



Advice

Disturbances in the market of fisheries and aquaculture products due to the Russian invasion of Ukraine

Brussels, 3 February 2023

1. Introduction

On 24 February 2022, following a large-scale military build-up, Russia launched an invasion of Ukraine. The EU condemned Russia's military aggressing and progressively adopted packages of sanctions, while providing assistance to Ukraine. This crisis has created new major disturbances in the market of fishery and aquaculture products.

2. Problems faced by the Fisheries and Aquaculture Supply Chain

Fisheries operators faced a significant daily fluctuation and increase of fuel prices (above the breakeven point), impacting profitability. For some fleets, fuel can be up to 40% of the expenses. Parts of the fleet tied-up and reduced the length of fishing trips. There has been an increase of prices for raw materials as well as for replacing materials for trawls and other fishing equipment.

Aquaculture fish operators faced a lack of availability of feed materials from Ukraine and Russia, plus shortages and increased prices of inputs, such as raw materials for feed, and liquid oxygen. There were also significant increases in energy and fuel costs. Shellfish farmers were also somewhat affected by the increased energy costs and a slowdown in oyster exports.

Processing operators faced difficulties in sourcing raw material, such as flour and cereals. In the case of the Dutch and German industries, there was a reduction of availability of Alaska pollock and of codfish. The industry faced shortages of vegetable oil, plus difficulties with labelling rules

when substituting ingredients. Besides the ongoing high energy costs, some operators also worry about potential energy cuts in shortage situations.

The retail trade suffered significant increases in the cost of energy, fuel and raw materials, while facing a weak demand with decreases in consumption. As an example, in Spain, there was a decrease between 13% and 20% in every month of 2022 until October when compared to the same months of the previous year.

The entire supply chain faced the impact of fuel and energy price increases in combination with a high inflation rate. Market prices were impacted by volatility and a reduction of offer. The increases in costs were not always passed on to consumers. There are significant concerns with the shifting of consumer habits, particularly substitution for cheaper proteins. The chain also faced employment difficulties, connected to the need to increase wages as well as difficulties in finding and maintaining personnel, which can translate in the loss of business opportunities.

3. Measures and Financial Instruments at EU-Level

At EU-level, several measures were adopted to support the fisheries and aquaculture sectors:

- The Commission adopted a Temporary Crisis Framework to enable flexibility under State aid rules. Member States were able to set up schemes to grant up to €35,000 for companies affected by the crisis active in the fisheries and aquaculture sectors¹.
- The Commission activated the crisis mechanism under Article 26.2 of the EMFAF Regulation, allowing Member States to grant financial compensation to fishery, aquaculture and processing operators for income foregone and additional costs as well as compensation to Producer Organisations for the implementation of storage aid².

¹ https://ec.europa.eu/commission/presscorner/detail/en/statement_22_1949

² https://ec.europa.eu/commission/presscorner/detail/en/ip_22_2003

- The Commission proposed an amendment to the 2014-20 EMFF to allow Member States to use funds left over from 2014-20 for crisis support, including financial compensation for the temporary cessation of fishing activities, to Producer Organisations which store fishery or aquaculture products, and for income foregone and additional costs³.

In the view of the MAC, the Commission provided, promptly, appropriated measures to mitigate the impacts of the crisis, placing all the necessary tools at the disposal of Member States.

4. Implementation of Measures and Financial Instruments at the Member States' Level

The implementation of the support measures is done at the national level, but Member States have taken different approaches, meaning that a level-playing-field is lacking.

As examples in the fishing sector, Ireland, Denmark, and the Netherlands did not put in place compensation for the increase of fuel price. Instead, these three countries have used the Brexit Adjustment Reserve to compensate fishers for the price increase, even though the objectives of this instrument are entirely different. Sweden granted aid to compensate for higher prices, but was conditional on the landings taking place in Sweden, so a large proportion of pelagic catches were not eligible. Alternatively, Spain was the only country to use the mechanism of Article 26 of the EMFAF to compensate for income foregone and the increase of costs. The Spanish support was only provided to the producing sectors, not covering the rest of the supply chain.

Despite the possibility, under the instruments developed at EU-level, to grant aid to the entire fisheries and aquaculture supply chain, Member States have not always covered the processing and retail sector in their implementation.

³ https://ec.europa.eu/commission/presscorner/detail/en/IP_22_2408

5. Recommendations

Considering the continuous impact of the ongoing crisis on the market of fisheries and aquaculture products, the MAC believes that the Commission and the Member States should:

- a) Coordinate to ensure that national authorities use all available aid instruments, avoiding the creation of an uneven-playing-field across the EU, including in terms of amounts provided and access conditions, covering the entire fisheries and aquaculture chain;
- b) Publish EU guidelines on compensation measures, to facilitate the implementation at national level and to promote a level-playing-field;
- c) Continue to implement measures to mitigate the impacts faced by the sector, particularly in terms of energy, fuel and raw materials;
- d) Increase the maximum amount of support that can be legally provided to each individual undertaking in the fisheries and aquaculture sector;
- e) Reduce the administrative burden in the access to aid measures, in order to prevent the bankruptcy of existing undertakings, facilitate the establishment of new companies, job creation and the provision of sustainable food;
- f) Monitor and report on the ongoing shift in purchasing habits of consumers, particularly substitution of fisheries and aquaculture products for cheaper proteins, through the use of the most up-to-date available information on the market disturbances caused by the Russian invasion of Ukraine⁴;
- g) Work on crisis prevention and improve the resilience of the agri-food systems in the EU⁵, while taking into account the EU's market very low self-sufficiency rate for fishery and aquaculture products, the excessive dependency on imports, the restricted scope to

⁴ The use of more up-to-date data would be required, since, for example, information on the consumption habits in the 2022 edition of "The EU Fish Market" report of EUMOFA is mostly based on data from 2021.

⁵ On 28 May 2021, the MAC adopted advice on the Contingency Plan for Ensuring Food Supply and Food Security, which is available online: <https://marketac.eu/food-supply-contingency-plan/>.

increase domestic supply, and the added value of fisheries and aquaculture in terms of environmental impact, food security, and local and coastal development;

- h) To ensure the mitigation of the impacts caused by the increase of fuel prices, continue to work on an achievable energy transition away from fossil fuels in the sector;
- i) Consider potential adjustments in the Autonomous Tariff Quotas (ATQs) Regulation to allow adequate supply. These adjustments should be thoroughly studied on a case-by-case basis, while also taking into account the EU fleet's production and competitiveness;
- j) Take measures to face the increased costs for operators and consumers, for example, eliminate or reduce the VAT tax based on healthy diets, as supported by scientific guidance.