norway bar would top the chart at over 1 million tonnes of direct supply.



In fact, because China is the major primary processing country for many other fishing nations, particularly Norway, Russia, the USA and Iceland, if the fish sent to China were reallocated to the catching nations, the chart would look very different.

China's customs regulations require that any imported fish destined for primary processing and re-export has to be re-designated as Chinese origin, hence its leading supplier status. Obviously there is export of true Chinese origin fishery products, but volumes are relatively small in comparison to its activities in primary processing of imports.

In 2009, for the first time since 2002, China actually experienced a 6 % fall in exports of fishery products to 589 thousand tonnes. This was no doubt linked to the impact of the global recession.

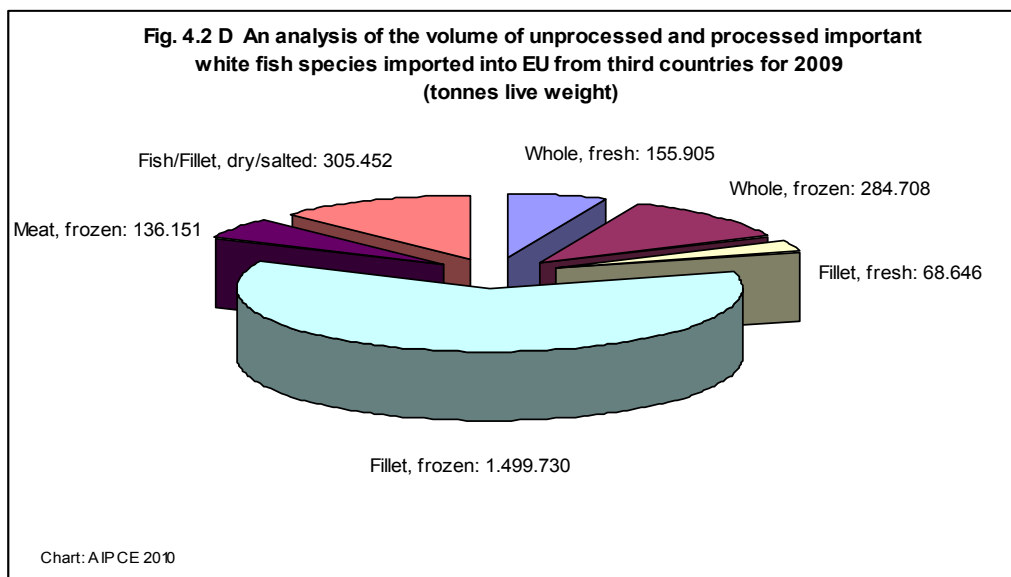
The USA was the only supplying country to drop its relative volume listing during 2009, falling 2 places below Norway and Iceland. The reasons for this are the huge quota reductions in Alaska pollock beginning in 2007, followed by the 'emptying of the supply pipe-line'. The volumes fell by

37 % to 280 thousand tonnes, but again worth noting that large volumes of USA origin Pacific salmon arrive via China.

Russian supplies also fell slightly by 2 % to 230 thousand tonnes, but as discussed above, Russia supplies a very significant amount of the cod from the Barents Sea, as well as Alaska pollock and salmon from the Pacific via processing in China.

#### 4.2.2 Importance of Semi-Prepared Fish Imports

The EU added value processing relies on imported semi-processed fillet and portion supplies of marine white fish species, both fresh and frozen. Much of the frozen fish is in block form as is the 'meat' category detailed in Table 4.3 and illustrated in Fig. 4.2 D.



Whilst in 2009, there was an overall 36 % increase in fresh fillets to over 68 thousand tonnes from Iceland, Norway and Faeroes, the magnitude of this is put into perspective by the 10 % fall in frozen fillets to 1.5 million tonnes.

Norway and Iceland also both increased their frozen fillet supplies by 17 % overall to almost a quarter of million tonnes, but all other marine supplies were down in 2009.

Frozen Alaska pollock fillets from the USA declined by 39 % to 209 thousand tonnes, this being for the reasons explained above. Russia also declined by 12 % to 140 thousand tonnes, but the largest fall of all was experienced from China with 50,000 tonnes to 565 thousand tonnes, a 7 % fall.



On a more positive note, hake supplies from the South African and American countries all held steady during 2009.

By adding the loss of the 'meat' semi processed raw materials to the loss of frozen fillet a decline of 167 thousand tonnes to 1.63 million tonnes occurs.

Again it is pangasius that has helped to cover these shortfalls in both fillet and semi-processed marine fish products and is contributing to new product developments.

### 4.3 Total Supply of Surimi

Surimi is the insoluble minced fish protein derived from a number of species by a multiple washing and separation process. The resulting preparation is for distributed in frozen block form, typically used as the base for added value product preparations such as crab flavoured seafood sticks and similar analogues.

There are particularly important processing companies converting imported and nationally derived surimi-base material into surimi preparations in member state countries such as France, Lithuania, Spain, Italy and Poland.

From Table 4.17, it can be seen that there was a significant 21 % volume fall in 2009 to 146 thousand tonnes. All supplying countries, with the exception of India showed declines, so this could well have been related to the global recession.

The most frequently used species for surimi for the European market used to be white fish, such as Alaska pollock so as would be anticipated from previous comments, the USA, the largest supplier to the EU, suffered the greatest fall of 18 % to 64 thousand tonnes.

As fish flesh separation techniques have improved, substitution of white fish with alternative tropical and pelagic species has occurred. For instance, in China, Vietnam and Thailand it is believed that much surimi is generated from species such as red threadfin bream and lizard fish, which are globally amongst the most prolific wild caught species, whilst in Chile it will be from pelagic species such as Jack Mackerel. Here in European waters, the pelagic blue whiting was a common source of raw material for national production, but recent dramatic quota cuts have partly been responsible for the rapid decline of the Faeroes as a surimi-base supplier as has competition from the fish meal industry.

### 4.4 Total Supply of Surimi Seafood Preparations

Surimi preparation imports, such as crab flavoured seafood sticks, also contribute an important fish resource, but in this instance they are fully prepared added value products and subject to significantly higher tariff bands.

Imports declined here as well by 10 % to 191 thousand tonnes whole fish equivalent. China leads this market supply with 75 thousand tonnes, a 7 % decline, followed by Thailand at 56 thousand tonnes with a 21 % decline, whilst India managed a 10 % increase to 40 thousand tonnes.

## 4.5 Total Supply of Freshwater Fish

Historically freshwater species were not sub-divided in Eurostat data, but following AIPCE-CEP requests, this was corrected from January 2010. Table 4.13 provides the total imports of freshwater species, other than salmon, trout and carp for 2009, but also included now are the individual Tables 4.14, 4.15, 4.16 for tilapia, Nile perch and pangasius for the first 6 months of 2010.

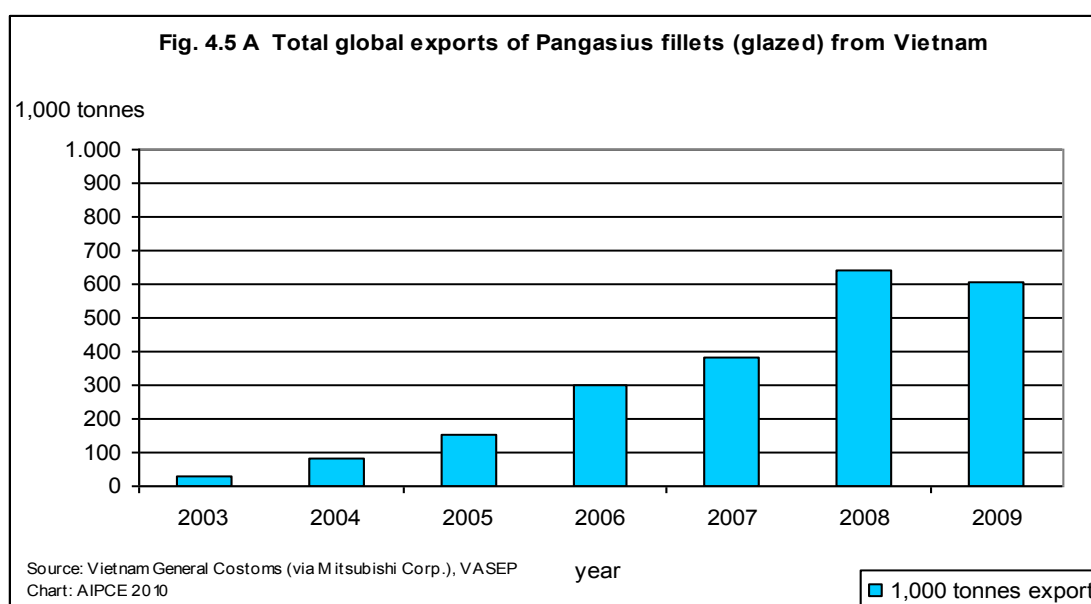
From Table 4.13, it can be seen that overall, there was almost no change in total freshwater fish imports in 2009 at 908 thousand tonnes. However, this figure surpasses that of total salmon imports by 100 thousand tonnes and so constitutes a very valuable supply source.

Whilst it is too soon to comment on the specific 2010 tables for the key freshwater species, it is clear that Tanzania, Uganda and Kenya provide the bulk of the 108 thousand tonnes of Nile Perch, whilst China provides the vast majority of the 30+ thousand tonnes of tilapia imports.

Much of the Nile perch is flown-in fresh fillet products, but a significant fall in this supply of over 17 thousand tonnes during the year, with a reduction of 6 thousand tonnes of frozen fillet, resulted in a notable fall in availability for the species. However, this was offset by a 4 thousand tonnes increase in frozen tilapia fillet supply from China and 33 thousand tonnes increase in pangasius fillet increase from Vietnam.

Pangasius is of course the most significant of the freshwater species, cultivated in pond-based aquaculture systems alongside the Mekong river. The supply of glazed, frozen fillets was described as growing exponentially in both the 2008 and 2009 reports, but steadied in 2009 to 726 thousand tonnes of whole fish equivalent, a 4 % growth.

The total global export volume from Vietnam for ready prepared fillets, with protective glaze, for 2009 is quoted at 607 thousand tonnes, estimated to be 1.39 million tonnes whole fish equivalent. Of this total volume, 224 thousand tonnes of glazed fillets, which are approximately 726 thousand tonnes whole fish equivalent (WFE), were exported to the EU.



The EU accounted for 40 % of the global market for pangasius in 2007, but the proportion of total availability has steadily declined to around 36 % in 2009, reflecting the growing success and

demand for the species in the rest of the world and the significant growth in availability of the species.

## 4.6 Total Supply of Salmon

Whilst salmon is not a white fish species, as availability has increased and prices fallen/stabilised at lower levels over recent years, there has been an appreciable level of competition and substitution of white fish with salmon. However, a number of factors are currently working to slow the rate of growth of salmon down in the market.

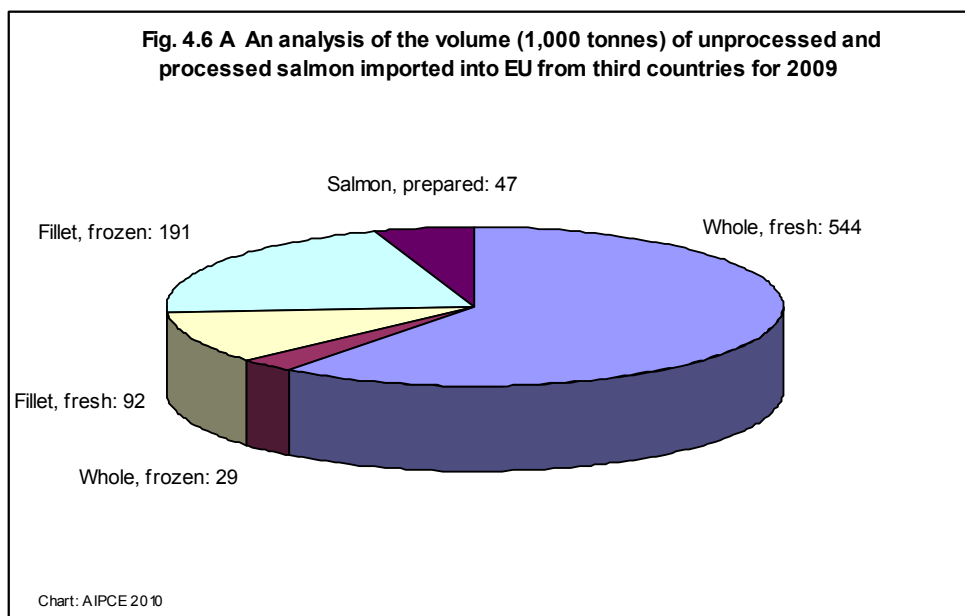
The full effect of the disease problems in Chile aquaculture came into effect during 2009, but the fall in supply was offset by increase from Norwegian aquaculture. Price hardening though, had an impact and as mentioned earlier, lower prices for cod during the spring of 2009, meant that some market share was re-taken from salmon.

A lower than expected wild capture harvest in the USA in 2009 and a more cautious view of harvest in 2010 is also keeping prices higher. However, approximately 10 % of the Russian catch is now MSC certified and supplies did increase via China in 2009. The Canadian Fraser River catch is also MSC certified from 2010 so when adding these to the USA MSC Alaska salmon a significant proportion of the catch for Pacific Salmon species is now certified as sustainable.

From table 4.12 and its illustrations in the pie charts Fig 4.6 A and B below, total salmon imports rose 2 % in 2009 to over 813 thousand tonnes, which when added to EU aquaculture salmon, principally from Scotland, now reaches 1 million tonnes of fish, which accounts for 7.6 % of all EU fish consumption.

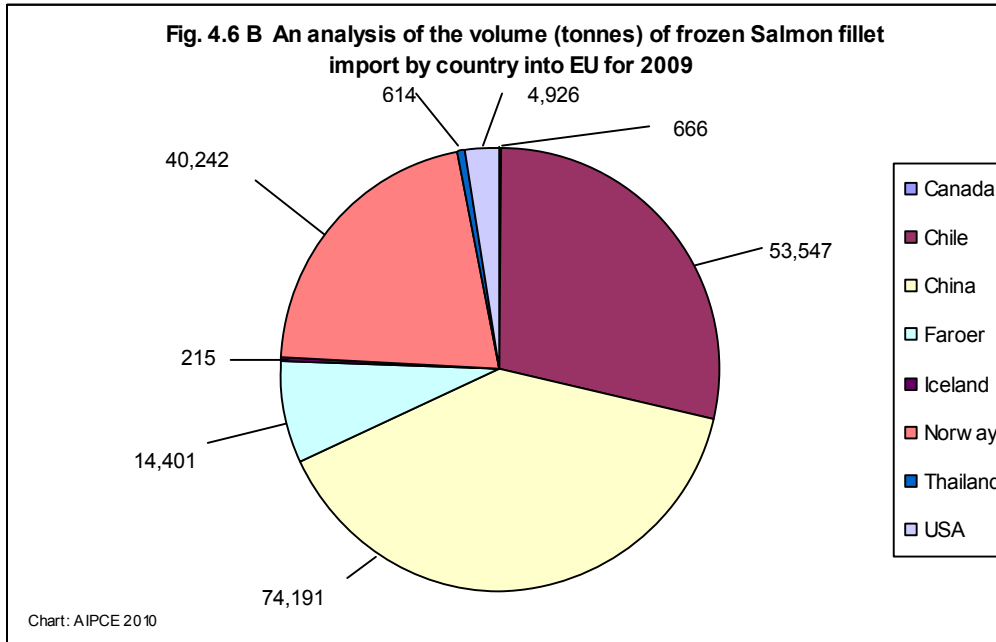
Whole fresh salmon imports increased by 10 % to 544 thousand tonnes, of which the lions share (95 %) was from Norway.

The whole frozen salmon supply of 29 thousand tonnes is dominated by over 20 thousand tonnes of wild salmon from the USA and 2 thousand tonnes from Russia, via China with the rest being made up from aquaculture salmon from Norway, Iceland, Faroese and Chile.



Fresh salmon fillet imports rose 17 % to almost 92 thousand tonnes, of which 99 % was supplied by Norway.

Frozen fillet supply actually dropped 3 % to 191 thousand tonnes, this being caused mainly by the Chile aquaculture disease problems mentioned above, with Chile's share falling by over 36,000 tonnes to 54,000 tonnes. However, Norway went some way towards correcting this balance by increasing their production by 76 % to over 40,000 tonnes. China, the principle frozen fillet supplier utilising mainly Russian and USA wild captured salmon, also increased its supply to the EU by 15 % to over 74 thousand tonnes.



Wild Alaska Salmon Processing China, courtesy Trident Seafood's USA

## 4.7 Total Supply of Tuna

Tuna statistics were included into this report for the first time last year and these can be seen again in Table 4.18. Many AIPCE/CEP members process tuna either within member state territories, or more often in third countries, where they have invested in processing facilities, often via local partnership agreements.

Tuna catches and import supplies amount to over 1.62 million tonnes and therefore constitute a similar volume of fish to the combined total of cod and Alaska pollock consumed in the EU. This is supplied predominantly in canned form. However, a valuable trade has also developed in fresh and frozen tuna loins in some EU countries including France, Germany and the UK. This is derived from yellow-fin tuna, principally from Sri Lanka and Indonesia amounting to over 73 thousand tonnes of fresh fillets and 26 thousand tonnes frozen fillets respectively.

## 4.8 Total Supply of Herring and Mackerel


Tables 4.19 and 4.20 covering imports of herring and mackerel have been included into this report for the first time. This is to provide a common data source for discussion within AIPCE, but no further discussion is provided at this stage.

# 5. EU Supply Base

## 5.1 Overview of EU Fish Stocks

The ICES/STECF September 2010 presentation of the state of EU fish stocks pointed to an encouraging long-term improvement in the state of stocks, particularly of pelagic, benthic and industrial species. However, overall demersal species are still in a poor, if slowly improving situation, albeit with some much more positive notable exceptions. This is reflected in the following Fig. 5.1 and Fig. 5.2 below.

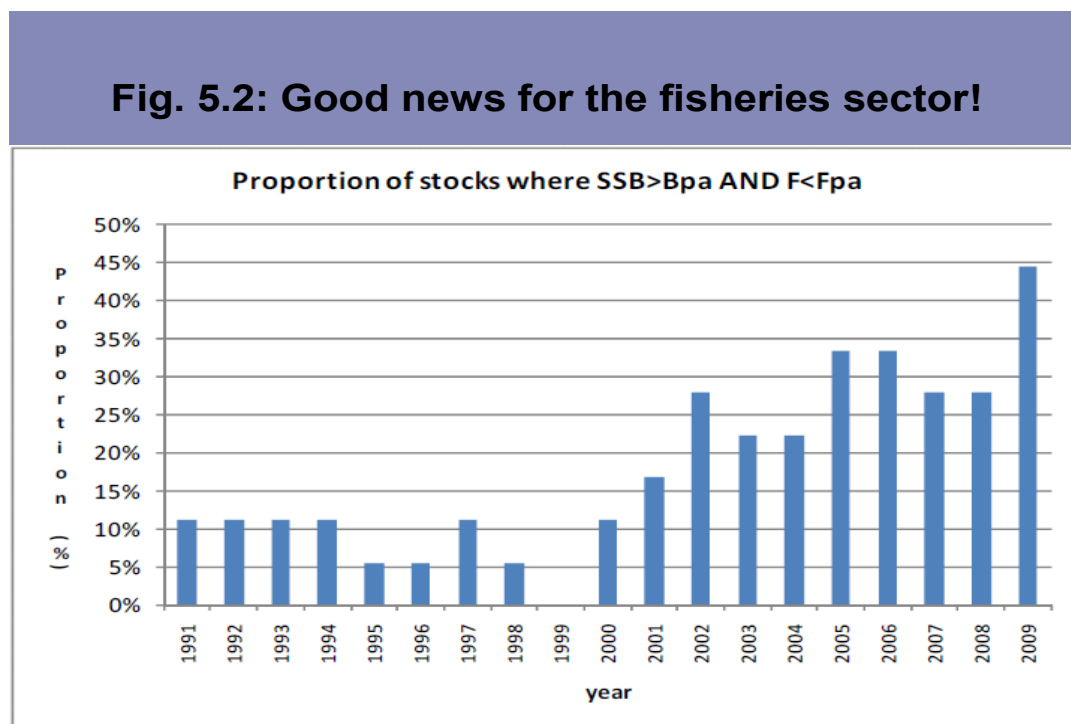
**Fig. 5.1: The truth about EU-fish stocks**


**State of Stocks: PA**

2009 Catches	TOTAL		
	FISH TYPE	CATCH, '000 t	% within SBL(catch)
Benthic	198.32	80.19	19.81
Demersal	580.51	47.72	52.28
Diadromous	1.96	0.00	100.00
Industrial	604.83	100.00	0.00
Pelagic	3969.37	76.32	23.68
<b>All</b>	<b>5354.98</b>	<b>76.01</b>	<b>23.99</b>

From Fig. 5.1, it can be seen that over 80 % of the catch of benthic species and 76 % of pelagic species are from stocks which are in safe biological limits and are being harvested sustainably. On the other hand, only 47.7 % of demersal catch yet fulfil these criteria. In total, 76 % of the EU catches of the year 2009 are from fish stocks which are in safe biological limits.

Furthermore, from Fig. 5.2 it can be seen that there has been an overall positive trend towards sustainable stocks since the year 2000.



In Fig. 5.2 the proportion of stocks are listed on a yearly base for those stocks where the precautionary spawning stock biomass is above the reference level (Bpa), which means that the stock has the full reproductive capacity and the fisheries mortality is equal or below the reference level (Fpa), which means that the stock is being harvested sustainably.

The EU is committed to meeting MSY, maximum sustainable yield, targets for all fish stocks by 2015, so there is still much to achieve to build stocks to these sustainable levels before then.

As is explained in the next section, EU white fish catch and supplies remain disappointing, but with the positive trending, there are anticipated to be more stable supplies in the future. This presents improved opportunities for greater cooperation between the processing industry and the fishing sector going forward to develop new marketing opportunities.

## 5.2 EU Quota by Species

Reference Table 5.1 in tables section:

Of the 5 white fish species important to AIPCE-CEP that are caught within EU waters (cod, haddock, hake, saithe and Atlantic redfish), the overall annual drop in cumulative quota continued yet again in 2009. This time, it was by almost 10,000 tonnes, (-2.94 %) giving a total potential cumulative catch quota for the year of 380,727 tonnes. On a positive note, cod experienced a quota rise of 9.1 % to nearly 139,000 tonnes and Atlantic redfish rose 3.8 % to 33,414 tonnes. However, the haddock quota continued to decline by 12.5 % to 60,500 tonnes, as did the hake quota by 14 % to 34,836 tonnes.

### 5.3 EU Catches by Quota Species

Reference Table 5.2 in tables section:

Now taking these same white fish species important to AIPCE-CEP and comparing actual landed cumulative catch weights of 298,697 tonnes against potential catch quota of 380,727 tonnes, a very disappointing lost commercial opportunity of 21.5 % of quota is presented. Despite this disappointment it is noteworthy this actually a significant improvement on 2008.

Atlantic redfish landings, at 20,199 tonnes was only 60.5 % of quota, whilst at the other end of the spectrum; 126,234 tonnes of cod was landed, representing 99.0 % of quota.

Obviously there are a number of reasons why catch quotas are not achieved, for example price realisation, the impacts of the cod recovery plan, by-catch limits and general effort restrictions, all playing a part in reducing overall catch efficiency. Whilst cod is no longer targeted as a primary species by elements of the fleet, cod avoidance will also have a significant impact. On the other hand, the estimated discard volume of cod and many other species continues to be extremely concerning.

Obviously, whilst fishermen will be gravely concerned and frustrated about the mismatch between quota and landings, such disparities and low landings make business planning by processors very difficult indeed. In fact, low daily landing volumes and irregularity of supply mean that much of the fish can no longer be utilised into the major processing streams.

### 5.4 Overview of selected fish quotas in the world

Reference Table 5.3 in tables section:

With the reliance on imports for finfish being as high as 90 %, we have now included a table tracking the quota trends in a number of the key commercial species on a worldwide basis broken down regionally.

It is important to note that the basis for setting quotas in all of these fisheries is based on scientific advice and more often than not extensive stakeholder participation.

As can be seen from the numbers several key fisheries are going through recovery whilst others are contracting. Much of this can be explained by the natural recruitment variability of wild fisheries, the adoption of precautionary management approaches and regulatory compliance.

In the case of the North Atlantic ICES (International Council for Exploration of the Seas) provide scientific advice to several countries as well as the EU but the broader networking of the scientific community is helping bring greater understanding of the dynamics and management of fisheries for the benefit of all.

Highlighting some of the key trends we see:

Atlantic cod and haddock stocks in the Barents Sea are in a very healthy condition and quotas are increasing significantly, with the changes in this regional quota alone being more or less equal to if not greater than the entire EU quota.

- a. Saithe catches have levelled off and are beginning to slowly decline.



- b. American quotas for Alaska pollock have reduced considerably in the last three years but the Russian catch has grown strongly.
- c. Southern hemisphere species such as hake and hoki have stabilised and recruitment trends are improving.

As part of the total global fish supply the EU has lost some of its former status but as a whole it remains the largest market. AIPCE-CEP recognises the value of having a strong viable supply of materials from the EU fisheries. We believe there are many fine examples that demonstrate improving practice and innovative approaches to management and co-operation between stakeholders that EU parties can benefit from.

## 6. Illegal, Unreported and Unregulated Fish, Confidence in the Supply Chain the DG Mare IUU Regulations and the Control Regulations

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### 6.1 EU IUU Regulations

*Background:*

*October 2007 saw the publication of the EU Consultation on a 'Proposal for a Council Regulation to deter and eliminate illegal unreported and unregulated fishing'. Whilst the proposal was aimed at both national and international supply, the emphasis moved towards third country fishing vessels landing at EU designated ports, but with particular emphasis on the potential for IUU fish being included in the imported fish. At the heart of the proposal was a requirement for all fish to be linked to a catch certificate verified by the flag state of the fishing vessel. Further there had to be an unbroken traceability confirmation for all fish that had to be verified by competent authorities in all third countries through which the fish passed or in which it was processed.*

*Through effective lobbying by AIPCE/CEP and its partner organisations in member states, several key amendments were incorporated that produced a more workable final proposal that retained the full intent of the regulation. The final version was agreed by the EU Council on 23<sup>rd</sup> June 2008, coming into effect on 1<sup>st</sup> January 2010.*

As mentioned earlier the effect of introducing the regulation caused less disruption than originally feared. The roll-out of educational workshops by the EU to third countries was very important and paved the way for many questions and practical matters to be resolved beforehand. Also the efforts of many AIPCE-CEP members in bringing their practical and commercial understanding of the supply chain to assist in this process, was fundamental.

Most countries have followed the default EU documentation style but a few (Norway, USA and New Zealand) had early success in having their control systems endorsed and are providing their own format of catch certificates either electronically or in hard copy. The process of countries establishing the necessary capabilities and resources to issue the catch certificates has not come without incurring extra administrative costs and whilst there is anecdotal evidence to support this it is not yet clear how much this is impacting the final price of products. For exam-



ple in Norway there is a nationally approved system but the export document requires a final stamp of authority before being accepted resulting in an unnecessary duplication.

Of course the process of reconciling the balance of products exported to the issuance of catch certificates can only be completed on a retrospective basis. There has been some confusion over the weight declaration on the catch certificate with the EU expressing the requirement that this should be the actual weight of the fish in the consignment arriving in the EU without the need to tie this back to an actual weight of whole fish used in generating the consignment. Understanding how this will be later reconciled by the EU remains of some concern as many fishery products are imported in a semi-processed or fully processed state of varying degrees of complexity and from many different processing countries making potentially very difficult to consistently tie back to 'live-weight equivalent'. (This is the same problem we experienced in the historical compilation of the Finfish Study where EU member states have different conversion factors for the same products).

For products landed in a third country for further processing before shipment to the EU the Annex IV document provides more enhanced information including reference back to the original Catch Certificate (CC) and a reconciliation to the amount of material used from the CC to generate the product but still leaving the responsibility for balancing the production to the third countries competent authorities.

This approach in the Annex IV route in tying the product back to the original Catch Certificate is unfortunately not as easily demonstrated with landings into the EU from third countries where each consignment has an individual Catch Certificate requiring declaration of only the weight of product without reference back to the original landing data or the actual whole fish used to generate the consignment. Also for landings that may be consolidated outside the EU before arrival or re-directed from the EU the ability to maintain the necessary captain's signature can be complicated as the Catch Certificate is raised only at the time of sale to the EU. Because the documentation format is established in the primary legislation managing this can be cumbersome and we would like to see a simple amendment facility introduced to alter and clarify the process as soon as possible.

It seems reasonably clear that the regulation appears to be having the desired effect of removing IUU fish from the imports to the EU but until the process is matched in all international trade it remains possible that the problem of IUU fish is displaced to less regulated or attentive markets. We encourage the EU to advocate the adoption of this type of system on a worldwide basis to ensure that all potential homes for IUU materials are closed off and to ensure that the EU consumer does not carry an unnecessary burden of cost as the compliance costs of third countries may be used as a reason to charge higher prices.

## 6.2 EU Control Regulation

The implementing rules for the EU Control Regulation 1224/2009 are still under discussion and development and are being modified as consultation and discussion continues to ask for changes and clarification. The expected application of the regulation from January 1<sup>st</sup> 2011 is giving cause for concern as time for any adjustment is getting very short and will be challenging.

The primary concerns outstanding for AIPCE-CEP relate to three areas in the implementing rules (under Articles 71 and 72):

- a. The need to label all fish products on packaging and/or at point of sale with scientific name and catch methodology and the practical challenges this creates (imagine a retail store selling 60 species conveying this message in one easy to read display). There is also the issue of potential conflict with existing labelling regulations.
- b. The need to maintain a separation of 'lots' and how this can work in practice.
- c. The implied need for labelling of product as from 'previously frozen' material even where the product has gone through some form of further processing.

As previously mentioned a number of these requirements are covered in existing so called 'horizontal' regulations that are fully complied with so having them additionally represented in the EU Control Regulation is adding confusion and potential contradiction.

Consultation is still under way and we would hope that these matters can be cleared up before any enforcement measures are used. As with the EU IUU regulation we would appeal for a period of pragmatism during the early phases of transition.

## 7. Ecolabelling, EU Proposals and MSC Developments

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Whilst processors, brand owners and retailers are free to select the sustainability schemes that best suit their needs, the MSC, which celebrated its 10<sup>th</sup> anniversary in 2009, now dominates. At the time of writing it has 212 fisheries engaged in the MSC programme, of which 93 are fully certified, 119 are in assessment and it is believed many more are in confidential pre-assessment. Currently over 4 million tonnes of sea-food, equivalent to 7 % of global edible capture fisheries is now certified although this could rise to 12 % should assessments in process come through positively.

It is no surprise then that many members of national associations within AIPCE-CEP and their retail and food service customers support the MSC label in their brands.

Many of the key finfish species utilised by AIPCE-CEP members are MSC certified.

Within NE Atlantic waters, there are saithe, cod and haddock fisheries certified, with several others well advanced towards seeking certification such as N. Sea haddock, a key part of the Russian Barents Sea cod and haddock and part of the eastern Baltic cod.

Additionally with the EU pelagic herring and mackerel fisheries being certified, a considerable proportion of the N.E. Atlantic fisheries are now being recognised as sustainable fisheries, which is excellent, but it should be recognised that many international fisheries have MSC certification.

From the Pacific we have US Alaska Pollock, Cod, Salmon and the Hake resource shared with Canada. The recent, certification of some of the Canadian Pacific salmon and part of the Russian salmons have also increased supply. In the Southern Hemisphere New Zealand has maintained momentum in bringing more of its fisheries into entering the MSC program and South African Hake has achieved its first re-certification.

Another important emerging trend is the increasing entry of tuna fisheries into the MSC program.

A few fisheries and regions have chosen to pursue their own certification schemes and are presently developing the independent verification procedures that will demonstrate this to the global audience, particularly for compliance with FAO Guidelines. For example Iceland and Alaska have made significant commitments in this direction.

Consequently the ability and desire of fisheries to independently demonstrate their sustainability credentials is now well established across the globe and as we can see within the EU several key fisheries either have certification or are engaged in improvement programs that can lead to it.

There are numerous schemes for Aquaculture products around the world many of which have European applications. The competitive nature of certification is challenging all of these schemes to offer value and points of difference for their users that meet the ever increasing needs of their customers and the curiosity of consumers.

In respect of the environmental and social aspects the widely held view is that to include ethical aspects within a single label would be far too complicated and confusing for the consumer. This being the situation, the majority of major importers, processors and retailers also operate to third party audited, internationally accepted ethical standards as part of their corporate social responsibilities, which can be viewed on their business websites.

However, there is no doubt that the proliferation of schemes is proving a challenge for the market to manage and has potential to confuse and create 'label fatigue' possibly to the detriment of maintaining positive progress in standards.

Some consolidation of certification has been going on as market forces are exerted and it seems some 'over-arching' schemes are emerging.

## 8. Common Market Organisation (CMO)

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The Finfish Study highlights as one of its main themes the dependency the EU consumption of fish has on imports. The success of AIPCE-CEP members in developing the consumption of fish as a nutritious, tasty and healthy food is considerable. This positive development has continued throughout the period when EU fisheries have been in decline and the management process has consistently failed. Securing the confidence of the consumer in having fish, that is not just safe to eat but is caught responsibly and sustainably, has been a challenge taken up by the major processors, retailers and food service providers for the benefit of the market.

AIPCE-CEP are very supportive and committed to using the CFP Reform process as a way to bring EU fisheries to sustainable levels and providing a viable and flourishing sector that EU citizens can gain economic and social benefit from. There are many examples of AIPCE-CEP members working together with the fishermen, regulators, scientists and consumers to provide information, experience and products that are designed to enhance the value and provision of fish. Maintaining the confidence of the market to want to buy fish products is important if the work of the CFP Reform is to achieve the long term aim of bringing maximum benefit from the resources of the waters of the EU in a responsible and sustainable manner.

The use of imported fish is not a threat to this process as some recent publications and proposals have suggested. The standards for products imported are well regulated and AIPCE-CEP is supportive of maintaining the necessary controls and conformance checks to make sure the consumer can have full confidence in them.

Without the ability to source and trade globally the EU consumer will lose out on the well documented benefits of eating fish and enjoying the diverse offerings that exist to fill this need.

Consequently we advocate that the reform of the CMO takes into account the needs of the consumer and the success the AIPCE-CEP membership has been achieving in satisfying these needs.

The reliance on imports to now greater than 60 % of all fish sold in the EU reflects the growth in the market and not just the decline of supplies from the EU though we are pleased to see that several key fisheries in the EU have successfully adopted long term management measures that are re-building stocks to more viable levels and potentially creating the opportunity for greater catches in the future and at sustainable levels.

However due to the declines in the catches of many EU caught species there has been a reduction over many years in the primary processing capacity within the EU. The very large volume demands of the secondary processing sector and their consistent supply requirements for primary processed fish, local EU purchasing of intermittent supplies at ports without adequate primary processing facilities is rarely a viable option. To help many added value producers in the EU are working with the fishing sector to develop specific lower volume, higher value, origin branded niche fishery products to take advantage of the marketing opportunities for locally caught fish.

We feel that the use of intervention mechanisms needs careful review so as not to seemingly provide protection to a few while denying the greater populace the access to fair and reasonably priced fish. We accept that the role of PO (Producer Organisations) can be very positive for the enhancement of the fish industry throughout Europe but their role needs to continue to focus on matching the needs of the market without this conflicting with the needs of the fishermen. Bringing fish to the market throughout the year and avoiding unnecessary gluts of supply that depress prices is being better achieved.

The Tariff suspension and ATQ systems in use have helped to support the growth in the market and importantly have maintained strong markets for traditionally consumed species (such as cod) caught in the EU as well as bringing new species and choices to the consumer. When looking at the statistics of global supply outlined in the previous chapter it is apparent just how important access to these resources is when put against the internal EU ability to support demand for some of these species.

Linking any review of tariff suspensions to conditionality around perceived fishery management or poorer standards in non-EU countries introduces the dangers of subjectivity and complexity. Very often the primary reason these non-EU sources have gained access to the EU market is because their practices are more transparent, sustainable (often with independent certification) and simply better making them easier to market.

Building consumer confidence in the fishing sector is fundamental to increasing the desire of the consumer to buy the fish it catches. For example within the CFP Reform AIPCE-CEP has called for the banning of discards which represent not just a waste of resource but also undermine the credibility of the sector. Many other global fisheries dealt with this issue years ago and demonstrate good stewardship of their resources.

The same arguments appertain to aquaculture where private and public initiatives on a global scale are driving standards to the Best Practice level. Again AIPCE-CEP members have been very active participants in developing these standards and ensuring that the enforcement and compliance with them is exemplary.

The belief of AIPCE-CEP is that a successful market for fish in the EU is best served by having a vibrant and sustainable fishing sector here in the EU in parallel to allowing the use of resources from all around the world that are safe, sustainable and properly regulated.

## 9. Nutritional Values of Fish Species

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In last year's Finfish Study we tried to demonstrate that imported fish products at least match the nutritional values of EU origin materials and in some cases exceed them (refer to Chapter 11 of the 2009 report where we showed one company's pangasius data as an example).

Obviously the individual specifications for products are determined by the final market use for which they are intended. Consequently making direct comparisons can be difficult and if not properly presented can be misleading.

All imports (and especially those from aquaculture) are monitored at EU Border Inspection Posts on a frequent and regular basis. This is not just covering safety checks but includes a very active and comprehensive program for ensuring compliance with specific detailed legislation - such as EU veterinary drug and residue requirements.

The Rapid Alert System (RASFF) ensures that any breaches are quickly circulated and if any trends are identified with a particular region or product integrity issue then the EU will use its considerable powers to safeguard the integrity of the standards and prevent abuse.

In addition to the statutory programs the importing companies carry out considerable additional testing to ensure compliance with detailed parts of their specifications that ensure the product will perform when put to its intended use and provide the ultimate consumer of the product the satisfaction and enjoyment that will bring them back to purchasing the product on a repeated basis.

## 10. Food Labelling Requirements and Declarations

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All third country official health and inspection bodies, along with processing sites, are subject to regular inspection and approval by DG Sanco veterinary inspection teams. Likewise EU border inspection facilities are also subject to the same degree of inspection and control. Third country import inspections at the national border inspections posts are sampled according to agreed plans, with results of any issues circulated to DG Sanco and all other EU border inspection posts via their own internet systems and the RASFF system where appropriate.

Additionally, all major importers agree their own rigorous quality specification standards and audit inspection procedures with third country suppliers (as they do with their EU supply base). It is, therefore misleading to suggest that EU consumer health and product quality is put at risk from imports.

Mislabelling and misrepresentation is a potential problem that can occur in both imported and nationally prepared products. It is an issue that can affect all sectors of the industry.

As an illustration we have mentioned in previous Finfish Studies the EU labelling regulations relating to glaze levels, net weight declarations and the use of additives are clearly laid out.

Where additives are used these EU regulations are explicit in labelling and quantitative limits and functional use. For example use of polyphosphates is a well established practice increasing succulence in fishery products and use is in compliance with EC regulations, provided of course that it is within specified limits and appropriately declared. They can be detected readily through established and credible analytical testing and monitoring tracking any on-pack declarations.

AIPCE/CEP supports transparency of labelling of all fishery products and believes that there needs to be continued rigorous enforcement action to ensure both fair competition and consumer choice.

## 11. Costs and Import Price Trends

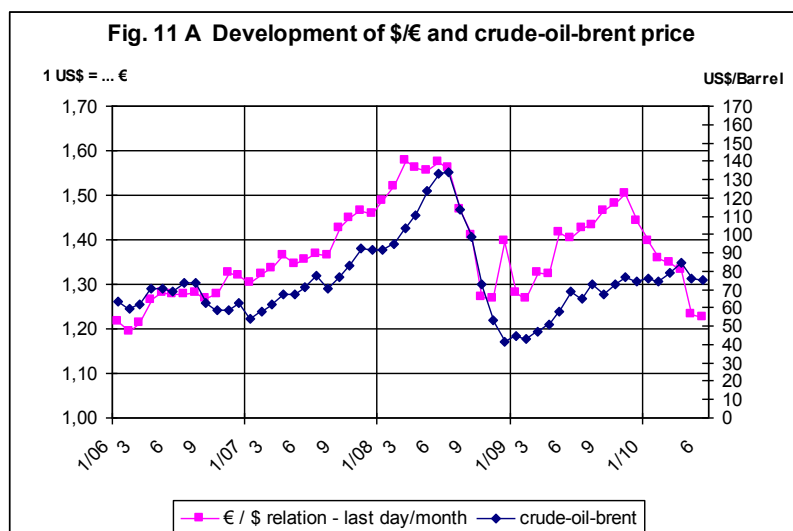
### 11.1 Oil Prices

2008 and 2009 were extraordinary years for the crude oil market. The run up to and then through the \$100 level between mid-2007 and mid-2008 then turned around completely with prices dropping back to \$100 by end of September 2008 and then further collapsing to below \$40 by the end of the year. By mid-2009 prices climbed again up to around \$70 and have more or less stayed there since January 2010.

For fishermen fuel represents one of their highest operating costs and whilst there is welcome relief from the extreme turbulence the relative high cost of fuel continues to drive the need to explore opportunities for introducing new technologies, adaptation of catching methods and best managing the variability of seasonal fishing patterns to help in the future.

All sectors of the industry, whether it be catching, farming, processing, distribution and retailing are looking critically at their use of energy. Various projects and initiatives that consider the respective role of each of these elements are being conducted at both private and public level using a host of methods including for example LCA's (Life Cycle Analyses). As always it will be important not to allow seemingly obvious intuitive conclusions to deflect from the considerable need for us to improve our knowledge in this area.

### 11.2 Currency Exchange Rates





The changes in the oil market are generally reflected in the currency markets. Through 2009 we saw the US\$ weakening again after its strong rally throughout 2008 although to date in 2010 we have seen all of this change (and even more) reversed. With the high dependence on imports for fish products we have in the EU make this a very challenging aspect of maintaining viable and stable activity for both the primary and secondary sectors in equal measure.

Whilst not all fish trade in the world is denominated in US\$ (think about the significance of Asian markets) it is probably the most important relationship in determining the attractiveness, or not, of selling to Europe and can substantially influence market and product developments particularly for emerging species and regions.

### 11.3 Market Place Cost-Quality Comparisons

As has been discussed earlier in this and our previous Finfish Studies authenticity and transparent labelling is vital. Making comparisons between imported products and those nationally caught or cultivated within the EU is a legitimate and important process for ensuring fair and reasonable competition. However, as we have mentioned earlier the ability to do this is complex.

For example using Hake as a species:

The total quota for European hake was 65 thousand tonnes in 2009 and the catch 49 thousand tonnes. In market terms European hake accounts for 10 % of the total market which was 520 thousand tonnes in 2009 the vast majority of which was in a frozen product form. However there is *considerable variation* between the values of the differing global species reflecting their individual quality attributes and differences.

European hake generally trades into the fresh sector at premium values because of its recognised superior quality and more ready access to the market. The difficulty of getting fresh hake from other very often considerably distant parts of the world gives European caught hake an advantage in both value realisation and preference but only in the fresh sector. Its superior quality and consistency make any considerable use in frozen a challenge that it has no need to meet.

AIPCE-CEP is supportive of providing clear and consistent information to consumers and the trade but with the realisation of the need to make this pragmatically available; ie. there is a finite amount of information that a consumer package can physically contain in a label (see our comments in Chapter 6.2 about the EU Control regulations).

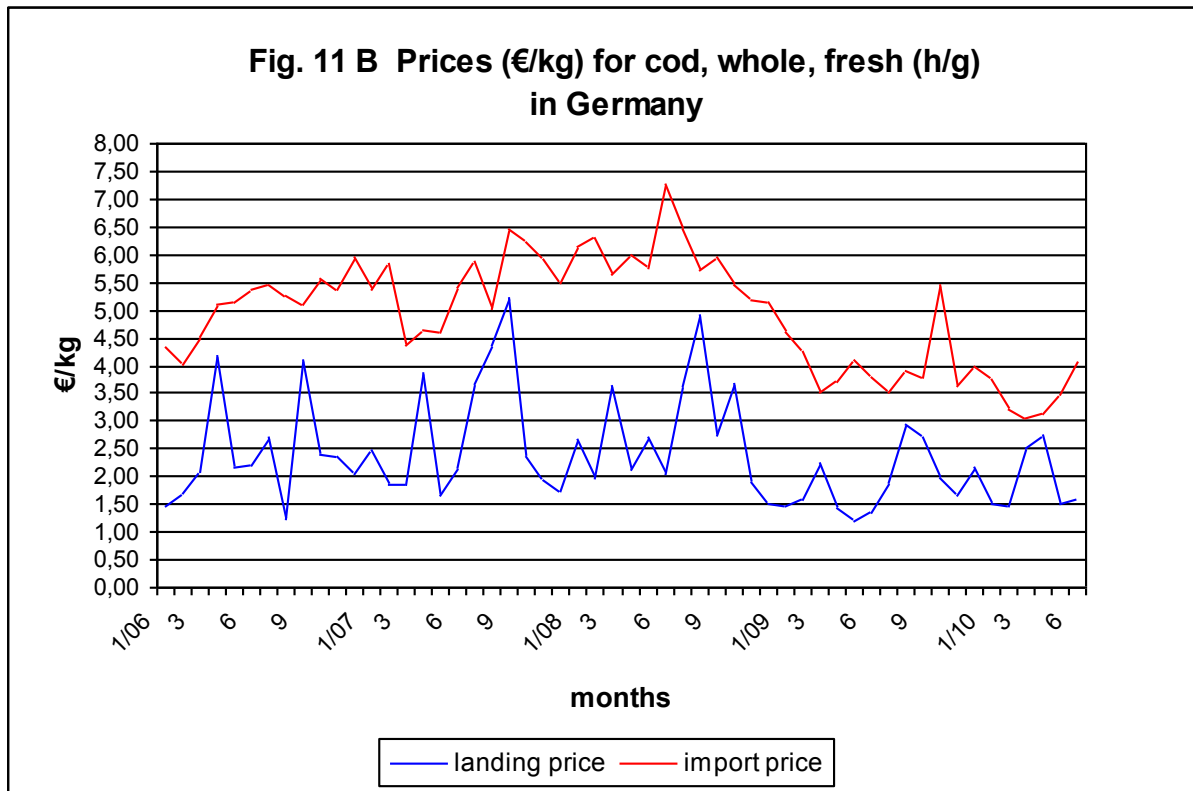
We do consider that any information presented should be accurate and not distorted or misleading. Any voluntary provision of information above the required minimum should have appropriate guidelines.

In particular we recognise the efforts of the EU to ensure that the consumer has as much information as possible to be able to make considered decisions when choosing to buy and learn more about the products available. Using all available channels of communicating this to the consumer, particularly with the physical restraints of labelling, is progressively being increased by the trade sector and can be a valuable tool in meeting the EU's objectives as well.

Where information has been mis-represented we expect that the enforcement process will be applied rigorously to protect the reputation of the trade regardless of where the product involved has originated from.

## 11.4 National Landed Prices versus Import Prices

It is difficult for AIPCE-CEP to carry out national landing price analysis across the EU because of the wide variations in price, both at member state and then at local level. However, Fig. 11 B shows data from Germany for cod. These data show a steady state and what is more, when compared to fresh imports, demonstrates that imports are typically more costly.



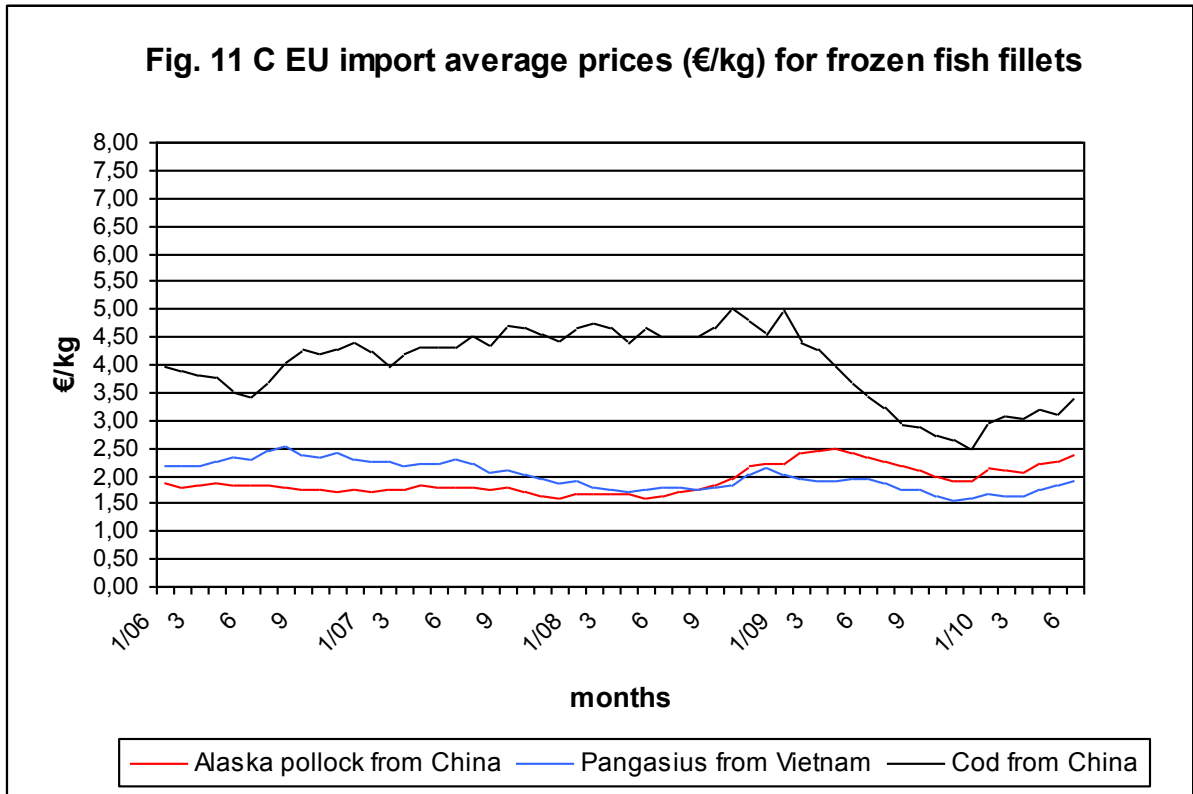
The continued heavy reliance of the processing industry on imported primary processed fish remains, albeit with a slight reduction in 2009. As we wrote this study last year we had seen Cod prices falling quite significantly around the globe and this had been reflected in lower prices for EU caught fish as well.

This trend appears to have levelled off in 2009 and there has been a little correction in 2010. Several aspects have affected this situation. The successful implementation of the IUU regulation has finally all but eliminated this unpredictable factor (although for NEAFC fish this has been the case since May 2007). As discussed in Chapter 5 availability of this iconic species is once again growing on a global scale with major positive quota change in the Barents Sea fishery which is by far the biggest. It is very encouraging that similar positive dynamics are starting to occur in EU fisheries such as the Eastern Baltic and even the beginning of improvement in the problematic North Sea region.

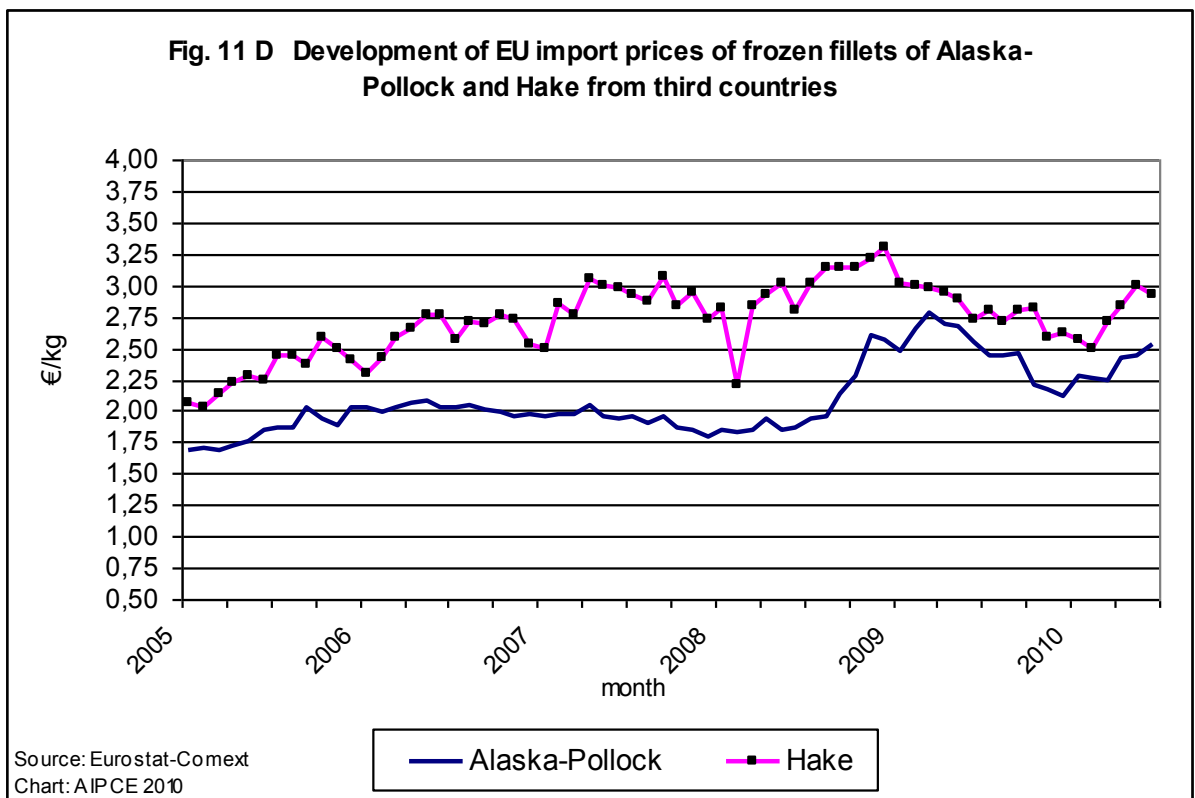
This more upbeat perspective has allowed cod to regain its place as the prime species and stimulated demand in countries that had shifted away from Cod.

Other white fish species such as Alaska pollock have gone through some changes but of course are at a lower starting base so the impact is less dramatic. Direct comparison is more difficult as these high volume white fish species are simply not available from EU caught or cultivated fish. We can however see of the more 'substitutable' white fish species like haddock and saithe have maintained and grown market share and do not seem to have weakened noticeably in price during 2009.





Last year we highlighted the prices for frozen fillets of Alaska pollock and hake in this section of the study. Using monthly purchase costs we can see that prices have fallen through the year 2009 (Table 13.1 to 13.3 and Fig. 11 D) but it is apparent this is entirely reflective of the exchange rate movement with the US\$ trading price constant.



Please be reminded of the difficulties in comparing hake species due to the species varying characteristics around the globe.

Year	Hake Fillets	Alaska pollock Fillets
2005	2.10 €/kg	1.84 €/kg
2006	2.62 €/kg	2.02 €/kg
2007	2.87 €/kg	1.93 €/kg
2008	2.95 €/kg	2.04 €/kg
2009	2.82 €/kg	2.47 €/kg

Import prices for cod have not been tracked in a similar way in the AIPCE-CEP reports largely because of the more diverse nature of the product formats available and the inability to make consistent comparisons.

## 12. In conclusion

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This AIPCE-CEP study is compiled for the benefit and use of AIPCE-CEP members and to help others understand the activities of the organisation AIPCE-CEP.

AIPCE-CEP is not liable for the accuracy of the data or errors in its representation.

Every year we see new legislation coming into place that has been proposed a considerable time ahead of its introduction. AIPCE-CEP is offered many opportunities to advise and offer the benefit of its members experience during the consultation phase of all proposed legislation and we have been influential in gaining many pragmatic and meaningful amendments to regulations through this process. Our representation of a key sector of European trade, employment and consumer interaction puts us in an authoritative and respected position which we need to use to best effect.

*AIPCE-CEP would welcome comments and suggestions about additional topics the reader wishes to see covered in further detail ([aipce@agep.eu](mailto:aipce@agep.eu)).*



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