



Fish Auctions in the 21st century

Position Paper

In February 2002, EAFPA issued its political platform which set a number of priorities at EU and operational level. A number of actions are called for and will impact upon the role of the fish auction as the fish industry responds to economic, social and technological change.

This dossier examines the history, current stages of development and future options for auctions. It endeavours to define the fundamental relationship of auctions within the industry and the opportunities and needs that will influence forward direction(s). However this corporate document does not attempt to set out the future in an immutable form but rather to pose options within a relatively short timescale. EAFPA recognise that part of the rich culture of fish auctions stems from their breadth of activity and cultural integration in regional and national fishing communities. Therefore individual operators may evolve as best suits their micro environment whilst being aware of the wider issues. This should be encouraged and supported by EAFPA at the EC and international level.

Although operating today within a global industry which is fully affected by market forces it is a historic fact that most auctions were created as public services or cooperatives and this continues to influence their activity. Some auctions were created by "Royal Warrant" as early as the 16th century and the fish auction as we know it today really emerged from the industrial and social change of the late 19th century. This collective approach had earlier seen the development of institutions such as the Corn Exchanges and for perishable products it proved essential to meeting both seller and buyer imperatives. Auction(s) provided a regulated means whereby a growing number of merchants and traders could compete for the fresh catch from a large number of vessel operators. Of course a key element in their success was providing payment guarantee – a feature that carries through to this day.

The "globalisation" of markets is now a feature of fish supply. Concentration of buying power in major international processor groups and the ever growing market share that national (and international) supermarket chains have in retail are realities that have to be addressed. Europe is a net importer of fish.

Expansion of the EU and extension of the CFP to the enlarged EEZ in the latter quarter of the 20th century brought about the application of common standards on hygiene, quality and, for many, currency. Coincidentally the fishing industry spawned new sources of product – most notably farmed salmonoids and imports of both fresh and frozen fish.

Improved transport and communications have dramatically altered the industry. Demand for fish has increased whilst EU catch levels have stagnated or declined. First point of sale fish prices have not risen to match demand whilst capital investment, operating and administration costs, at all levels, have increased.

The Role of Fish Auctions

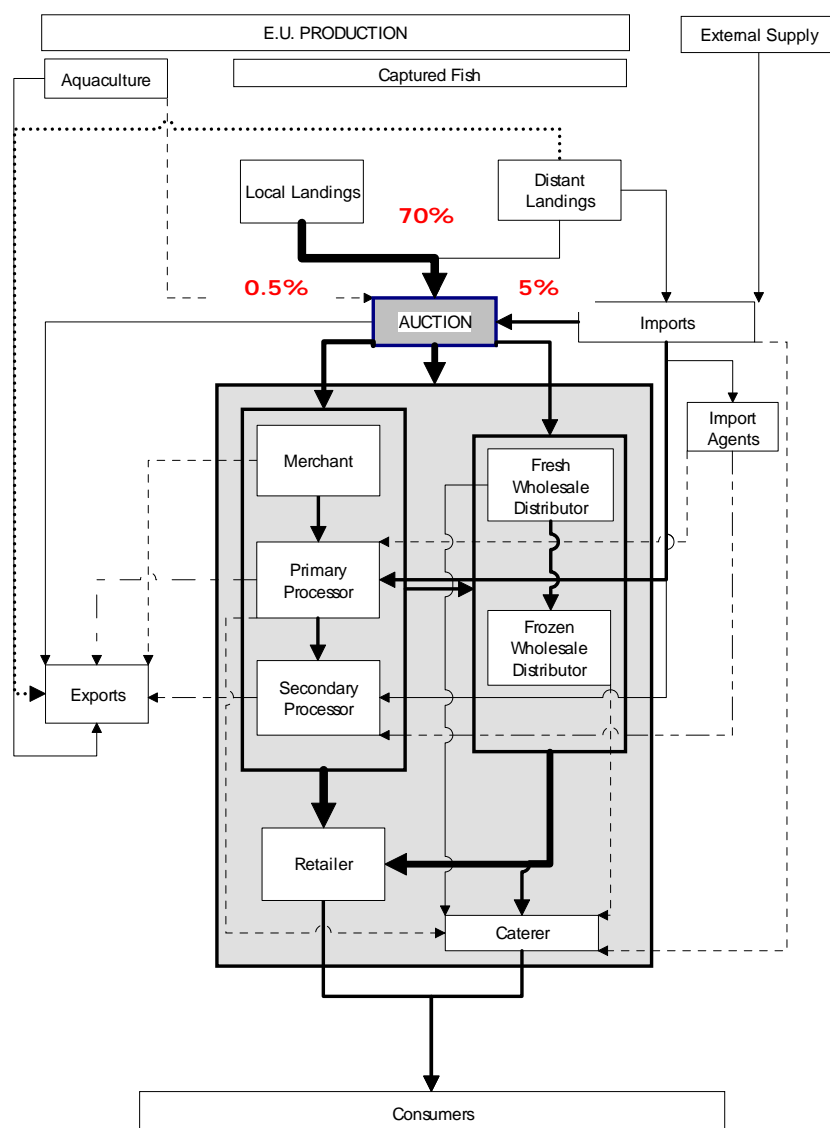
The fundamentals of free trade and stimulating markets in a carefully regulated manner are well documented within the EU and there is specific regulation that covers fish.

Common Organisation of the Markets in Fishery and Aquaculture Products Council Regulation (EC) No 104/2000

The objectives therein are: a common organisation of (fish) markets; better matching supply with demand; increased return on products (better prices); quality enhancement; improved labelling (traceability); relative stability in prices within a sustainable fishery and the market to facilitate commerce based on fair competition.

Paradoxically the pivotal role of fish auctions, which are the principal first points of sale of captured demersal fish, is not specifically named in the text. Nonetheless auctions are *de facto* the market makers and undertake many (virtually all) of the functions under the above regulation either directly or indirectly through their structure.

The central aspect of fish landing ports and auctions is illustrated below in a flow diagram.



Why Fish Auctions?

Fish Auctions are THE MARKET MAKERS – this is axiomatic.

- Their activity has been refined and proven over centuries.
 - Around 70% of fish captured by the EU fleet is sold through auction
 - In certain countries (Netherlands, Portugal, Spain) 100% sale through market is the norm for demersal species.

Auctions provide many essential and value adding services.

Port facilities must be upgraded to suit a modern fleet of vessels.

Covered fish reception halls (temperature controlled) must be provided.

Fish landing:

- Ice
- Bunkering
- Provision coordination
- Boxes for -
 - Vessel
 - Storage
 - Market
 - Distribution
- Vessel discharge
- Grading and Weighing of fish
- Logistics management
- Storage (chill)

Marketing:

- Quality Assurance
- Packaging and Presentation
- Supply and Demand mediation
- Competition

Auction:

- Forum
- Product variety
- Fair and Open offer and acceptance
- Guarantee of payment (to producer)
- Security of supply

Plus:

- Premises for processors and merchants
- Storage for gear and equipment
- Distribution
- Administrative and statistical support
- Vessel Repair facilities

The fact that auctions have been a feature for so long and have quietly responded to change has led to an expectation that they will continue to fulfil the above functions plus any others that may arise through legislation or other event. With reducing fleet sizes and fluctuating catch levels this infrastructure is under strain and will need to adapt.

It is not known how many first point of sale auctions actually exist in Europe, the level of services provided or cost structure that is applied. EAFPA, with assistance from the EC, shall correct this information gap as part of its DATANET Project.

It is inevitable that auction modernisation will follow industry trends and rationalisation is called for. Indeed this process is already underway. What is equally clear is that there will be a conflict between social and economic factors. Fish auctions exist in communities which are centred or developed around a (fishing) harbour.

Options for change

Coastal fishing communities have grown and are focused on the sea, often with few alternative employment opportunities other than tourism. The fishing fleet and harbour are the *raison d'être* of these communities and maintaining such a socio-economic link is essential. Indeed without an active fishing presence then tourism, a growing if short season alternative industry, could be adversely affected. Fishing ports and auctions are not lightly forsaken.

However the need to be more efficient, comply with ever stringent legislation and achieve economies of scale does tend to result in smaller units becoming too costly to continue as independent entities. Concentration of resources can produce benefits but it must be questioned if this need be at the expense of communities.

Major buyers, be they supermarket group or international processor, can easily dominate small markets. Maintaining a balance may require the "import" of other large buyers and this can only be achieved by the bigger auctions. Equally the professionalism of the high volume purchaser demands sophisticated back up. Are these threats or opportunity?

The economic arguments for fewer and more effective fish auctions is undeniable but run counter to the social history of the industry and the acts which created the auctions.

Certainly some auctions will cease to operate and this has already occurred.

Consolidation or Closure

As an important sector of the fish industry, auctions must not only respond to change but should anticipate it and, by embracing it proactively, can use events to improve their services and be the efficacious source of choice for purchasing fish products.

A modern auction must be more than a simple hall for fish display and sale.

- It must actively plan the sourcing and availability of a wide range of species and fish products to meet local and distant buyer's requirements.
- Fish reception, preparation, packaging, storage, presentation and delivery must be efficient and of high standard.
- Quality assurance schemes and traceability (see EAFPA position paper) are already sought by major buyer groups and will become increasingly important.
- The administration must be comprehensive and, increasingly, provide for external data links to both producers and buyers. This may extend to governmental bodies e.g. on catch registration.

All of the above carry significant cost. This can only be supported on adequate turnovers.

Inevitably this means the concentration of the sales activity in fewer and larger organisations. Can this occur without abandonment of the majority of coastal auctions?

EAFPA believes that the most auctions can survive although perhaps in a modified form.

The advances in e-commerce make feasible the formation of auction clusters.

Several already exist: both at regional, national and international level.

Smaller ports, or those distant from markets, can develop as collection and distribution centres adding value at source and to the benefit of both fisherman and consumer.

EAFPA, with its extensive pool of experience to draw upon, could assist auctions (and potential auctions) in examining such options.

Auctions need to share producers as well as buyers.

Expanding product availability

Fresh whole fish captured by local boats, landed at the home port and sold through that auction is no longer the norm. Fishermen land more frequently (fresher fish) at ports most convenient to the fishing area, fish may be transported back to the home auction or sold on a market of opportunity, some fishermen are doing primary processing before sale. It is a deregulated market within which auctions provide stability and factual data.

With buyers unable to source their needs solely from the home market they now often buy on remote auctions and/or import product. This may be frozen, fresh, fillets or whole. Imports could be "exotic" species from third world countries, fish from members of the EEA or even the US or Canada air-freighted to order.

EU imports of fresh, chilled and frozen fish are around 3.5 million tonnes – captured from EU waters (benthic and demersal) only 3.4 million tonnes!

Over the past 25 years aquaculture production within the EU has grown at a tremendous rate and now represents 31% of the total value of EU fishery production. From just 12,000 tonnes in 1981 world salmon production is forecast to reach 1.3 million tonnes by 2005 (70% from Europe).

Both of these are growth areas that the traditional EU fish industry has failed to respond to. By their nature the economics of trade in imports and farmed fish favour the large operative. Economies in purchase of raw products may not enhance consumer choice.

Shellfish: both mollusc and crustacean have, for a variety of reasons, often been lost to the auction process. Improved logistics and live holding capability coupled with the potential for active remote buyers create an opportunity for auctions.

As with farmed products (and imports) forward buying and harvesting to order are options that can be offered by auctions and should be explored.

Engaging the skills and facilities of Fish Auctions in these sectors makes economic sense for both producer and buyer and, by enhancing the product range in a controlled manner auctions add to their industry value. The additional turnover will also assist in keeping charges at acceptable levels and enable further services to be developed.

EAFPA can act as a vehicle through which this can be explored by exporter, fish farmer, buyer and EU Producer Organisations.

Because of the wide variety in species, size and method of capture it is unlikely that fresh fish shall become a commodity. Nevertheless to enable it to be traded effectively on an international market requires recognised standards in quality, size and treatment. These should apply to the process as well as the product.

One of the principal obstacles to the better management of supply and demand is the lack of forward capture and landing information. Without certainty of the opportunity to obtain supplies from EU markets it is inevitable that processors shall resort to import.

Producer Organisations may attempt to regulate supply through monthly or even weekly catch limits on members. Electronic log books and satellite communication allow for instant transmission of actual capture. In combination these could form a valuable tool that could be of use to auctions in marketing. To be wholly effective it should be EU wide and dealt with in a coordinated manner. This should be explored with PO's and the EC.

EAFPA has a programme to define and implement a quality standard for auctions.

Summary

- Fish Auctions are not owners of fish but are stakeholders in its marketing.
- Fish Auctions create a dynamic forum, without favour, between seller and buyer.
- Auctions are essential to establishing a transparent market for fishery products.

- Auctions both generate and respond to Markets.
- Fish Auctions arrange fair pricing of fishery products.
- Auctions are the principal sales outlets for perishable fish.
- Auctions concentrate supply and facilitate volume purchase at fair prices.
- Auctions safeguard the interests of individual fishermen *and* small fish buyers.
- Auctions provide payment security for fishermen and buyers access to product.

- Producer Organisations have been charged with the task of organising the markets.
- Fish Auctions actually undertake this role from point of capture onward.
- Producer Organisations should align themselves with Fish Auctions.

- Fish Auctions ensure proper accountability.
- Auctions provide product care from landing to despatch.
- Fish Auctions are well placed to collect and maintain statistical records.
- Auctions provide independent data on weight and quality of products offered.

- Fish Auctions and fishing ports are integral in the process of raising product quality.
- Auctions hold a central position as a crossroads and control in achieving traceability.
- Auctions provide essential support services such as ice and clean boxes.
- Fish auctions maintain the cool chain from vessel to buyer's transport.

- Fish Auctions are ideally situated to bring e-commerce to the EU Fishing Industry.
- Advance notice of catch levels and planning of landing patterns is needed.
- Auctions are best placed to coordinate and use such information.

Despite all of the above it seems that Fish Auctions are a well kept secret. They have yet to be officially "discovered" as the best institutions to market fish.

Auctions shall continue to develop new roles

These may not be universally adopted but we believe that auctions, as a sector, should:

- Play an important role in entering third world countries products on to the EU Market.
 - Providing necessary assistance and protection to sellers.
 - Responding to buyer requirements and jointly sourcing products.
 - Ensuring fair prices, avoiding market distortion and providing payment security
- Market a wider range of fishery products to an expanding audience of buyers.
 - Farmed salmon, trout, cod, bream....
 - Lobster, crab, shrimp, molluscs.....
 - Imports – fresh, fillets, frozen....
- Establish a transparent market for fishery products from new EU member states.
- Form clusters to achieve scale economies and establish shared services.
- Develop added value services in product care and distribution.
- Become points of entry for fish products for registration, traceability and statistics.
- Develop quality standards and apply these to activities (an EAFPA "trademark")

CONCLUSIONS

- Auctions operate as Fish “Exchanges” and are the most efficacious means of organising the selling and buying fish between producers and processors. Auctions are **the** “market makers” of fish.
- A scheme whereby landings are registered through auctions as “points of entry” could provide improved and prompt statistical records of catches (EAFPA Traceability position paper).
- Cooperative development of regional auction clusters and international linking of these would allow community collect centres to operate within the global market environment.
- Auctions, jointly and severally, should extend their activity to embrace all fish products irrespective of source.
- Auctions must deliver, demonstrate and promote “value” in their services. To do so in today's cost conscious society it is advisable that auctions disaggregate charges and offer choice on services participated in.
- EAFPA should support the development of auctions in EU entrant states.

RECOMMENDATIONS

- The role of Auctions should be formally recognised by the EC, endorsed by PO's and a programme of data exchange (on catch reporting) embarked upon.
- EAFPA should offer member led consultancy support to develop fish auctions in EU entrant states and emerging markets.
- Auctions should become recognised centres for catch and demand management through e-commerce and EDI at local, regional and international levels.
- EAFPA should promote, participate in and coordinate cooperative joint