The EU Fish Processing Sector 2019

Presentation of the STECF Economic Report

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MAC Working Group 2: EU Markets

NH Brussels EU Berlaymont

19 September 2022

DATA CALL, WORKING GROUP, REPORT AND DATA

- The EWG data call, meeting and its report are done on a **biennial basis**
- **Call for socio economic data on the EU fish processing sector 2021** (for data updated up to 2019) : launched 1st December 2021 – deadline 13th January 2022
- 19 MSs replying to the 2021 data call (the fish processing data collection is done on a **voluntary basis**)
- 4 sets of data: **main** (predominance of fish processing activities), **non-main** (secondary activity), **social and raw material**
- Data coverage: **2008-2019** (some MS' voluntarily submitting 2020)
- STECF EWG 21-14: 5 days of **virtual meeting** (21-25 February 2022) to analyse data and write the report
- 27 invited experts (1 STECF member), **25 EU countries** coverd by the analysis (6 countries without experts)
- **Experts' knowledge for 2020-2021 and future outlook**

THE APPROACH USED FOR THE REPORT COMPILATION - 1

- In line with the 2019 report special attention has been paid to maintain a **homogeneous number of Member States** and avoiding bias, for EU totals, by the inclusion (or exclusion) of some Member States, throughout the analysed period (mainly due to the **voluntariness** of the data collection for the fish processing sector under EUMAP; e.g. Estonia, Portugal, Netherlands).
- The compilation of EU aggregates required the use of an **estimation protocol** for some Member States, and to do this the EWG 21-14 has further elaborated on the protocol approved by the STECF 19-02 and used for the 2019 report.
- Furthermore, for the second time, after the 2019 report, and with the aim of providing a real EU overview of the sector, the report includes also a brief analysis, at country level, for Member States involved in data collection under EUMAP, but **not collecting data for the fish processing sector** because of a very small sized industry (i.e. Austria, Czech Republic and Slovakia).
- **The 2021 Fish processing economic report supersedes all previous reports**. Comparisons across reports should not be made. This is mainly due to the inclusion of more Member State, the exclusion of the United Kingdom and greater coverage of the data this year.

THE APPROACH USED FOR THE REPORT COMPILATION - 2

- The report provides an in-depth look of the **different factors affecting** the economic performance of the EU fish processing industry with a special focus on the **major drivers and issues** affecting the sector in the period covered by the data series but **also** trying to provide an **outlook on the most recent years**, relying on experts' knowledge and information available for the sector outside EUMAP datacollection..
- Because of events happened since the previous report, the last one has also dealt with the impact that the **Covid-19** pandemic has generated on the fish processing sector of the EU countries. Taking into account that the data submitted by MSs do not cover the Covid period (2020-21), the section has been based on the analysis of the trends of imports and export of selected commodities and countries and on qualitative information provided by experts. Details of the impact are synthesised at EU level and at country's level, as well.
- For the second time the analysis of the **socio-demographic aspects** of the labour forces employed by the EU fish processing industries has been provided, in terms of gender, age, nationality and educational aspects.
- The purchase of fish and **raw material** is the dominant cost item for the sector (more than **70% of the total production costs).** Hence, obtaining more detailed information on the main species, the main source (either from wild fisheries or from aquaculture) and the origin (EU or extra EU) of **raw material** would allow a better assessment of the stengths and vulnerabilities of the sector. For this reason, an attempt to analyse **the data collected, on a voluntary basis, by MSs** in terms of raw material in volume by species and origin has been made by STECF subgroup.

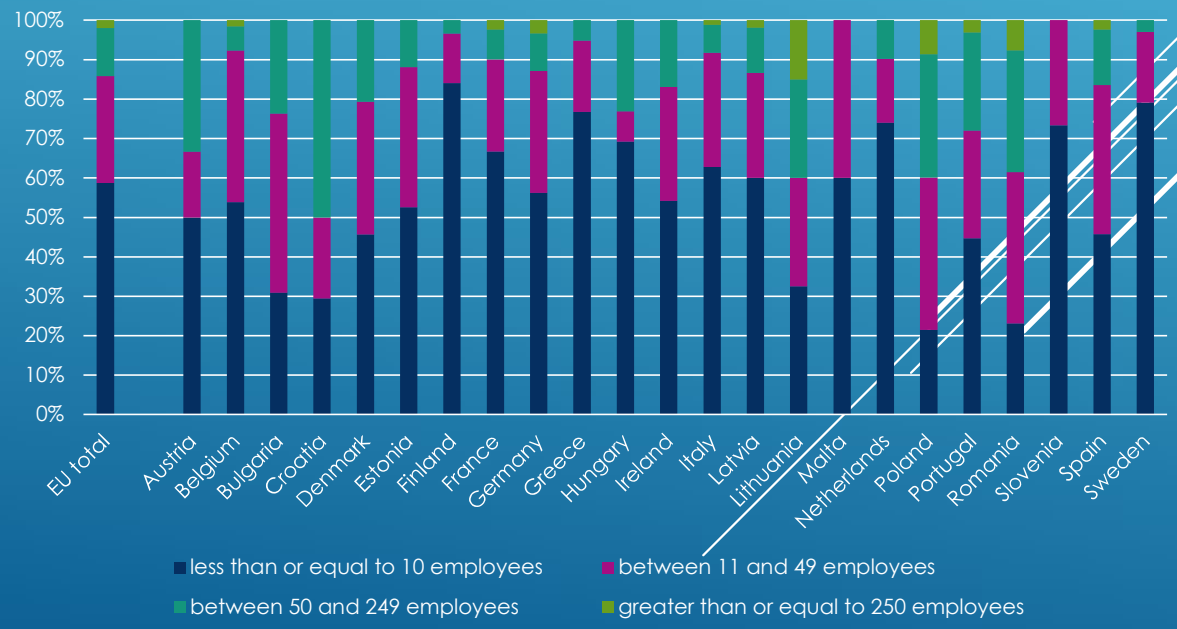
THE REPORT

1. Introduction
2. The EU Fish Processing Sector
   - Overview
   - Economic performance
   - Fish used as raw material
   - Trends, drivers and outlook
3. Socio-Demographics of the EU Fish processing Sector
4. The impact of Covid-19 on the EU fish processing sector
5. National Chapters (25 countries)
6. Data coverage and quality
7. Annexes

- Available at: https://stecf.jrc.ec.europa.eu/reports/economic
  - In addition to the report, also the data are published.

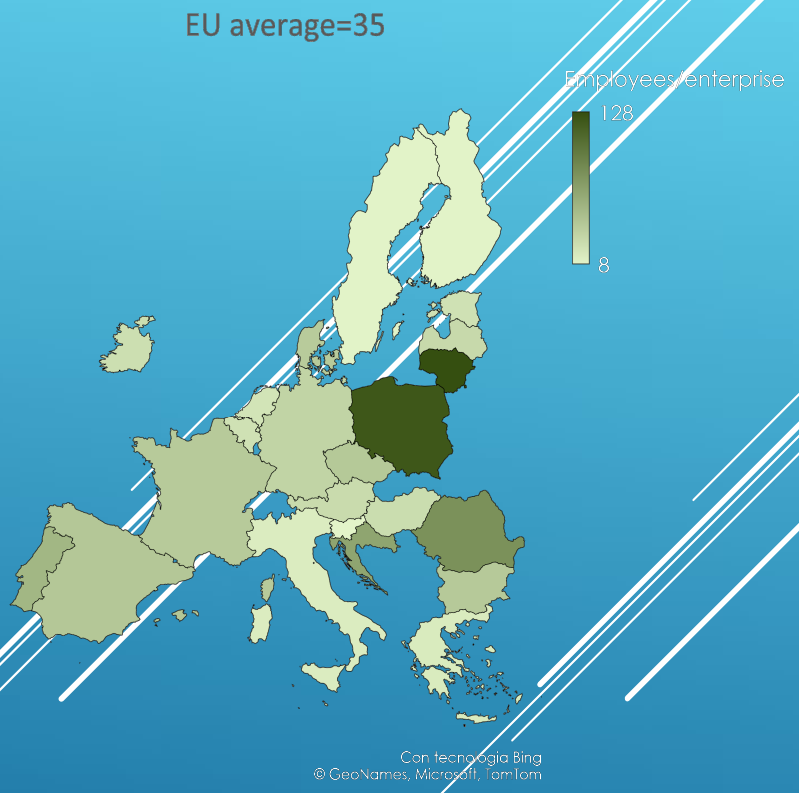
STATUS QUO UP TO 2019 - 1

- In 2019, the overall number of enterprises carrying out fish processing as a main activity was equal to around **3,200 firms**. In 2019, the sector has produced a **turnover of about €28.5 billion** and employed more than **110 thousand people** (corresponding to around 100 thousand FTE).
- The great bulk of enterprises (98%) of the sector are SMEs (less than 250 employees), **85% are small-sized** (less than 50 employees) and more than a half are micro-enterprises.



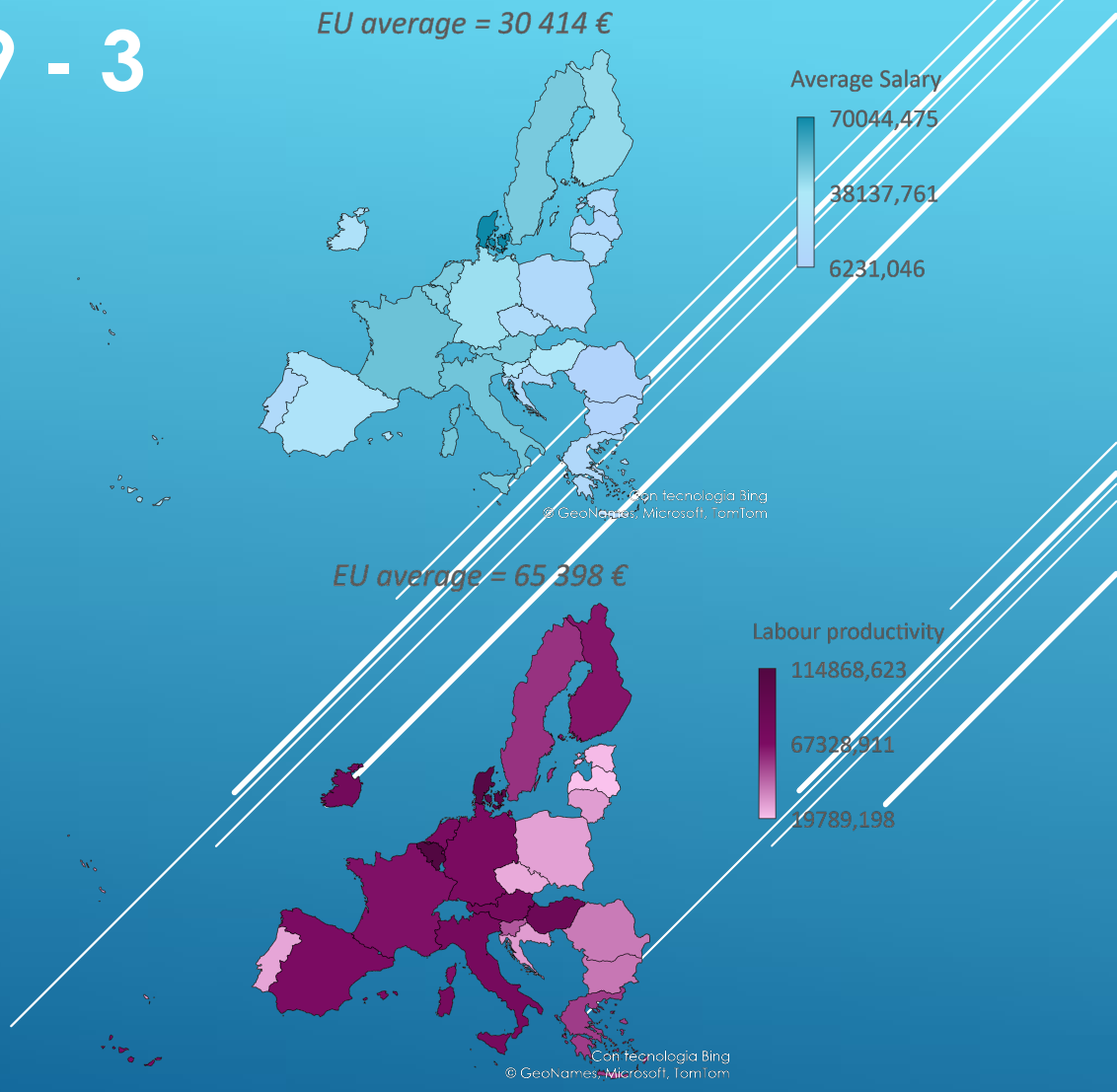
STATUS QUO UP TO 2019 - 2

- Fish processing enterprises are, indeed, largely different across EU in terms of labour intensity. If the EU average is around 35 persons **employed per enterprises**, there are some Eastern countries, with Lithuania and Poland at the top with, respectively, 128 and 122 employees per enterprises.
- All the other countries are characterised by a lower intensity of human capital: Romania and Croatia follow with employment per firm at, respectively, 80 and 66 units.
- Beside a large number of countries with medium-high values, there are countries where small-sized plants prevail, as Finland, Sweden and Slovenia, with an average of 9 units per firm.



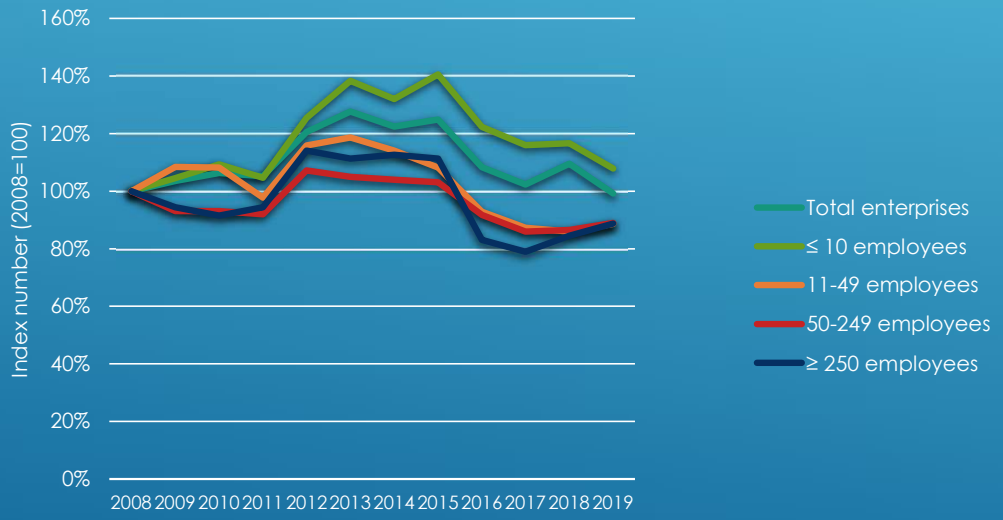
STATUS QUO UP TO 2019 - 3

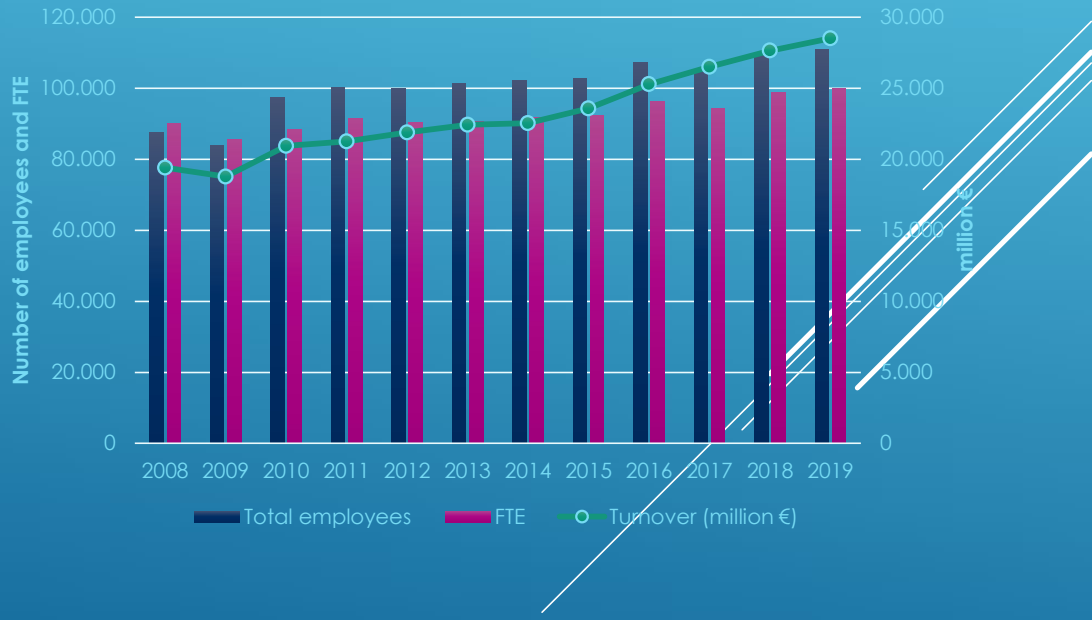
- The **average wage** paid by the sector to EU workers (measured as personnel costs per FTE unit) was around EUR 30 thousand, increasing by +2% vs the level of 2018 and +5% vs. 2017, impacted by the good economic performance of the sector
- 2019 data on personnel costs and employment by countries suggest that the average wage per FTE varies substantially by MSs, as well as **labour productivity** (GVA per FTE).



TREND UNTIL 2019 - 1

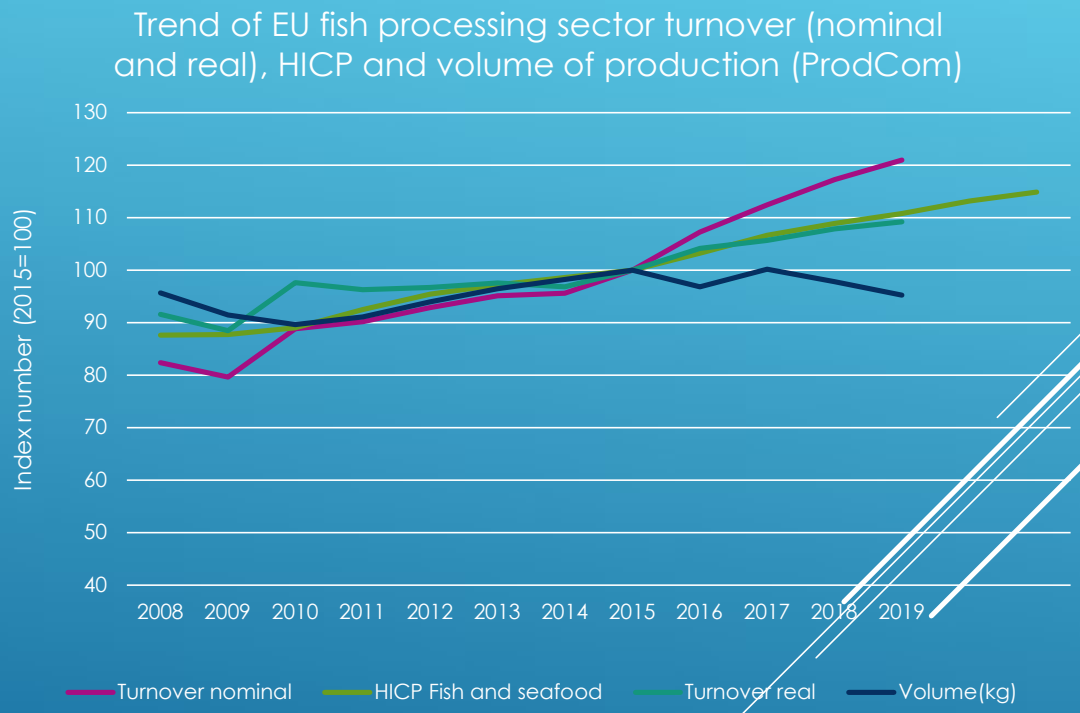
- A progressive **re-sizing of the sector** and **progressive concentration** of production is observable testified by a **decrease** of the **total number of enterprises**, in particular the smaller ones and a parallel **increase of bigger enterprises, of turnover and of the level of employment.**





TREND UNTIL 2019 - 2

- The value of **turnover increased** by 7.6% between 2017 and 2019 and by 47% over the period 2008-2019 (though only 19% higher in real terms than in the base year 2008, if considering the deflated trend according to the HICP for Fish and Seafood).
- Using the volume of products sold, according to the ProdCom dataset (Eurostat) as a proxy for the volume of production of the EU fish processing sector, **stability in the quantity** of production, is clear from the side graph.
- A potential explanation of the increase in the nominal value is a **shift towards secondary processed higher value-added products**.



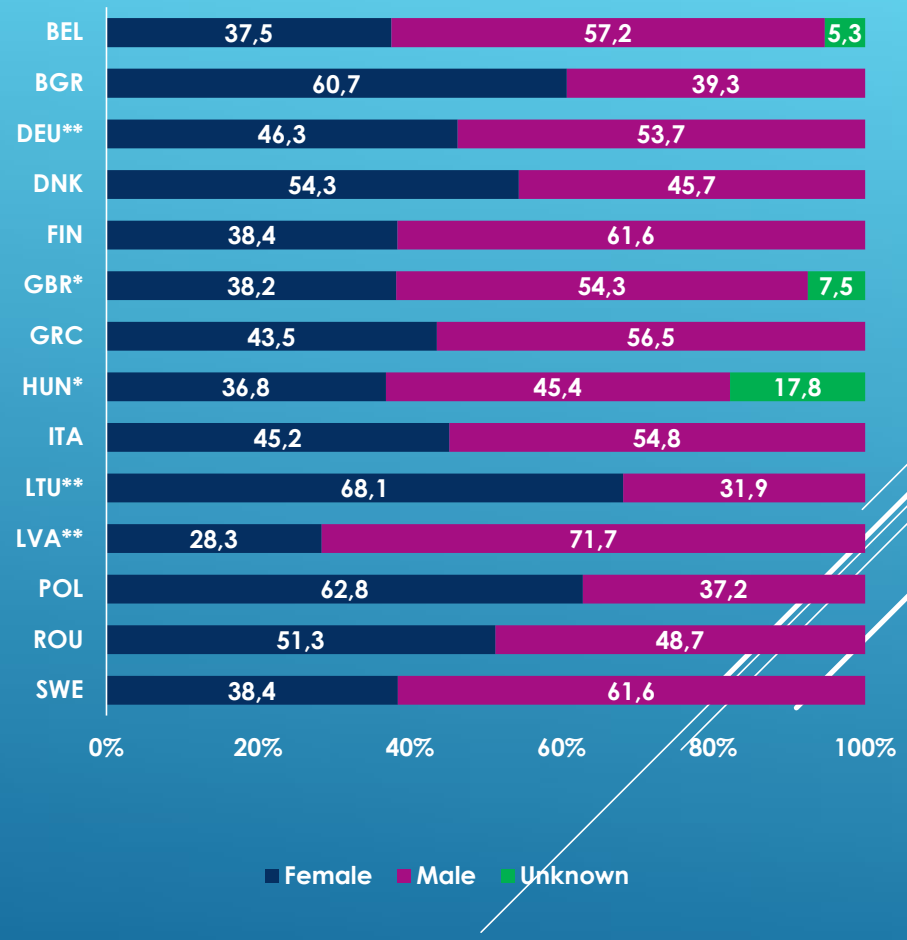
TREND UNTIL 2019 - 3

- Although a generalised **increase in the production** costs (from 3 to 7% between 2018 and 2019 and from 3 to 12% between 2017 and 2019), the increase of the value of production of EU fish processing enterprises has allowed them to generate a **positive Gross Value Added**, equal in 2019 to around EUR 4 billion.
- The in-depth analysis of all the economic performance indicators supports a trend toward a good level of efficiency: the sector has been able to generate an **Operating Cash Flow** (OCF) equal to **EUR 2.5 billion** in 2019, **increasing** by +34% vs 2018 and +9% vs 2017.

Productivity and performance Indicators	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Capital productivity (%)	51.6	56.1	51.1	54.2	47.1	45.7	46.6	42.6	40.8	45.5	49.0	49.8
GVA margin (%)	21.7	23.9	24.3	21.6	20.4	20.4	20.1	17.7	15.0	19.0	19.8	19.6
EBIT margin (%)	10.0	11.6	13.0	10.5	9.6	9.4	9.0	7.2	5.1	8.8	9.3	9.1
Net profit margin (%)	8.2	10.1	11.3	9.3	8.7	8.3	7.8	6.9	5.4	8.5	9.1	8.9
Return on Investment (%)	23.8	27.3	27.4	26.5	22.3	21.0	21.0	17.3	13.9	21.1	23.1	23.2
Financial position (%)	31.7	33.2	39.9	35.0	37.3	32.0	33.8	37.6	37.8	43.6	42.1	41.2

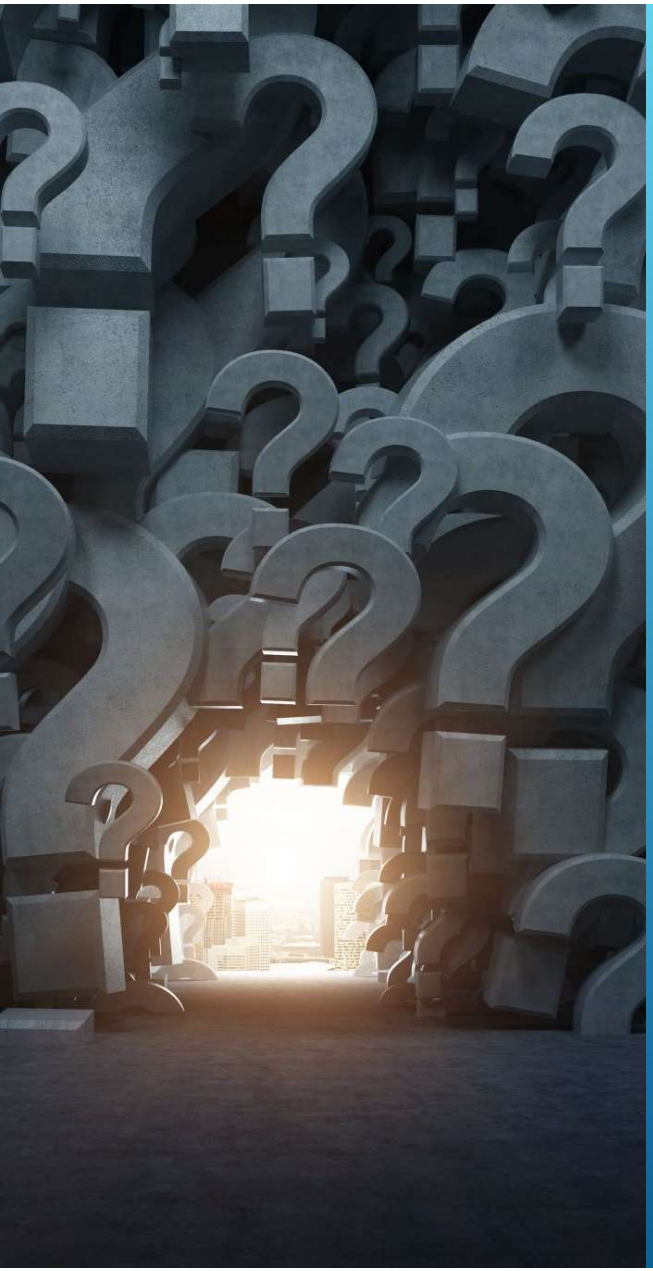
THE SOCIAL DIMENSION

- In relation to the **social aspects**, the analysis revealed that the sector can be considered a **gender-equal** sector as the proportion of female and male is quite equivalent.
- The 40-64 age class made up the largest proportion (51%) of people employed in the processing industry and most employees hold a **medium** education level, followed by 25% of low educated employees.
- As far as nationality, the vast majority (73%) of people employed in the sector are **EU nationals** of their own country, being the rest **mainly workers from other EU MSs (18%)**.
- Some **technical issues**, linked to definitions and submission requirements have been also highlighted and detailed by the report and will be addressed in the next data calls.



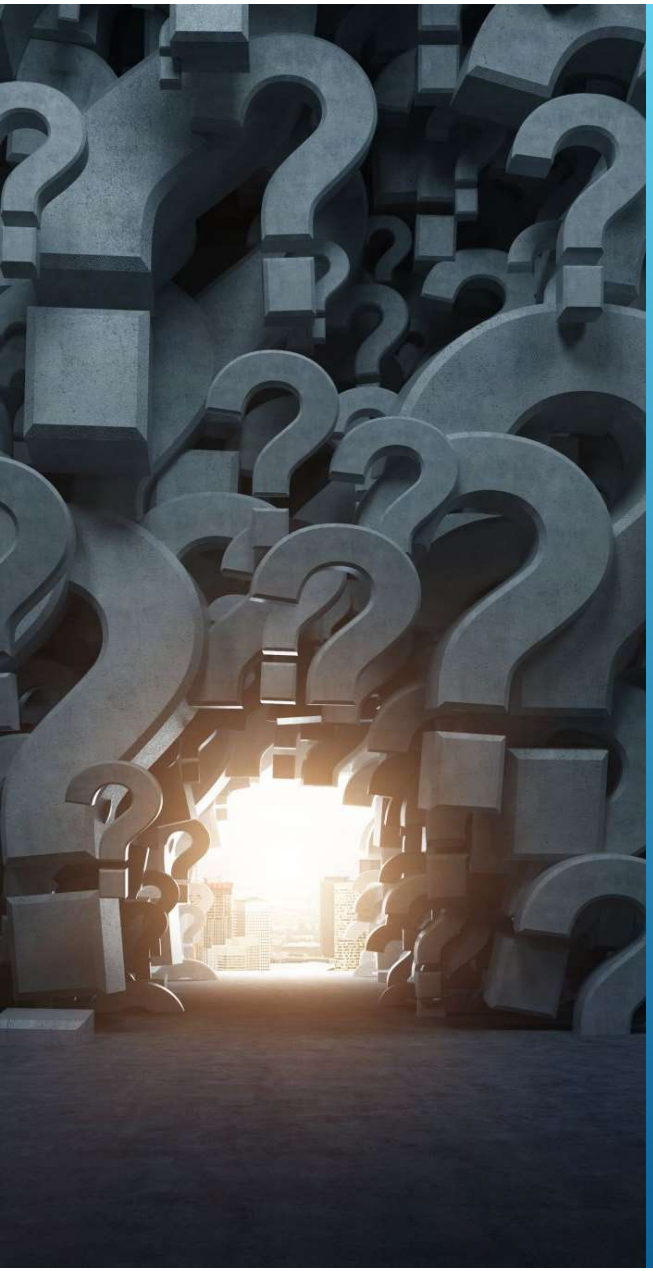
RAW MATERIAL IN VOLUME

- Few countries have submitted data on raw material **by volume and species** but a large variety of dependency situation on domestic or, on the opposite, on foreign/imported raw material emerges from the analysis carried out at country level.
- There are countries for which the **high dependency on domestic production** along the future plans of governmental programmes (e.g. Finland) requires attention as this will imply considerably higher utilization of domestic landings (e.g. Baltic herring). Governmental programmes of other countries (e.g. Croatia) are, on the other hand, promoting the use of raw material from aquaculture, that could help to low the impact on the marine resources as well as decrease the cost of production.
- On the other hand, there are countries **highly dependent on imports** for raw material, as Germany and Poland.
- Some **technical issues** related to species codifications and submission requirements have been also highlighted and detailed in the report. Suggestions for improvements of the next data collection have been provided.



OUTLOOK - 1

- The outlook analysis was not supported by the data call but analysed by recurring to external sources (mainly trade data) and experts' knowledge
- The main analysed phenomena have been the Covid-19 effect and the rise in energy costs.
- The impacts of the **Covid-19** outbreaks on the EU fish processing industry have been changing as the pandemic waves evolved. Since the first European **outbreak in March 2020**, the processing industry moved from a boost in demand, caused by consumer's fear, to a less optimistic scenario of disrupted supply, increasing costs and contraction in demand.
- Overall, the EU fish processors seem to **have managed the impacts** of the pandemic disruptions quite well. Despite the initial shocks in labor productivity and the disruptions in the supply of raw materials, sales and prices of processed fish products recovered since the end of 2020 and returns may have increased in many segments.
- The shocks on labor productivity and the effect on the supply chains started mitigating by the end of 2020, heading for **recovery in the levels of activity**. Data support to this expert knowledge will be provided in the next report.



OUTLOOK - 2

- Although the sector seemed to be recovered from the Covid-19 shock at the end of 2020, the qualitative assessment carried out for 2021 doesn't allow to **to expect** a recovery in the economic performance in 2021 (and, of course, 2022).
- The sharp **rise in energy costs** of the last and current months will undoubtedly have an impact on the performance of the fish processing industry across EU for 2021 and 2022. The effect of this political crisis will furtherly compound inflationary contagion already in the world's economic system. Indeed, before this event (*ndr*. the Russia-Ukraina war) the EU fish processing industry **was already expecting to have to face higher costs across** the board for its fish and non-fish raw materials, for energy and for labour.
- The ability of the processing industry **to pass on cost increases**, whether for raw materials, labour, energy or other costs, depends on the relative price elasticities of demand and supply faced by the individual enterprises concerned.
- In a sector characterised by the predominance of the small and medium enterprises (although some evidence of progressive concentration emerges from data) the **biggest burden of cost increases** is expected to fall on small-medium fish processors.

CONCLUDING REMARKS

- Collecting data under the EU MAP is **voluntary** for fish processing;
- For MS not collecting and reporting data, **Eurostat's SBS** have been used
- Dataset for the report is the result of a complex work of **merging two datasets** (DCF/EUMAP and Eurostat/SBS)
- EU MAP and Eurostat data are similar, but **EU MAP is more detailed/specific** than Eurostat because is tailored for this particular sector. Also, the coverage tends to be higher (e.g. special for small companies);
- Reporting of **raw materials** is voluntary and the lower coverage by MS is due to difficulties encountered in obtaining information directly from industries (see also SECFISH report funded by MARE). Hence, the collection tends to be costly;
- Nevertheless, detailed raw materials data allows to create **the link between fisheries, aquaculture, imports and the processing industry.**
- Moreover, in the light of the Farm to fork Strategy and the most recent EU Code of Conduct on Responsible Food Business and Marketing Practices entered into force in 2021, it is essential, indeed, to define, as clearly as possible, the **track of products along the value chain**, from the fishing area (for fishery products) or farming plants (for aquaculture one) till market outlets, in order also to identify **potential unsustainable practices**.

Thanks for the attention!

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