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in

Paquotte P. (ed.), Mariojouis C. (ed.), Young J. (ed.).
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Zaragoza : CIHEAM
Cahiers Options Méditerranéennes; n. 59

2002
pages 91-94

Article available on line / Article disponible en ligne à l'adresse :

<http://om.ciheam.org/article.php?IDPDF=2600085>

To cite this article / Pour citer cet article

Arnal Monreal M. **EU marketing studies and promotion initiatives**. In : Paquotte P. (ed.), Mariojouis C. (ed.), Young J. (ed.). *Seafood market studies for the introduction of new aquaculture products*. Zaragoza : CIHEAM, 2002. p. 91-94 (Cahiers Options Méditerranéennes; n. 59)



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EU marketing studies and promotion initiatives

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SUMMARY – Public financial assistance to the aquaculture industry is an instrument of the European Community's regional cohesion policy. The Community is supporting aquaculture enterprises by two ways: funding research and development and capital grant contributions to physical investment of production projects. Key statements concerning aquaculture are discussed in a "Green Paper" released by the Commission in the objective of establishing the future Common Fisheries Policy.

Key words: Aquaculture, Europe, marketing, subsidies.

RESUME – *"Les études de marketing de l'UE et les initiatives de promotion". L'aide financière publique à l'aquaculture est un instrument de la politique de développement régional de la Communauté Européenne. La Communauté aide les entreprises aquacoles de deux manières : le financement de programmes de recherche et développement, et l'attribution de subventions d'investissement à des projets de production. Les enjeux de l'aquaculture sont abordés dans le "Livre Vert" publié par la Commission dans l'objectif de construire la future Politique Commune des Pêches.*

Mots-clés : *Aquaculture, Europe, marketing, subventions.*

Aquaculture represents an important sector in the framework of the Common Fisheries Policy, as its development has contributed to the supply of fish products without increasing pressure on wild stocks. It has also provided alternative employment in many fisheries dependent regions.

The European aquaculture industry as a whole has slowly but steadily increased its production over recent years and, apart from short-term imbalances, the market generally has been able to absorb its output. As an economic activity, it occupies a significant economic place in the context of European Community fisheries: current production of all species combined exceeds 1.2 million tonnes a year. The annual economic value amounts to approximately 2.2 billion euro, while there are currently around 60,000 people employed in this field throughout the Community. Aquaculture is the only segment of the fisheries industry that has seen a slow but steady increase of employment over the last years.

Moreover, plausible scenarios for the medium-term suggest that the European aquaculture industry could increase further still in the coming years and that the number of jobs could also increase. Because of this, the Community gives financial aid to aquaculture development in the framework of the Community Structural and Research policies.

The prospects for the future of the aquaculture industry are promising, provided that some constraints are tackled effectively and in due time. In this respect four themes seem of particular importance: (i) product quality and health; (ii) environmental concerns; (iii) socio-economic aspects; and (iv) marketing.

As the balance between production and demand is very delicate, any sudden production increase to a level exceeding the natural development of demand should be carefully avoided. However, demand can be stimulated by marketing operations. So, producers must understand the needs of the market, and study its management, as much as possible their commercial strategies.

Marketing effort will have to receive increased attention in the future. There is evidence that the simple increase in production is not sufficient to guarantee profitability for the enterprises which, at the end of the day, is the real interest of the farmers. Experts have shown strong support for increased

collaboration between farmers, through their trade Associations, to develop modern marketing strategies. Greater co-operation is particularly important in the shellfish sector.

One aspect that in particular could contribute to better marketing is marketing information. A good information flow between the various actors of the sector could facilitate sales organisation, help to open new markets, find better prices and reduce unfair competition. Promotion campaigns could also be organised and managed by producer groups themselves, possibly on a transnational scale.

In recent years, the aquaculture industry has been required to make significant investments and these continue today. An important driver has been the increasing constraints from environmental concerns and from competition for space and aquatic resources; and on the other side, the rapidly changing conditions (threats as well as opportunities) of the market.

Public financial assistance to the aquaculture industry has to be seen in this context. It is a legitimate instrument in the European Community's regional cohesion policy. Aquaculture businesses, as a matter of fact, are mainly present in areas whose economies are structurally lagging behind. The Community is supporting aquaculture enterprises essentially in two ways.

Firstly, assistance is provided by funding research and development through the Community Research and Technological Development Framework programme. This started in 1989 with the Fisheries and Aquaculture Research Programme (FAR) which ran for five years. It was followed by the AIR programme and by the Agriculture and Fisheries Programme (FAIR) from 1991 to 1998. The Fifth Framework Programme (1998-2002) continues to give support in strategic fisheries areas, including aquaculture research.

Some important projects on marketing of aquaculture products have been financed by these programmes. The MASMANAP action, presented here today, is a Concerted Action supported by the FAIR Programme. This project will hopefully provide important information to review the European incentive policy regarding investments for quality differentiation and species diversification.

Other important research work has been carried out by the FAIR project "Foreign trade and seafood prices: implications for the Common Fisheries Policy", that contributed to highlight the main trade patterns within the European Union and to define the key determinants of seafood imports in Europe.

Another interesting EU-supported research project in aquaculture economics is "The implications for fisheries management systems of interaction between farmed and wild caught species". This is not, strictly speaking, marketing research; however, the project focuses on the demand for fish and its implications for fishery management. Determinant factors in the price formation process and in the market structure have been analysed, focussing on multispecies demand and interdependencies between farmed and wild caught species.

Finally, another useful tool for the aquaculture producers funded by the FAIR programme should be the AQUAFLOW action. Though not a marketing measure, it is worth mentioning here as it aims to establish a wider and more rapid circulation of information concerning the results and progress of EU funded programmes for research, technological development and demonstration in aquaculture. The target is the potential end user in Europe, obviously including farmers.

This project will encourage two-way communication: Aquaflow will also collect feedback from the aquaculture enterprises, to be able to identify further the needs for aquaculture research & technology and associate information services. The early transfer of information is essential for both the end-user and the researcher to develop new products and processes which can lead to development, consolidation and expansion into new markets. By increasing the interaction between the research centres and the sectoral SMEs, the project should increase the competitiveness of the industry.

The second tool used by the European Community to support aquaculture is the Structural Funds, instruments offering capital grant contributions to the physical investment of production projects and connected actions. A Financial Instrument for Fisheries Guidance (FIFG) was created in 1994 and updated in 1999 by Regulation (EC) No. 2792/1999 for the purpose of giving structural assistance in the fisheries sector.

This regulation supports many investments in the fisheries sector, including aquaculture private

production projects. In these cases a financial participation from the private investor is always requested, which can range between 40% and 60% of the total investment according to areas. The emphasis for grant aid is put into avoiding adverse effects such as a build up of excess production capacity, to concentrate on investments which aim to improve the environment, and collective actions involving professional fish farmers.

However FIG allows also for the financing of measures which are not directly producing fish and shellfish, but which aim to create a favourable environment for the industry to develop in. For example, pilot projects aiming to establish and distribute technical and economic knowledge on new species or technologies are eligible for aid, and the level of public aid is higher than for normal production investment.

Another important section of FIG deals with the financing of measures to find and promote new market outlets for fisheries products. In this framework the FIG can encourage collective operations to find and promote new market outlets for fishery and aquaculture products, including: (i) operations associated with quality certification, product labelling, rationalisation of product names and product standardisation; (ii) promotion campaigns; (iii) organisation of and participation in trade fairs and exhibitions; market studies and surveys; and (iv) sales advice and aids.

The measures must not be based around commercial brands nor make reference to particular countries or a geographic zone. Exceptions include specific cases where official recognition of origin with reference to a specified geographical zone for a product or process is granted pursuant to Regulation (EEC) No. 2081/92 on the protection of geographical indications and designations of origin for agricultural products and foodstuffs. Most of these FIG actions are carried out within National programmes by the fisheries authorities of every Member State. For instance, during the 1994-1999 programming period, some promotion action including aquaculture products were supported in Spain and Italy by local authorities. However, the Commission has also directly financed marketing measures in the recent past.

A major transnational promotion campaign was financed by the FIG, on the initiative of the Commission, in 1997. The campaign was called "Health and Wealth from the sea", and promoted both fisheries and aquaculture products. This was mainly an awareness raising campaign, including also the "Fish today, kids" competition, an initiative designed to make information available in secondary schools in the 15 Member States on fisheries and aquaculture products and to encourage their consumption.

The Commission sponsored a number of studies (many of them referring to marketing) using FIG budget in the period 1994-1998. I would like to mention two of them that are strictly linked to aquaculture: the "Study on the behaviour and attitudes of European consumers regarding farm-bred fish products" by the COPA-COGECA and the "Forward study of Community aquaculture" carried out by MacAlister, Elliot & Partners in the period 1998-99. The latter is not a market study, but a global assessment of the aquaculture sector including production and economics, and modelling future potential developments. This "summary" of the existing statistic information was well received by the experts attending the conference on "The Future of Aquaculture in Europe" held in Santiago de Compostella in November 1999, and has been widely used as a reference since.

The pilot action "Establishment of a pan European aquaculture database" was intended to be a key tool for the organisation of marketing of farmed products, as it aimed to provide information on sales and prices almost in real time. The pilot phase involved three Member States, and had a very encouraging success in at least two of them. This database should be further developed in the framework of the AQUA-MEDIA project, that will be presented by Mr Hough. The Aqua-Media project, initially known as "Presenting Aquaculture", is being financed directly by the FEAP with additional support from the FIG who funded the first phase, devoted to preparatory works.

Unfortunately, the budget available for direct Commission financing was drastically reduced from the year 2000. However, the Commission still managed to finance a joint EC/EIFAC working party on Market Perspectives of European Freshwater Aquaculture, held in Brussels last May. This action arose from the consideration that freshwater aquaculture is an important sector of European aquaculture, but it has to face substantial problems linked to the scarce demand for freshwater species other than trout and carp, and to the products' low market value in relation to the production costs.

During the meeting issues like *Supply* of products to the consumers, *Quality and Safety* of the final product, *Internationalisation* of the markets, *Durability* of the sector, were dealt with.

It was a good meeting and interesting results were achieved, that will certainly be of use in the revision of the Common Fisheries Policy that the European Commission is now starting.

The future

Last March, the Commission presented to the Council and to the European Parliament the report on the situation of fisheries in the Community and a "*Green Paper*" in which it sets out the options for the future fisheries policy and the possible amendments to Community law.

Using the Green Paper as a basis, the Commission initiated an intensive public debate on all areas of the CFP. We have until the end of this year to discuss with all the interested parties the options for the future Common Fisheries Policy. By the end of 2001 we will prepare the Commission's formal proposals for changes in Community fisheries legislation. So it is clear that the results of the recent working party and of the previous studies are important in shaping our position towards the future of aquaculture.

One of the key statements concerning aquaculture in the Green Paper deals with competition from international trade. This has also affected Community aquaculture during the last decade. The market has to be the driving force of aquaculture development: production in excess of the likely evolution in demand should not be encouraged. In the 1980s, aquaculture (and more particularly, marine aquaculture) was still essentially a high-risk activity. Today, these risks no longer exist for a number of farmed species. It is therefore questionable whether the Community should subsidise investments by private companies in production capacity for species where the market is close to saturation.

On the other hand, concepts like *quality* and *safety* of food products are now essential for the European consumer. Fish still has an image of quality and safety, it is paramount to keep its image like it is, and to find new ways to promote a quality product and sell it at a fair price.

Fair price is another key point: the Commission action in promoting aquaculture always bore in mind the need to create a viable industry, and the need to avoid the mistakes that lead to the distortions of the Common Agriculture Policy. We still consider that public administration should intervene in favour of aquaculture development only when this is to create a sustainable and economically viable industry. So far, I can say that we have succeeded. This must also be the future tendency. It is clearly stated in our structural regulation, it has been reaffirmed in our Green Paper: "*any increase in production in excess of the likely evolution in demand should not be encouraged*".

So, the consumers' supplies must be guaranteed, by continuing the road to diversification and technological development.

The European Commission will continue its efforts to find solutions for what is within our competence. But to achieve this we rely on the collaboration and the co-operation of all the interested parties: the national administrations, the scientists, the consumers and more than ever the farmers.

Following the recent debate on the Green Paper, it has already been possible to identify some ideas that deserve being developed for the future Community action in favour of aquaculture. Without anticipating too much, let me observe that the mechanism for the public financing of transnational promotion campaigns seems to need improvement. More research is needed on environmental matters (including aquaculture negative and positive aspects) and on diversification of both species and products. The social aspects of aquaculture, namely its impact on employment, should be carefully explored. Finally, it is probably more important to create a favourable legal and technical context for the industry's development rather than simply proceed to the occasional financing of production increases at the level of individual farms.