



MAC ADVICE

Impact and Mitigation of the COVID-19 Pandemic on the Seafood Supply Chain

Brussels, 11 December 2020

1. Introduction

The COVID-19 pandemic has created major disturbances in the seafood market, resulting in very severe impacts throughout the entire supply chain. Attempts to contain the spread of the virus have kept workers at home and customers out of shops. Global seafood trade has slowed, restaurant sales have drastically reduced, and fresh fish counters in many supermarkets closed.

Despite the measures undertaken by the EU institutions and national governments, it remains unclear for how long public health measures – and their economics effects – will continue, while it is clear that seafood operators will struggle to stay operational, particularly in context of the current closure of the hotel, restaurant, and catering (HORECA) sector in most Member States.

In this context, the Market Advisory Council (MAC) hopes to contribute to a restart of the European seafood sector by putting forward recommendations to the European Commission and the EU Member States of measures covering the fishing, aquaculture, processing and retail sectors. This present advice will also be sent to the European Parliament for their information.

2. Measures and Financial Instruments

In March 2020, the European Commission announced a package of support to mitigate the impact of the COVID-19 pandemic. The package included the following measures:

- 1) Temporary State Aid Framework, enabling Member States to provide economic support, from their national budgets, to citizens and companies;

1

- 2) Coronavirus Response Investment Initiative, enabling the use of the EU's structural funds, including the European Maritime and Fisheries Fund (EMFF), to strengthen healthcare systems and support economic sectors;
- 3) Specific EMFF measures valid until the end of the year, were also announced, such as financial compensation for the temporary cessation of fishing activities, financial compensation to aquaculture farmers and processing enterprises, financing of working capital for aquaculture farmers and processing enterprises, support to producer organisations for the temporary storage of products, and specific compensation of economic losses in the Outermost Regions.

In May 2020, the European Commission put forward a proposal for Next Generation EU, a new recovery instrument. The EU institutions have agreed on €672.5 billion of loans and grants under the main instrument: the Recovery and Resilience facility. The Member States must submit their Recovery and Resilience plans by 30 April 2021.

The MAC considers that these financial instruments should be fully utilised to implement the recommendations described under section 4 of the present advice.

3. Problems faced by the Seafood Supply Chain

The COVID-19 pandemic has created major disturbances in the seafood market, resulting in very severe impacts throughout the entire supply chain, leading to the loss of local and global markets and no income, while fixed operational costs remain. Furthermore, during the early stages of the pandemic, there was an overall shortage of protective equipment, such as glasses, facemask, gloves and hydro-alcoholic solutions, for all economic operators.

The pandemic's outbreak led to a collapse in first-sale prices, including expensive species. Products dependent on exportation suffered immense price drops and market closures. There

was an overall loss of local markets due to restriction on tourism in European coastal areas, especially affecting small-scale fishers. Sales to restaurants and food services as well as catering to schools, factories, and administrations were drastically reduced.

Fisheries production faced operational restrictions connected to port operations, crew changes, shipping freight rates, problems in the insurance sector, cold storage, among other factors. There were also significant delays in the issuing of catch documentation. The aquaculture sector faced problems of uncontrolled biomass increase, impacting the survivability of stocks and sales prices, and jeopardizing the next production cycles. The production of mollusc and shellfish also faced high water Summer temperatures and the cumulative effects of Norovirus episodes.

Besides the contraction of international trade, in the first stages of the pandemic, restrictions were also felt in the functioning of the Internal Market. For example, in the early stage of the pandemic, Italian producers were faced with requests of additional declarations and documentation from importers, in order to demonstrate that their products were not contaminated. Additionally, several Member States took protectionist approaches in an attempt to minimise the decrease in sales of their national products.

The entire chain has been impacted by the closure of borders and the reinstatement of border checks, disrupting deliveries and the circulation of workers. In the early stage of the pandemic, the sector was faced with panic buying, particularly of frozen products. Ensuring the necessary workforce, while also following appropriate safety measures, is particularly challenging for smaller enterprises, since the infection of one employee can translate into a closure.

Due the adoption of public health measures, which led the closure of export and HORECA markets, there was an overall shift from out-of-home consumption of seafood products to in-home consumption, including take out, and a shift from fresh and chilled products to frozen and processed products, which requires further study. An increase of on-line sales of seafood

products was perceived, but the volume was insufficient to fill the gap producer by the drop in out-of-home sales.

4. Recommendations

Considering the need for further public support to mitigate the impact of the ongoing COVID-19 pandemic on the EU market of fishery and aquaculture products, to improve economic perspectives, to ensure the continued supply of safe and healthy food, as well as the opportunity to support a green recovery, the MAC puts forward a series of recommendations.

The MAC believes that the European Commission and the EU Member States should:

A. Market initiatives

1. Organise a EU-wide information campaign directed at consumers on the impact of the COVID-19 pandemic on the seafood supply chain, including the registered reduction of sales, while also taking into account the state of the EU's fisheries and aquaculture, the socio-economic importance of the sector, particularly for rural coastal areas, the importance of sustainable food choices, and the scientifically proven health benefits of seafood consumption. The information campaign needs to be supplemented with a pan-European marketing campaign promoting seafood consumption in order to help reboot the sector and a return to pre-pandemic level of sales and prices. This campaign should not be restricted to social media as the message needs to reach to a wider audience such as the one of major national TV channels for instance. Member States could be instrumental in this and coordinate action with the end-of-year celebrations;
2. Support traceability tools in the supply chain and catch data improvements, in line with previous MAC advice, in order to contribute to the fight against IUU fishing and to increase consumer confidence in seafood products;

3. Develop plans to ensure that logistic services can distribute seafood products at fair prices and appropriate financial return for seafood value chain operators in emergency situations, while avoiding excessive costs to the producer and excessive prices to the consumer;
 4. Ensure the proper operating of the Internal Market, including the free circulation of people and goods;
 5. Collaborate with trade partners to get international trade up and running;
- B. Funding initiatives
6. Ensure that financial support measures for the seafood sector cover the entirety of the supply chain, including fishery producers, aquaculture farmers, feed producers, processors, traders, suppliers, retailers, and workers;
 7. In the development of measures, ensure a level playing field between the seafood sector and other food sectors;
 8. Extend measures on direct aid in case of emergency within the future EMFAF;
 9. Include funding for exceptional circumstances, such as pandemics, under the next EMFAF programming period;
 10. Ensure that lost income due to the COVID-19 public health crisis is compensated for through income support schemes. In the case of lost fishing and aquaculture income, this should be done in collaboration with Producer Organisations;
 11. Support measures to guarantee companies the financial liquidity in case of an emergency;
 12. Support compensation for extra logistic costs due to unsold products in case of emergency;
 13. Support investments that contribute to a transition towards an environmentally-friendly, sustainable, and low-impact seafood production, including through technological innovations and building of new skills. Special attention should be provided to small-scale artisanal fisheries;

14. In the development of future mitigation measures and in the implementation of the Next Generation EU instrument, ensure the necessary funding for the seafood sector;
 15. In the access to aid, aim for a low administrative burden, including through the use of clear language in legislative texts and official communications as well as their uniform translation into the different EU official languages¹, and the coordination of interpretations by national and regional authorities;
 16. Coordinate to guarantee that, under the Recovery and Resilience plans, measures are developed by national authorities for the recovery of the EU market of fishery and aquaculture products;
 17. Support the acquisition of personal protection equipment, such as glasses, masks, gloves, and hydro-alcoholic solutions, by the operators of the supply chain;
- C. Environmental & social initiatives
18. Encourage seafood production operations that have a beneficial effect on nature conservation;
 19. Coordinate efforts to ensure that protective equipment does not contaminate the marine environment due to incorrect disposal;
 20. Support skills development and labour conditions, for example through increase safety training, aid for equipment to improve hygiene, health and working conditions, and facilities improvement.

The implementation of support measures should be developed, implemented and have its intended effects within a short timeframe, be developed in consultation with a range of industry and civil society actors, be clear in its goals, and be transparent about how support will be administered and who the recipients are.

¹ Following the adoption of the first package of support, operators noted difficulties in the implementation due to variations in the translation and interpretation of Article 69 of the EMFF Regulation's new paragraph 3.