Impacts of EMFF funding, externalities and future needs.

Seafish Aquaculture Common Issues Group

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POSEIDON AQUATIC RESOURCE MANAGEMENT

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1. Impact of EMFF funding

The European Maritime and Fisheries Fund (EMFF) ran from 2014-2021 (+2)

The UK was still facing austerity measures due to the 2008 financial crisis.

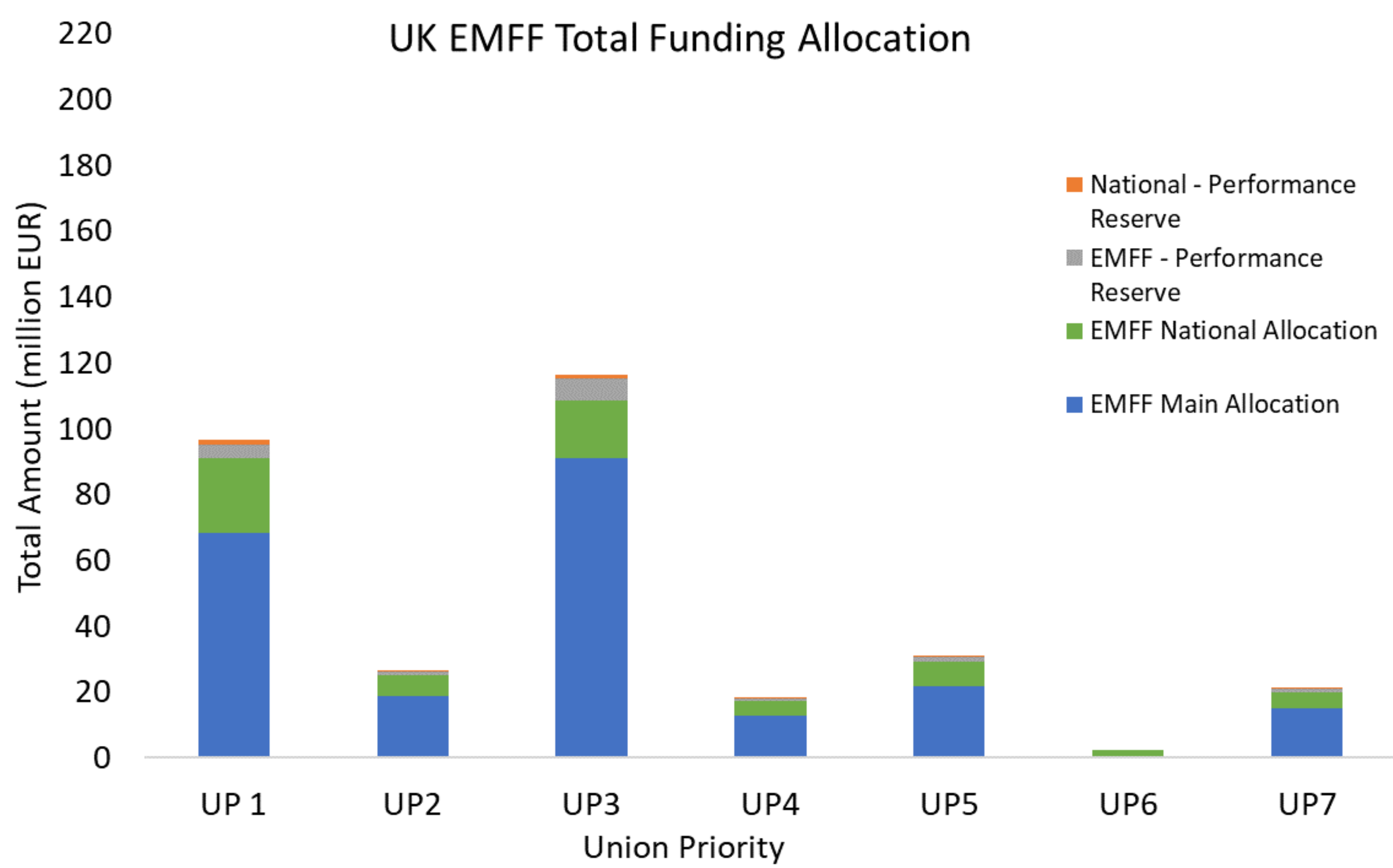
The aquaculture sector was also dealing with:

- Increased competition for marine space
- A revised CFP with more environmental focus
- Challenge from environmental groups
- Competition from international producers

- **Growth** of the aquaculture industry was a key priority under the EMFF, noting its potential source of seafood security.
- Funding **innovation** and improvements in technology, knowledge and co-operation.
- The **threat of new diseases** was identified as a potential consequence of a growing industry, thus funding targeted reducing the impacts on other sectors and the use of therapeutants.

1. Impact of EMFF funding

	England	Scotland	Wales	Northern Ireland	Total	% of total allocation
Sustainable Fisheries (UP 1)	31.7	25.9	4.1	10.8	72.5	30%
Sustainable Aquaculture (UP 2)	2.4	13.3	3.4	0.9	20	8%
Control Funding (UP 3)	19.7	21.8	2.4	1.7	45.6	19%
Data Collection Framework (UP 3)	23.9	19.4	1.7	7	52	21%
Fisheries Local Action Groups (UP 4)	4.6	5.9	1.5	1.7	13.7	6%
Processing and Marketing (UP 5)	6.2	15	1.2	1.1	23.5	10%
Integrated Maritime Policy (UP 6)	1.7	2.8	0.4	0.2	5.1	2%
Technical Assistance	5.7	3.9	0.9	0.2	10.7	4%
Total Core	**95.9**	**108**	**15.8**	**23.5**	**243.2**	100%

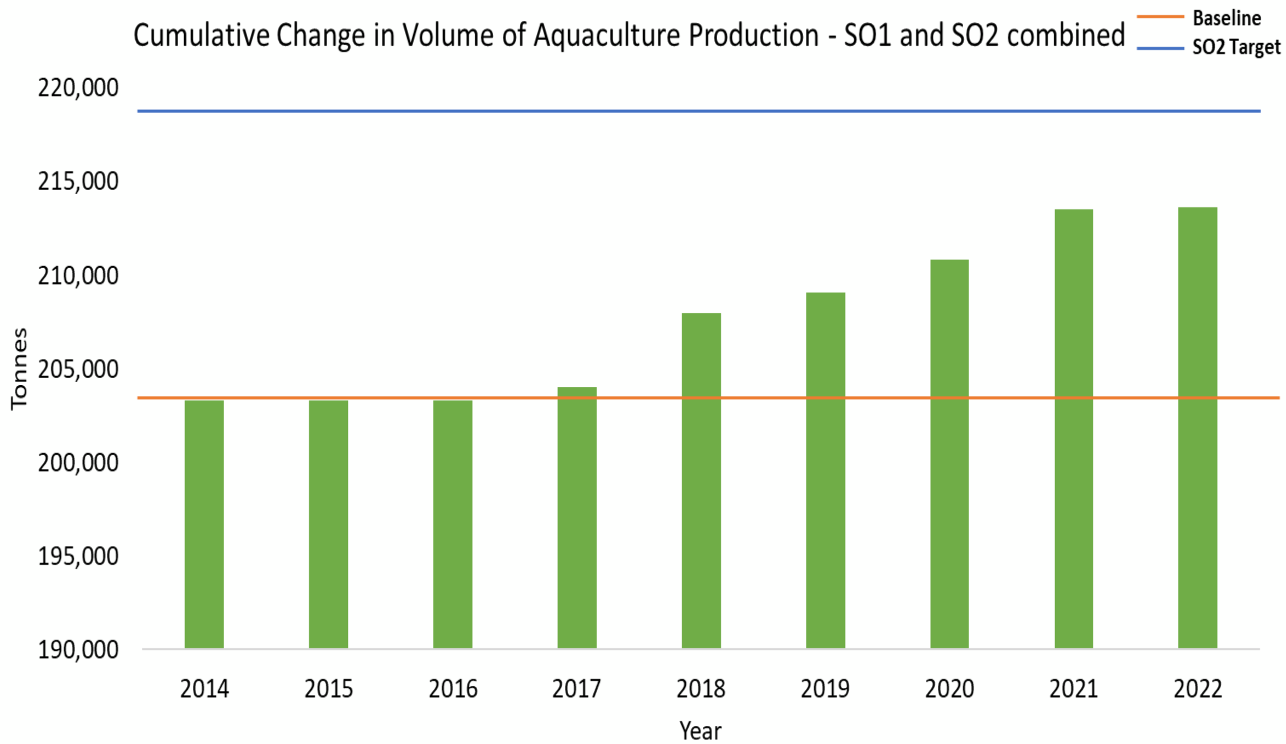


1. Impact of EMFF funding – output indicators

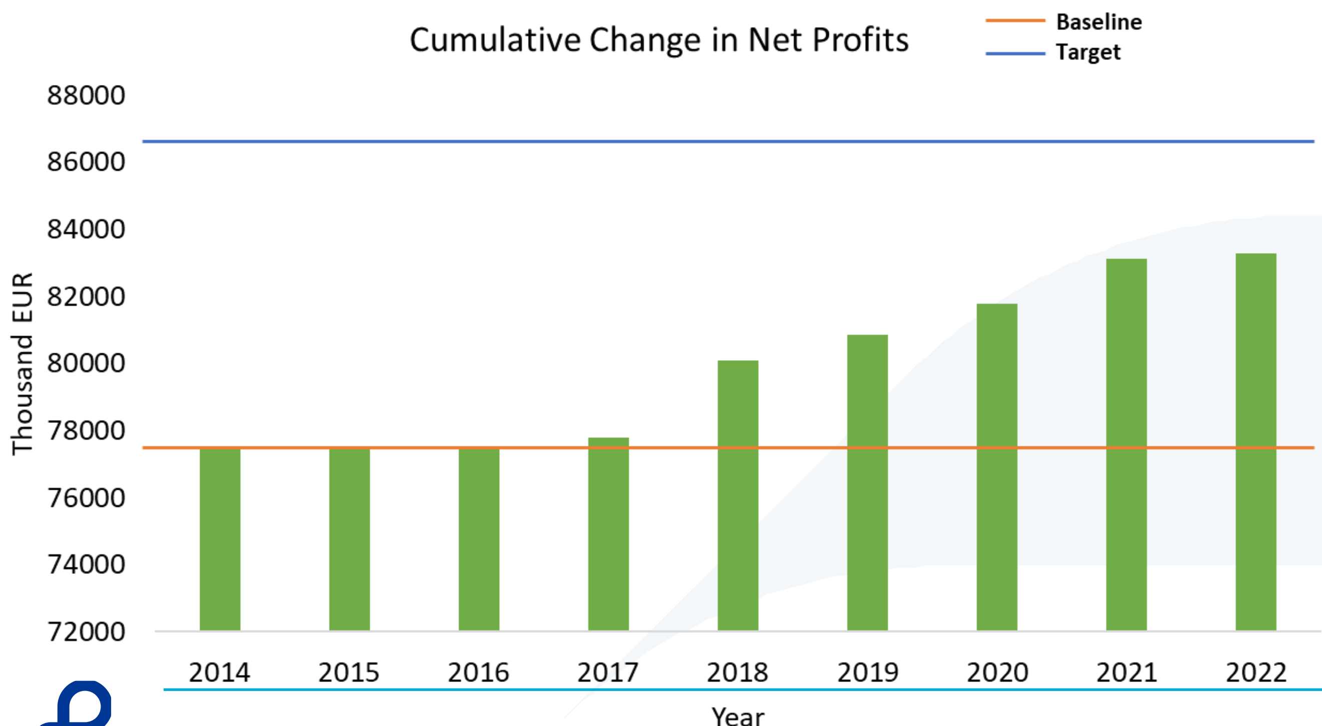
OI	Project area	Target	Projects funded	%
2.1	Innovation, advisory services	24	27	113
2.2	Productive investments in aquaculture	109	104	95
2.3	Limiting the impact of aquaculture on the environment (eco-management, audit schemes, organic aquaculture environmental services)	3	3	100
2.4	Increasing potential of aquaculture sites and measures on public and animal health	38	30	79
2.5	Promoting human capital of aquaculture in general and of new aquaculture farmers	9	8	89
UP 2	**Total Union Priority 2 – Sustainable Aquaculture**	**183**	**172**	**94 %**

- Modest number of projects – but projects funded are close to target levels
- ‘Productive investments’ account for over half of projects
- Improved knowledge, innovation research achieved more projects than planned.

1. Impact of EMFF funding – results indicators



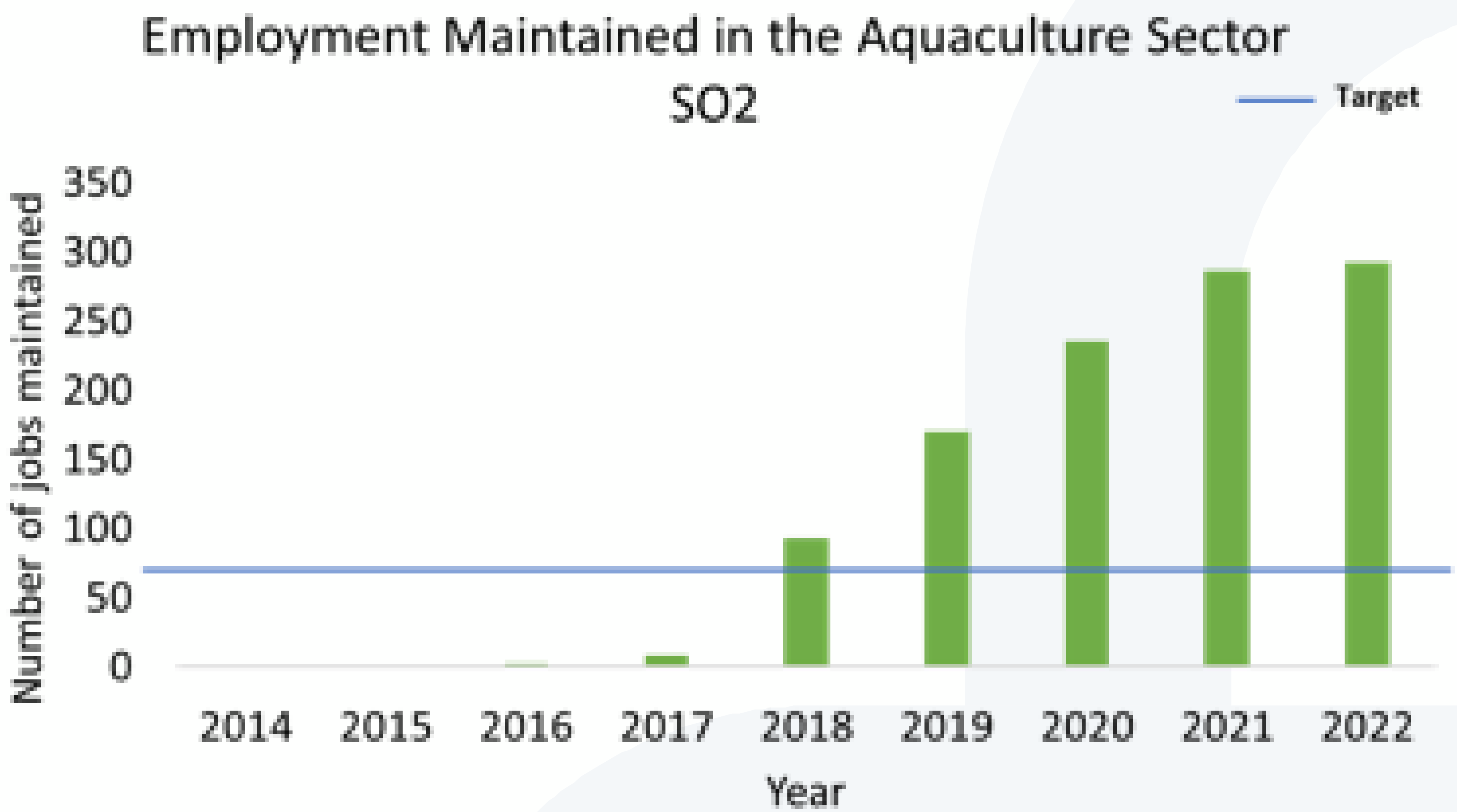
- Target to increase production by 15,638 tonnes by 2023 only **66% achievement against target**.



- Net profits in the aquaculture sector increased by **+€5.8 million**. Profits stalled in later years

63% achievement against the target.

1. Impact of EMFF funding – jobs maintained



Low targets were set.

But EMFF support ensured those targets were exceeded.

1. Impact of EMFF funding – aquaculture

- The funding allocated (€20m) across the seven-year EMFF programme is less than 2% of aquaculture's annual value (2019).

- Volume and value dominated by salmon production (approx. 90%), mainly from non-SMEs EMFF was not eligible for most UK production. Showed 15% growth 2014-2021 (but declined in 2022)

- Production growth trends 2014-2021 across other species vary (mussel up, oysters down, trout up) and big annual variations.

- From 2020, external factors (e.g., COVID-19 pandemic, EU Exit) impacted progress towards 2023 target values.

- Reallocation of funding to emergency support resulted in the largest impact of EMFF being **maintaining jobs**.

2. Externalities affecting the sector during EMFF

- **Covid** → market closures in Europe & Asia, major disruptions to operations
- **Brexit** → trade disruption, fluctuating exchange rates, labour shortages.
- **Labour shortages** → retraining, visa issues, staff availability post Covid & Brexit
- **Cost of living crisis** → inflationary pressure on feed and energy costs
- **Regulatory and policy changes** → environmental legislation and licensing limited growth.
- **Environmental quality and climate change** → warming water increases disease risk and poor water quality.
- **War in Ukraine** → increased fuel prices, supply chain disruption, whitefish supplies

2. Externalities affecting the sector - Covid

Perhaps the most significant external factor.

Closure of hospitality and export markets.

Severe and rapid disruptions to the global supply chain.

These hit the aquaculture sector hard:

Total value of UK aquaculture production
in 2020 was £962m, a decrease of 16% compared to 2019.

UK Exports in 2020 vs 2019	Demersal	Pelagic	Shellfish	Salmon	Overall
Value (Jan-Dec)	-10%	5%	-20%	-26%	-20%
Volume (Jan-Dec)	-3%	13%	-16%	-22%	-7%

2. Externalities affecting the sector - Brexit

Great uncertainty until Trade and Cooperation Agreement signed at end of 2020 for 2021 to 2026.

New systems and additional documentation caused export delay and losses. **Live shellfish in particular**.

Higher risk in trading fresh product led to processors freezing more product.

The pound weakened against the Euro

Brexit further exacerbated labour shortages with fewer EU workers

UK Exports in 2021 vs pre covid (2017-2019)	Demersal	Pelagic	Shellfish
Value (Jan-Dec)	-17%	-20%	-24%
Volume (Jan-Dec)	-4%	-42%	-28%

2. Externalities affecting the sector – other factors

- **Labour shortages →** retraining & staff availability post Covid & Brexit
- **Cost of living crisis →** inflationary pressure on feed and energy costs
- **Regulatory and policy changes →** environmental legislation and licensing.
- **Environmental quality and climate change →** warming water increases disease risk, reduces water quality, higher energy costs for pumping & oxygen use. Infrastructure damage from storm events.
- **War in Ukraine →** increased fuel prices, fishmeal prices, supply chain.

Any others? Which were most significant?

3. Current challenges and future funding needs

Question: What are the biggest challenges for operators ?

Question: What are the priorities for future sector funding?

Thank you

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