

Enterprise Ireland response to the Invitation from Minister Simon Coveney regarding the current regulatory proposals to reform the EU Common Fisheries Policy

29th December 2011

Enterprise Ireland welcomes the opportunity to outline its views of the current regulatory proposals to reform the Common Fisheries Policy.

In supporting the growth of Ireland's seafood sector, Enterprise Ireland forms part of a bigger ecosystem in achieving its objectives and works in partnership with Bord Bia (international marketing), Teagasc and the Marine Institute (applied research), BIM (seafood development), the Department of Agriculture, Food and the Marine and the Department of Jobs, Enterprise and Innovation.

At the outset, Enterprise Ireland wishes to underline the importance of the Seafood industry to drive value added exports globally and the significant growth potential of the sector that could be enabled by an increase in raw material supply.

In preparing the response to the Minister, Enterprise Ireland has summarised its views regarding the impact of the proposed reforms on;

1. Creating new jobs and sustaining existing employment in Ireland's coastal communities
2. Increasing exports in line with the Harvest 2020 Strategy
3. The development of Enterprise Ireland's Seafood Client Companies

1: Creating new jobs and sustaining existing employment in Ireland's coastal communities

The mission of Enterprise Ireland is to support Irish companies to grow international markets and in doing so to create new jobs in Ireland as well as sustaining existing jobs. To drive this mandate, Enterprise Ireland supports capital investment in companies, encourages innovation and implements competitiveness and management development programmes as well as providing on-the-ground access to international markets.

Enterprise Ireland client companies employ almost 162,000 people. The Food Sector is Ireland's most important indigenous sector employing in the region of 42,000 people directly, and the marine and fisheries sector is particularly important to coastal communities through both direct and indirect employment. Approximately 200 firms (including 70 wholesalers/distributors) engaged in the seafood sector are concentrated in the coastal regions of Donegal, Galway, Cork, Kerry, the South East and Dublin, and the main ports of Killybegs, Castletownbere, Dunmore East, Rossaveal, Dingle and their hinterlands are heavily dependent on seafood processing and service industries.

The seafood industry plays a vital role in job creation in the regional coastal communities and makes a significant contribution to the regional economy. The Irish seafood industry employs almost 12,000 people, is worth over €700 million and produces more than 270,000 tonnes of seafood per annum. Enterprise Ireland's Seafood client companies, those companies producing added value seafood products, employ 1,200 people.

Enterprise Ireland recognises that measures that will allow for greater processing activity in the regional coastal communities will generate additional employment. Primary and or secondary processing must be done locally to bring additional economic impact to Ireland's coastal communities and to protect existing jobs. Driving the processing activity on large factory ships at sea will not benefit local job creation in Ireland.

Enterprise Ireland welcomes the development of a sustainable aquaculture industry and recognises that the industry could have significant economic potential for Ireland particularly the coastal communities. However, the cost of developing a technologically advanced and sustainable off-shore aquaculture industry in line with existing state aid regulations will pose a financial challenge for the industry players. From our discussions with the industry, it appears that they would welcome the establishment of an Aquaculture Producers Organisation with responsibility for co-ordinating the introduction of systems to deal with feed companies, growers, processors and logistics, and to contribute to improved competitiveness across the sector.

2: Increasing exports in line with the Harvest 2020 Strategy

The Seafood Industry has been identified by Enterprise Ireland as one with significant export growth potential enabled by an increase in raw material supply. Raw material supply rather than market demand is the limiting factor in driving exports and a new aquaculture industry could assist in solving the supply constraints.

In 2010, figures from Bord Bia indicate that the value of Irish seafood exports is estimated to have increased by 18% to an estimated €370 million as companies increased their share in existing international markets and expanded into new international markets. Lower supplies across most species helped boost prices. Total sales in 2011 are estimated to reach €730m including exports in the region of €410m (56% of sales). Export destinations include Europe (71%), South Korea, Japan and Russia. France is the main export market in Europe.

Under Harvest 2020, the objective is to increase value added seafood exports by €50m over the next 3 years with a target of €150m by 2020. The sector is on target to achieve an increase of €14m in 2011.

The Food Sector Strategy presented to the Enterprise Ireland Board in 2011 describes a *"Seafood sector with a strong cohort of profitable operators, efficient in the bulk processing of commodity seafood, and an increasing proportion of sales from value added. Additional output beyond Irish quotas will be secured from foreign catch landings and increased aquaculture capacity"*. The increase in export activity will further strengthen the companies' profitability and potentially develop additional employment opportunities in Ireland's coastal communities.

Enterprise Ireland recognises that increasing the raw material supply, by maximising fish landings from Irish as well as non-Irish fishing vessels, will impact positively on Enterprise Ireland's client companies in the form of increased added value exports.

Conversely, the introduction of privatised transferable quotas could negatively impact on the level of raw material supply to Irish companies and consequently on the volume and value of Irish Seafood Exports.

3: The Development of Enterprise Ireland's Seafood Client Companies

There are seventy four clients in Enterprise Ireland's seafood portfolio. Of these, EI is actively engaged with sixteen companies that are perceived to have export potential and growth. This 'active' list has aggregate sales of €154.7m, exports of €115.9m and projected export gains of €14m in 2011. These companies employ 800 people.

Over the last 5 years, EI has contributed almost €8m funding to the seafood processing sector (not including capital support given under the Seafood NDP). These supports have enabled the companies to put in place strategies that have led to additional added value exports of €14 million for year end 2011. This is in line with targets set within Harvest 2020.

Since 2006, an estimated €350k has been expended in three management development programmes including a customised MBA programme in conjunction with the Grimsby Institute of Higher Education. This has significantly enhanced the strategic management competence of the 30 owner-managers participants. The programmes have also encouraged the participating companies to actively engage and co-operate with one another and a number of industrial collaborations are now underway.

The issues and challenges facing the seafood processing companies include raw material supplies, quota enforcement, the seasonality of processing, capacity under utilisation (the imbalance between supply and processing capacity), landings by Irish boats abroad, lack of scale, poor new product development with low value add and weak marketing. Competition from larger scale aquaculture operations in Norway and Scotland has impacted on the profitability of Irish salmon farming and smoking operations.

The focus going forward will be on

- The development of new export markets
- The implementation of Competitiveness enhancement through the application of Lean Business principles and practices
- The enhancement of managerial ability and leadership through management initiatives such as the Leadership for Growth to ensure the development of strategic as well as operational competence in key client companies.
- Industry driven and collaborative R&D
- An emphasis on Food Safety – elimination of toxins etc. to maintain Ireland's reputation as a source of safe, premium quality seafood products.

Enterprise Ireland is partnering with Seafood processing client companies to identify and tackle competitiveness issues, to support opportunities identified to develop innovative and market-led seafood products, and in conjunction with Bord Bia to develop and implement initiatives to increase new export market opportunities particularly activities that promote the companies to collaborate together.

Enterprise Ireland welcomes the introduction of multi-annual management plans for fish stocks having regard to the need for environmental and social sustainability and the long term well being of the raw material supplies to Ireland's Seafood Sector.

Enterprise Ireland considers that the proposed reforms will not give rise to additional compliance burdens for the seafood processing companies.

4: Conclusion

Enterprise Ireland welcomes the opportunity to respond to Minister Coveney regarding reform of the EU common Fisheries Policy. The Seafood Industry has been identified by Enterprise Ireland as one with significant export growth potential and new job potential particularly in Ireland's coastal communities.

An increase in raw material supply will provide the stimulus needed to grow the Seafood Industry and there is a valuable opportunity to develop a recognised brand for Irish seafood in world markets. Enterprise Ireland recognises that growing the raw material supply, by maximising fish landings from Irish as well as non-Irish fishing vessels, will impact positively on Enterprise Ireland's client companies in the form of increased added value exports.

Enterprise Ireland welcomes the development of a sustainable aquaculture industry and recognises that the industry could have significant economic potential for Ireland.