

Statement

On the impacts of the WAR IN UKRAINE on European aquaculture

15 March 2022

Background

The European aquaculture sector is following with great consternation the development of the conflict in Ukraine caused by the unjustified aggression by Russia. It expresses its solidarity with all the Ukrainian people, families, and businesses, with special thoughts going to their fellow fish farmers in these extraordinarily difficult times. This is the moment to prove solidarity and strengthen united European cooperation. Moreover, in times of war, the focus on food security becomes of critical importance and it is essential to take the necessary steps early on to ensure that food supplies continue reaching those most affected, in Ukraine and the rest of Europe. The FEAP hopes that as soon as possible reason will prevail and that the space for bridge-building and reconciliation in freedom once again emerges.

Impacts of the Ukraine crisis

The war in Ukraine is impacting dramatically on European aquaculture. Fish farming in Europe is a very diverse sector that produces more than fifteen different species through a variety of farming systems. Each is affected with different degrees of intensity. The following are the common impacts:

1. **Price of feed for farmed fish.** Feed accounts for approximately 60% of the production costs of farmed finfish. The price of fish feed was already on a high point in January because of the post-covid raw materials supply tensions. A spike in the price of relevant vegetal raw materials (like wheat gluten, maize, sunflower oil, and rapeseed oil) has occurred as the Ukraine crisis unfolded because Ukraine is a major global player in the production of these agricultural products. Even though marine ingredients are also important in the formulation of fish feed, because of the tensions on the supply of vegetal raw materials, raises at fish feed prices are now being announced every week by feed manufacturers.
2. **Availability of feed raw materials.** Beyond the price crisis of fish feeds, the sourcing itself of these materials by fish feed manufacturers is at risk. Fierce competition between bioenergy and livestock uses to acquire the same raw materials in other markets has been unleashed. This includes a shortage of non-genetically modified raw materials (mainly soya), trace minerals, and antioxidants (of Russian origin).

3. Organic feed. Organic fish farming has always been a challenging activity due to its complicated fitting in the EU organic regulation because it was originally designed for terrestrial production. The current tensions in the availability of feed raw materials are especially acute on the organic side.
4. Energy price. A strong escalation of the price of electricity and fuel has taken place, well beyond the increases due to the already high inflation rates. The cost of electricity has increased in most Member States by 200% to 300% when compared to a year ago. Some aquaculture farms (Recirculation Aquaculture Systems -RAS-, and flow through land-based farms) are electricity-intensive, meaning that energy is a major production cost. Fuel for intra-farm vehicles, vessels, and fish transportation to the markets are also in unseen heights.
5. Liquid oxygen. Supplementary oxygen is used in fish farming to assure the life of the fish and to increase productivity. The price of oxygen is directly linked to the price of electricity. Oxygen costs for fish farmers have already more than doubled compared to a year ago.
6. Transportation costs. Being directly linked to fuel cost, the price of freight by land and air is increasing by days and escalating the selling costs.
7. Inflation rate. Beyond the aforementioned impacts, fish farmers are having to bear other extra costs due to the direct impact of the increase of costs of other general production inputs (packaging, maintenance, and labour due to the inflation rate).

Consequences

The above-mentioned impacts are happening all at the same time creating a perfect storm that is already taking a toll on the European fish farming sector. A sector comprised mainly of micro and small primary production enterprises. The main effects of this situation are the following:

- a. A dramatic increase in farmed fish production costs. The volatility (but always heading upwards) of fish farming input costs has already caused a 15% to 40% increase in the cost for farming fish in Europe. The amount varies depending on the level of energy use of the facilities but in all cases it is expected to continue growing, with no ceiling in sight.
- b. Asymmetric behaviour of fish prices. Because of the previous point, the first sale price of farmed fish is increasing. However, it is not matching in intensity, nor timing, the growth of the production costs. The reason is the dominant role of processors and retailers downstream in the value chain when compared to an aquaculture primary production sector mainly comprised of micro and small undertakings.
- c. Vanishing business viability. The combined result of the above-mentioned impacts is the abrupt disappearance of the business margin of primary producers. Moreover, finfish farming is not a business activity in which the machinery can be stopped, and the farm doors locked. Fish stocks are live and are to be continuously fed. And in the extreme situation that any fish farm completely closes it will take more than two years for it to rebuild and restart its activity.

- d. Impact of fish sale prices on consumers. Albeit asymmetrically, increases in the final sale price of fish to consumers will drive to lower consumption of this essential food, especially for low-income families. This is undesirable from a food security perspective.
- e. Possibility of the unavailability of inputs. The FEAP is highly concerned with the risk of having to face in the coming weeks shortages of fish feed availability. If no alternative sources of feed raw materials are found feed manufacturers will be obliged to reduce their output.
- f. Challenges to complete organic fish production cycles. The current shortage of organic raw materials could lead to the declassification of most European organic aquaculture current production from this certification. Reinitiating organic fish production requires more than three years.

FEAP requests

Europe is living exceptional times. The situation for European aquaculture is severe and this requires the taking of exceptional measures, either temporary or definitive. The FEAP requests the European Commission and the Member States to consider the following measures:

- 1) Provide immediate state aid. De minimis state aid can offer rapid relief to the aquaculture sector, mainly to micro and small enterprises, even if the offerable quantities are relatively small. Member states should deliver this support as soon as possible. This aid could be focused on compensating the costs of feed or energy.
- 2) Delivering EMFAF support. The current market disruption is a clear case in which article 26 of the European Maritime, Fisheries, and Aquaculture fund could be applied. It would aim to compensate operators in the aquaculture sector for income foregone or additional costs.
- 3) Assure the smooth functioning of the Single Market. The well-functioning of the Single Market is essential to face this crisis. The European Commission and the Member states must guarantee that internal trade barriers are not lifted.
- 4) Capping of electricity prices. A solution to the exorbitant price of electricity must be found. The electricity market is complex and price formation is difficult to understand, but linking the price of electricity from all sources to the price of natural gas is unreasonable.

Other issues that require solution:

- 5) Tapping new sources of raw materials for fish feeds. Fish are animals with very specific nutritional requirements. After decades of valuable scientific research, today's formulation of fish feeds makes use of a diversity of raw materials to extract the specific nutrients to be fed to the fish. The biological nutritional requirements of the fish cannot be changed but alternative geographical sources for the currently used raw materials but that for whatever reason face legal barriers should be explored. This could be considered also for organic fish farming.



- 6) Removal of anachronistic barriers along the value chain. European aquaculture is banned de facto from the use of certain EU legally approved raw materials for fish feeds, like genetically improved soja. The inclusion of specific events of GM soja in livestock feed is widespread throughout Europe except in aquaculture. This barrier is set in the quality requirements of retailers but is anachronistic because societal concerns on soja today are not anymore on its genetics but on making sure deforestation is not induced.

The Federation of European Aquaculture Producers is an organisation that represents the European fish farming profession and is based in Brussels. FEAP is composed of 24 national fish farming associations from 23 countries, both EU and non-EU. The combined yearly production of FEAP members surpasses 2,5 million tonnes of nutritious, safe, delicious and environmentally sustainable fish.