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AN ANALYSIS OF THE ROMANIAN FISHERY SECTOR IN THE EUROPEAN COMMUNITY CONTEXT

Case study

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Abstract

The development of the fishery sector represents one of the European Union's priorities due to the positive impact it has on food security and to its potential to ensure nutritious and quality food at an affordable price as compared to other animal-origin resources. The Community policy in the fishery sector focuses on reducing the Community market dependence on imports and on the sustainable development of business in this domain. Romania aligned with the Community policies and, therefore, important funds were allocated to the national fishery sector. The diversified natural resources, the possibility to use friendly technologies, the qualified staff, the tradition in the domain, and the existence of a number of niche markets all represent motivations for the development of the Romanian fishery sector. The present paper proposes an analysis of the Romanian fishery production and of the European financing effects on the specialized companies. Despite the fact that there have been important resources allocated to the sector and there is a slight positive evolution, the absorption of funds was difficult. The results of the investment may be observed after a long period of time, this is why Romania is still dependent on fishery product imports. Aquaculture represents the main segment towards which the European funds were directed, including in our country, thus providing the greatest part of the income and employment in the domain.

Literature short review

A description of the Romanian fishery sector and of Romania as a Black Seaside country is performed by Duzgunes and Erdogan (2008), who mainly analyse the evolution of the marine and river fishing fleet, as well as the restrictions specific to the Romanian sector, in comparison with other Balkan states. Stanciu (2014) analyses the Romanian fishery sector from 2007 to 2014, highlighting the effects of financing the sector by means of Community funds. Nicolae et al. (2011) present the Romanian fishery sector from the perspective of the sustainable natural resource usage. The topic of legislative regulations regarding the accessibility of Community funds for Romanian fishermen are approached by Tudor, Oprea and Jarcă (2011). As an employee of the European Parliament, Katsarova (2013) performs an analysis of the degree of absorption of Community funds at a European level, making reference to the low levels recorded by Romania.

Material and methods

The information regarding the Community and the Romanian fishery sector was taken from national databases (The National Institute of Statistics, NIS, The Ministry of Agriculture and Rural Development, MARD, The National Fishing Agency, NFA), Community databases (Eurostat, Amadeus, and European Commission EC) or international databases (FAOStat, FishStat). The data was systematized, statistically processed, represented in a graphic manner and analysed. The interpretation of the obtained results was achieved by means of comparison with the specialized literature.

A short presentation of the Community fishing sector

According to the data provided by the EC (2014a), at a level of annual fish product consumption of approximately 12.3 million tons, with a total value of 52.2 billion euro, the Community market represents the greatest world consumer of fish products, with a share of over 24% of the total world trade in the domain. The statistical data regarding supply, consumption, production and Community trade with fishery products (2011) are presented in figure 1. The analysis of the fishing sector in the European Union EU 28 shows the great discrepancy that exists between market demand and domestic production level, major imports being necessary from the extra-Community area in order to cover demand. The annual average consumption of fishery products per inhabitant presents significant differences among member states, ranging from 56.7 kg. in Portugal and 5.3 kg. in Hungary. (EC, 2015a). With an annual average of 23.81 kg. of fishery products per inhabitant, Community consumption is superior to world consumption, being estimated at approximately 20 kg. (FAO, 2015). Over 56% of Community consumption of fish and aquatic products was covered in 2012 by extra-Community imports.

With an annual average of 6.3 kg. of fish/inhabitant, Romania occupies the penultimate position in the Community ranking, being surpassed by Bulgaria and by states that do not have access to marine fishery resources (figure 2). The availability and the price of fishery products are factors that influence the level of consumption in the member states. Although Romania has a tradition in the fishing sector, its decline led to a halving in consumption in the last decade, due to a reduction in primary production and in the processing capacity (MARD, 2015).

The extra-Community imports, estimated at 21 billion euro in 2011 prove the strong dependence of the Community market on the foreign market. Community exports, represented in a percentage of 95% by the fish from catches, are modest as compared to the imported quantities, the trade balance in the EU in 2001 – 2002 being continuously unbalanced (figure 3). As far as percentages are concerned, frozen fish or processed products prevail, fresh fish being exported in small quantities. Imports in the EU are mainly represented by frozen or fresh fish, whereas high quality processed products represent a small percentage.

The Community fishery production mainly relies on ocean fishing, which records a sharp drop of an annual average rate of approximately 2.25% (figure 4). The year 2012 recorded a minimum number of catches in the member states, with a decrease of almost 25% as compared to the year 2003 (figure 5). According to the EC data (2014b), the decrease becomes manifest because of a drop in natural resources, in the number of specialised economic agents and in the Community fishing fleet. The slight increase recorded in 2013 couldn't compensate the previous loss, being reached only values close to the ones recorded in 2009. In point of caught aquatic product quantity, Norway (with over 2.1 million tons), Spain (1.1 million tons) and Iceland (1.08 million tons) are the European states that occupy the first positions in the Community fishery statistics in 2014, fact which is due to a well-developed ocean fishing fleet. Romania, with an almost inexistent fishing fleet, has a catch volume which estimated at almost a quarter of the quantities caught in Bulgaria.

Aquaculture represents the fastest growing sector in the world. According to the FAO data (2015), the world shellfish and fish production from aquaculture reached 138 billion USD in 2012, with a growth of over 81% as compared to 2002. The share of the global shellfish and fish offer increased from 15% in 1992 to 42% in 2012. The offer of shellfish at a global level increased from an estimated value of 155.8 million tons in 2011 to 158 million tons in 2012. The increase due to the aquaculture sector compensated an annual average decrease of 2.6% of the caught fish production. With a percentage of 1.53% from the world physical production and a value share of 3.5%, EU occupies the eight position in the ranking of producers from the aquaculture domain, after China (the main world producer, with a percentage of 60.75%), Indonesia, India, Vietnam, Philippines, Bangladesh and South Korea (which cumulate a production of 25.78%).

Community aquaculture reached a level of production of 1.108 million tons in 2012, with a value of 3.365 billion euro, providing 70,000 jobs in the member states. In 2012, production recorded a slight decrease as compared to the 3.58 billion euro recorded in 2011, the sector covering 21% of the domestic demand. (CE, 2014c).

The annual average growth in production of the Community aquaculture farms in the last three years has been of 7%, close to the value recorded globally (8%). Over 72% of the physical production of Community aquaculture farms is concentrated in four member states – Spain (24%), France (19%), The United Kingdom (19%) and Greece (10%), countries in which there are obtained almost 70% of the value volume of Community production (figure 6). As far as percentages are concerned, marine aquaculture represents the main Community sector, with 1,612 million euro, followed by shellfish (1,238 million euro) and by freshwater aquaculture (756 million euro). The evolution of the number of companies from the Community fisheries sector is presented in figure 7. According to the Amadeus Database information (2015), in 2014 one may notice a significant decrease in the number of economic agents from the freshwater and marine sectors, correlated with a decrease in the quantity of fish from the aquaculture sector.

The Community officials' concern regarding the dependence of the Community market on imports is illustrated by the Common Fisheries Policy (CFP). According to the official statement, CFP focuses on ensuring some environmentally-friendly fishery resources, which are lucrative from an economic point of view and sustainable from a social point of view, and which could ensure a healthy food source for the European Union citizens (CE, CFP, 2015b). The financial support necessary for the reorganisation of the fishery sector was ensured by the European Fisheries Fund (EFF), with total allocated resources for the period 2007 – 2013 of 4,305 billion euro, distributed on the five main domains (figure 8). The continued financial support in the period 2014 – 2020 is made by means of the European Maritime and Fisheries Fund (EMFF), with total allocated funds of 6.4 billion euro (figure 9). The distribution of the EMFF funds on member states at present is presented in figure 10, the sum allocated to Romania being inferior to the previous exercise.

The fisheries sector in Romania

As a full member state, Romania participates in EU's Cohesion Policy, Common Agriculture Policy and in the Common Fishing Policy. In the programming period 2007 – 2013, national economy benefited from a total indicative financial allocation of 33 billion euro, due to own contribution to the EU budget of approximately 9.2 billion euro. Although the sums of money were generous, the accessing criteria, the poor organisation of the institutions responsible for fund management, the non- compliance with the terms regarding the submission of expenditure statements to the European Commission for reimbursement or the civil servants' bureaucracy placed Romania on the last place regarding Community fund absorption. Only Croatia, which recently joined the EU, presented a lower level of absorption than our country (figure 11).

According to Katsarova (2013), the main causes which led to a low degree of Community fund accessing by Romania were the poor skills of the administrative staff, due to a lack of transparency in recruiting and managing staff. Katsarova also mentions some weak points of the local fisheries sector, such as the legal framework, which is improper for financial management, the lengthy procedures for public acquisitions, the lack of some adequate financing lines in the national budget. The total sum attracted by national economy in the period 2007 – 2013 (by means of structural and cohesion funds, of funds for rural development and fishing and for agricultural subsidies on cultivated areas) reached approximately 15 billion euro, under 50% of the total non-reimbursable sum allocated to Romania. According to the European officials, one may notice a failure to access European funds by our country (Winkler, 2015). Romania risks to lose almost 7 billion euro, taking into consideration the total absorption rate for the period 2007 – 2015, which reached only 57% of the total available. By means of FEADR and EFF, our country was allocated in the period 2007 – 2013 a budget of 22 billion euro. The national agricultural and fishery sectors slightly surpassed the national absorption average, using approximately 4.5 billion euro from a total of 8 billion euro.

The funds intended for the development of the fishery sector in Romania by means of POP 2007-2013 amounted to approximately 300 million euro, out of which 230.7 million euro was the EFF contribution, the rest being the contribution of the Romanian Government. The distribution of the funds was made on 5 priority axes: The adaptation of the Community fishing fleet (A1), Aquaculture, fishing in domestic waters, the processing and selling of products resulting from fishing and aquaculture (A2), Measures of collective interest (A3), The sustainable development of the fisheries areas (A4), Technical assistance (A5), the percentages being presented in figure 11.

The National Strategic Plan 2007 -2013 was drawn up in accordance with the Common Fishing Policy and with Romania's governing policy for the development of the EFF sector and it played an important role in implementing the Common Fishing Policy in Romania and in developing a specific strategy, based on the vision "A competitive, modern and dynamic fishery sector, based on durable fishing and aquaculture activities, which takes into account the aspects connected with environment protection, social development and economic welfare". (The Ministry of European Funds MEF, 2015). POP 2007-2013 focused on four general objectives: The development of competition and durability of the primary fishery sector; The development of the market for the fishery sector products; The support of sustainable development of the fisheries areas and life quality improvement in these areas; The support of an adequate implementation of operational politics within the Common Fishing Policy (MARD, NAFA, 2015). The main forecasted impact indicators for the fulfilment of this strategic vision were: the competitiveness of the sector (an increase in added value and in productivity), created or maintained jobs in the three sub-sectors (The Black Sea fleet, aquaculture and fishing in domestic waters, the processing industry), the fishing capacity adaptation (MEF, 2015).

Accessing the funds by the fishery domain operators was difficult, being reflected in a low degree of absorption. The first years were allocated to documentation and procedure preparation and project assessment, so that in the period 2007 – 2009 there weren't any recorded financing. In 2010 the unfolding of the financing process began, at a very low degree of absorption, of 7%. Although the year 2014 recorded a bigger accessing value, only half of the available funds were accessed (figure 12). The financing process was a prolonged one in 2015, too. It may be asserted that Romania was not prepared to access Community funds also because of the fact that Romania joined the EU in the year when the Community financing began. Poland's success in accessing the common financing may be explained by it joining the EU in 2005, fact which allowed for a necessary administrative training.

The situation of the submitted contracts, eligible and financed on 16th of October 2015 in the POP 2007-2013 programme is presented in figure 13. Thus, within the national programme intended for fishing there were submitted 1,063 grant applications, out of which there were 698 eligible applications, with fully completed financing in the moment of the implementation stage evaluation. The average selection rate per total grants reaches 66.42%, being ranging between 25.88% on Axis 3 and 89.61% on Axis 5. Most of the submitted applications focused on financing projects from the domain "Aquaculture, fishing in domestic waters, the processing and selling of fishing and aquaculture products" (figure 14). The total value of the financing applications for the 1,098 submitted projects reached the value of 4,543,226,206.92 lei. As a result of the evaluation, there were approved for financing total funds of 1,566,462,264.00 lei, out of which the public contribution was of 1100008537.74 lei. The degree of absorption of the European FFE funds is different on the five financing axes, ranging from 100.15% for accessing Axis 1, to a minimum value of 21.80% in the case of Axis 4 (figure 14). Overall, at the moment of the evaluation, the absorption degree is of 56.1%, a part of the loss recorded at the end of 2014 being retrieved.

The effects of the POP 2007-2013 financing on the economic sector take a long time, taking into consideration the fact that the financing applications mainly focused on creating new aquaculture or fish processing units, the units becoming productive only after a certain period of time. The evolution of the number of active companies and of the total turnover recorded in the fishery sector in Romania are presented in figure 15. The distribution of the number of units per fishery domains of activity is presented in figure 16. As far as the activity is concerned, almost three quarters of the units unfold their activity in the freshwater aquaculture domain (figure 16). According to the AMADEUS Database information (2015), in 2014 there were 1,100 economic agents recorded, having as main domain of activity Aquaculture 032 (according to NACE rev2), out of which only 648 agents are active. In 2014, none of the companies recorded a turnover bigger than 10 million euro. The values calculated for concentration indices were 0.0132 (1.32%) for HHI and 0.1110 (11.10%) for Gini Struck, proving a low degree of concentration of the local fishery sector.

Out of the total turnover of the Romanian aquaculture sector, estimated at 74.940 thousand euro in 2014, the cumulated value of the first 10 companies totals 16,368 thousand euro, representing only 30% of the total sector. The graphic representation of the market shares of the first fishery sector companies in Romania is presented in figure 17. The cumulated value of their share in the fishery sector in Romania, which reaches under 30% of the total, represents an argument for the high degree of fragmentation of local aquaculture. The market shares of the main 10

aquaculture companies are shown in Figure 18. With a share market of 4.25%, Master Fishing Ltd from Constanta County is the largest company in Romanian aquaculture sector, the other companies accumulating about 25% of the market.
With a total number of 2768 of employees, the fishery sector offered few jobs as compared to other primary production sectors. Aquaculture, in which there are 2,300 employees, is the most important part of the sector in point of employees. Moreover, in the freshwater aquaculture units there are over 80% of the total employees from the sector, four times more than in the other sub-sectors (figure 19).

Conclusions
The local fishery sector is mainly represented by freshwater aquaculture, with an important share in the turnover of the sector and the employed workforce. The low degree of absorption of Community funds makes the local fishery market still dependent on imports. Although some progress has been made, the results of the investment are probable and will be noticed only in a few years' time.

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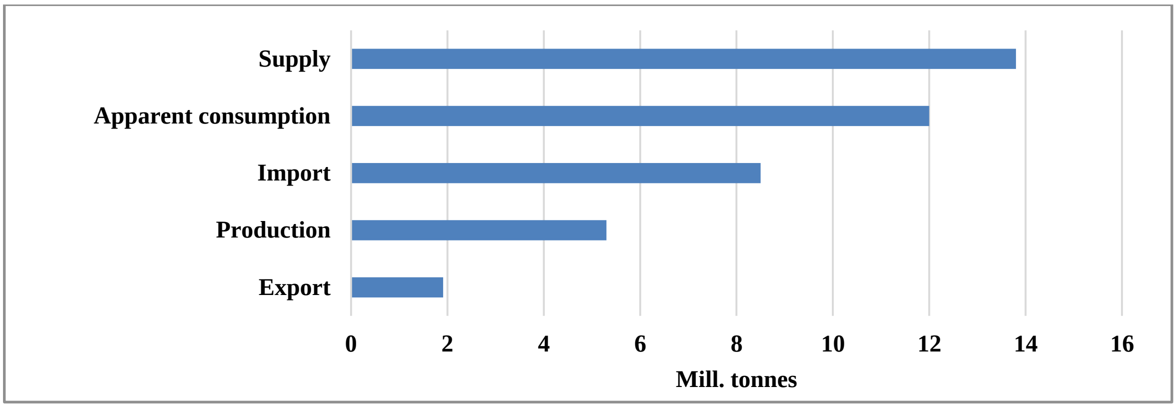

Figure No. 1. The fish market in the EU 28 (2012, billion tons of fish products)
Source: Author, by relying on the data provided by the EC (2014)

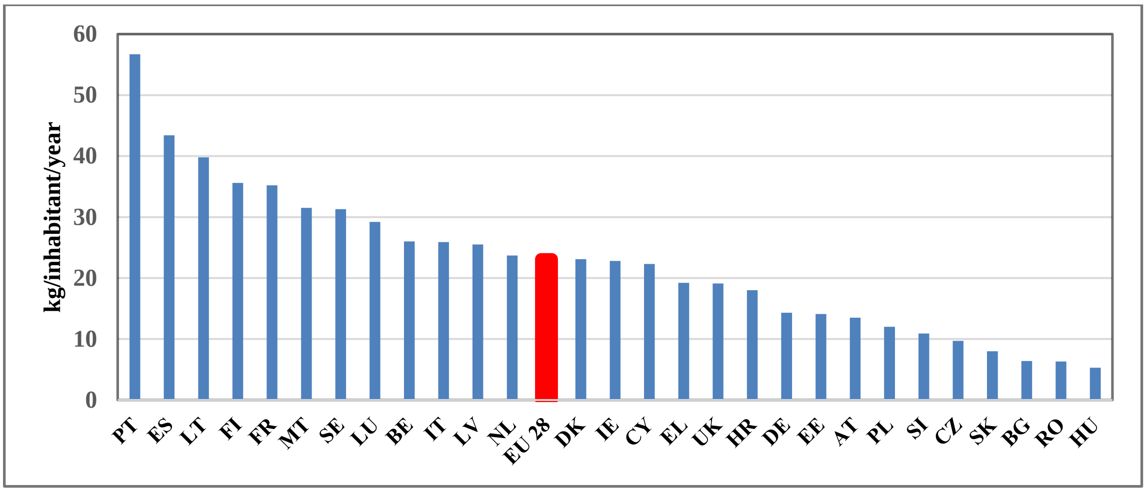

Figure No. 2. Average fish and fish product consumption in the EU (kg/inhabitant/year)
Source: Author, by relying on the data provided by the EC, 2014a

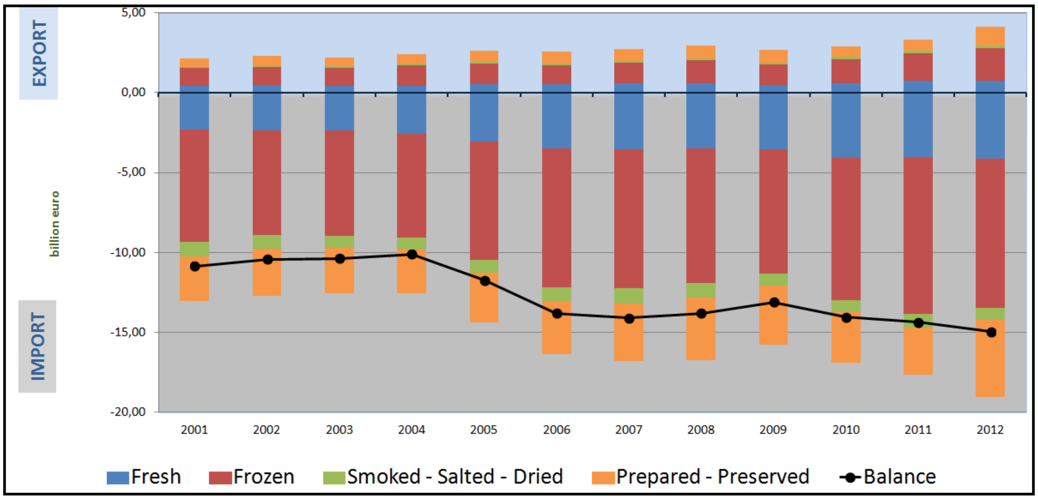

Figure No. 3. The extra-Community fish trade evolution
Source fully taken from the EC Report, 2014c

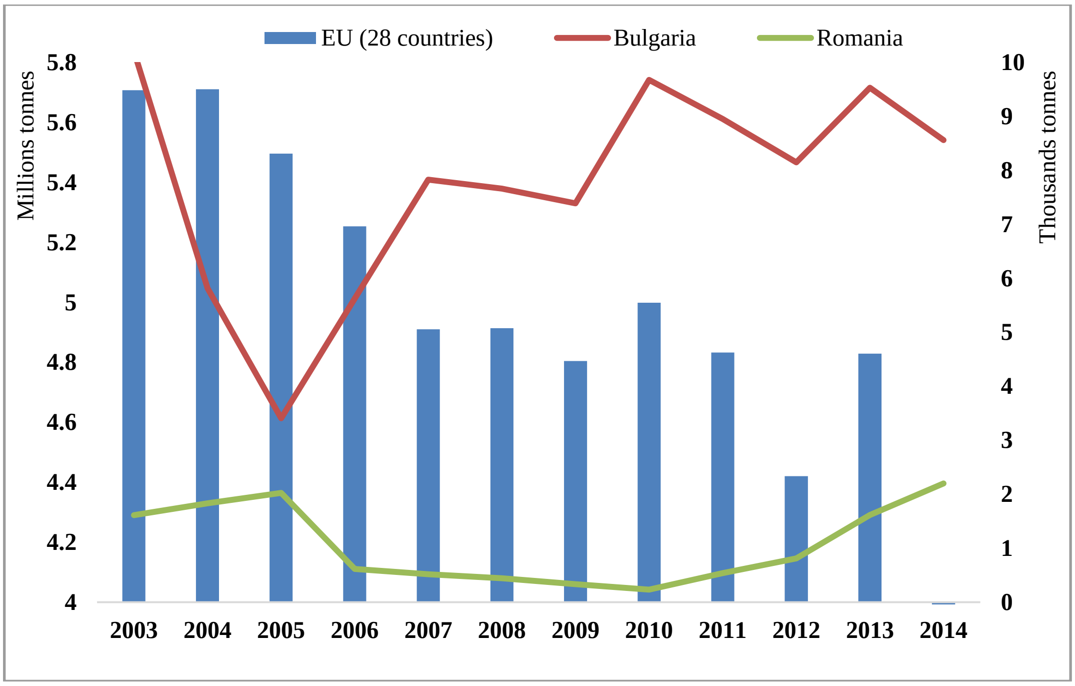

Figure No. 4. Community fish and fish product catches (EU 28, RO, BG) (Tons of live fish)
Source Author, by relying on the Eurostat data (EC, 2015)

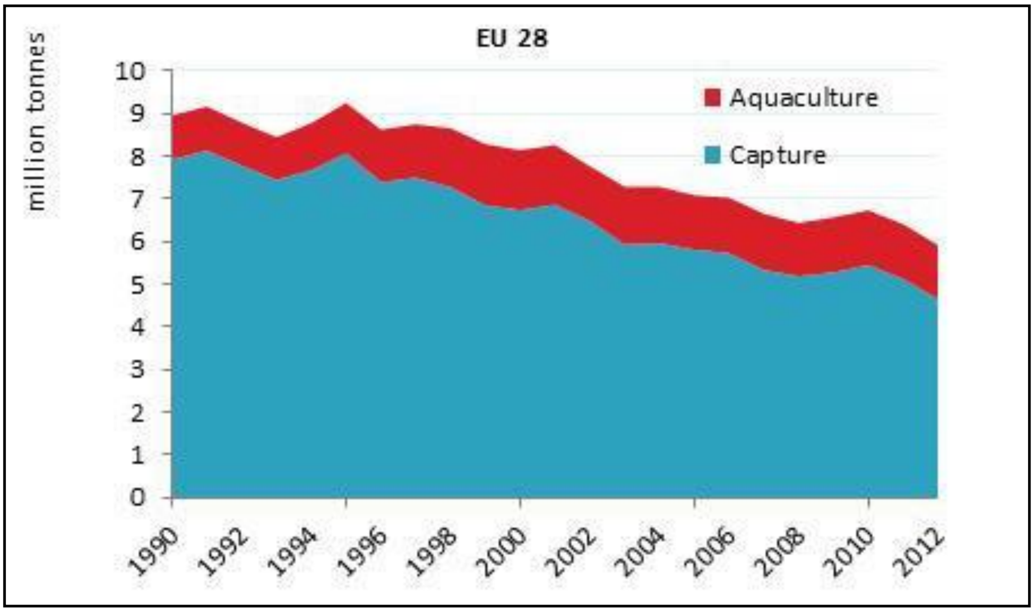

Figure No. 5. EU aquaculture and capture production (tons live weight)
Source taken from CE, 2014c

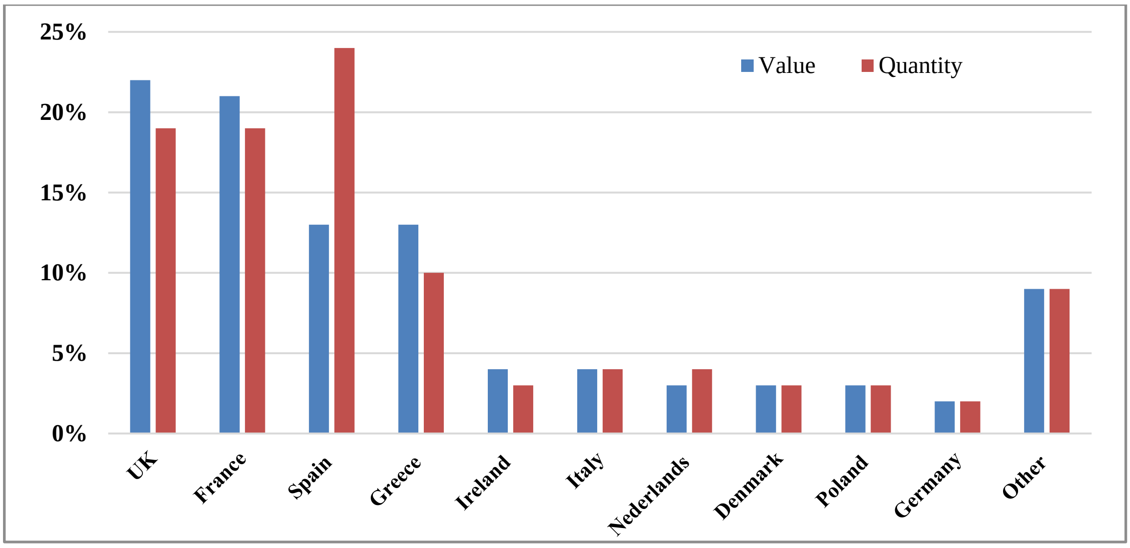

Figure No. 6.The main Community producers' quota in the EU 28 aquaculture (2012)
Source Author, by using the EC Report, 2014c

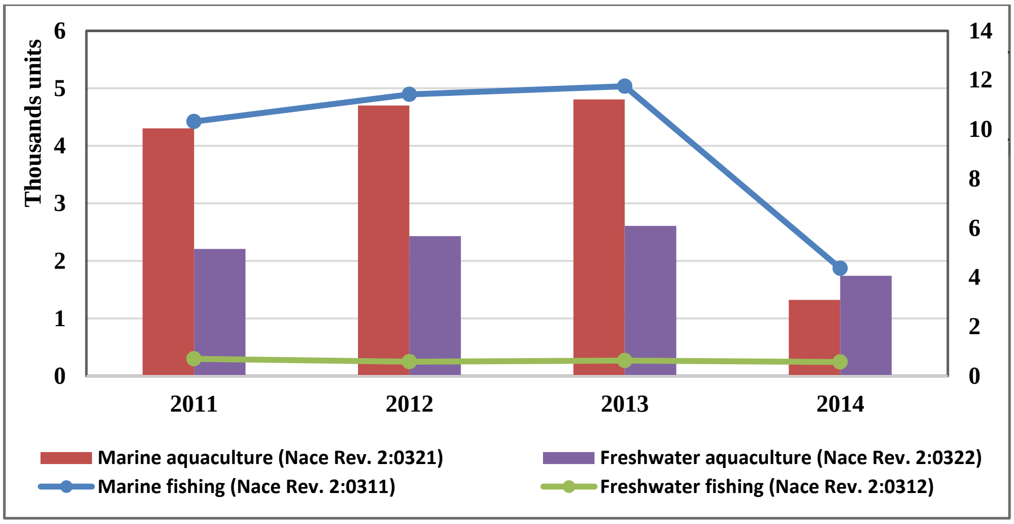

Figure No. 7. The evolution of the number of companies from the Community fishing sector
Sourca Author, by processing the Amadeus Database data, 2015

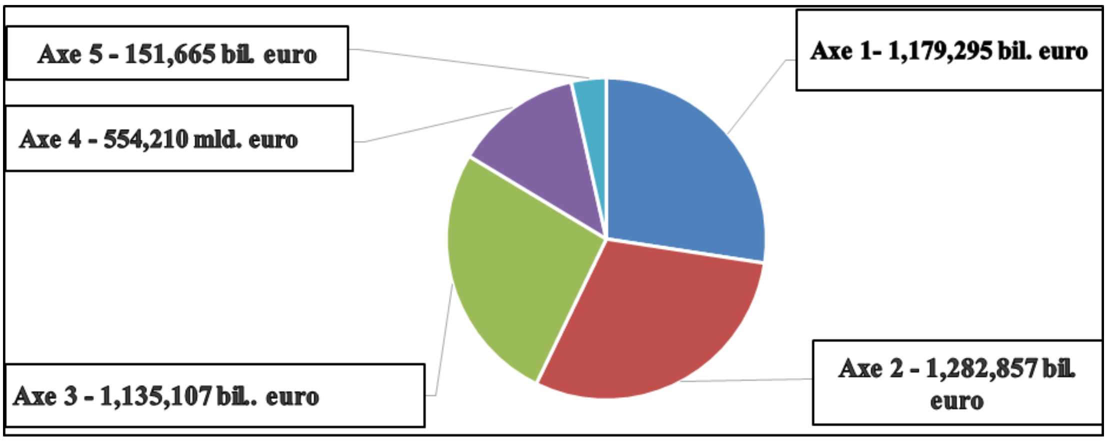

Figure No. 8. The EFF 2007-2013 fund distribution on funding domains at the Community level
Source EC, 2014c

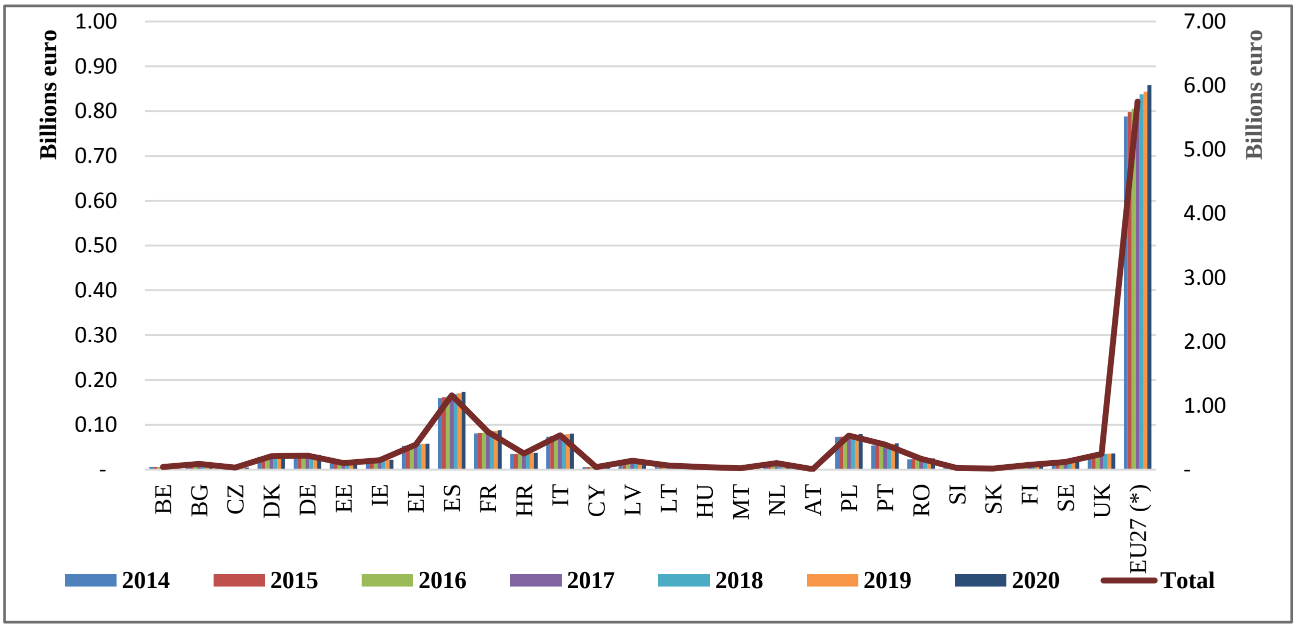

Figure No. 9. The degree of Community fund absorption on member states (2015)
Source Author, by processing the EC data, 2014c

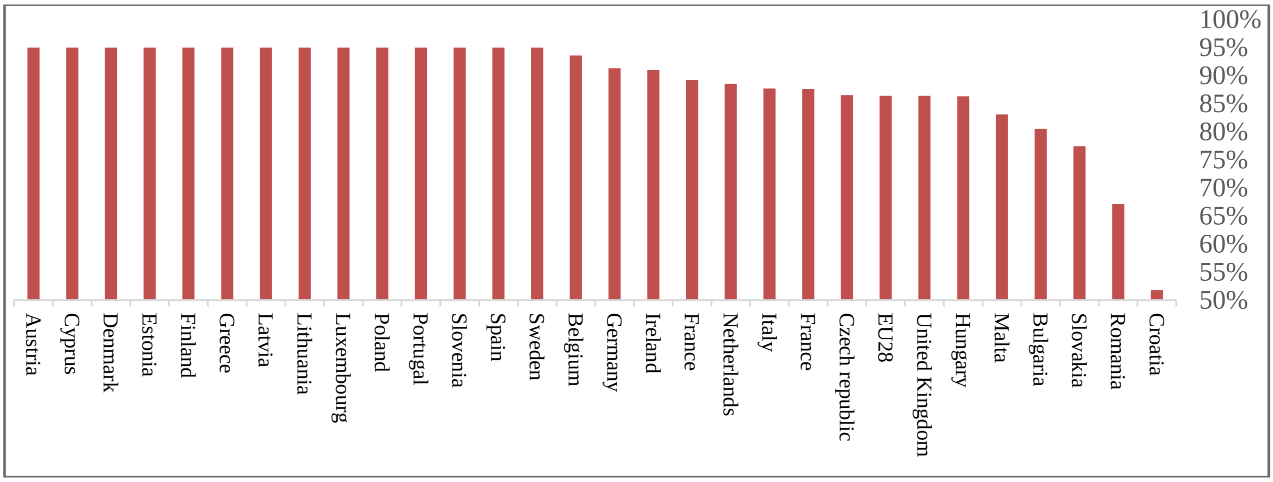

Figure No. 10. The Community fund distribution on member states (EMFF 2014- 2020)
Source Author, by processing the EC data, The European Maritime and Fisheries Fund, 2015

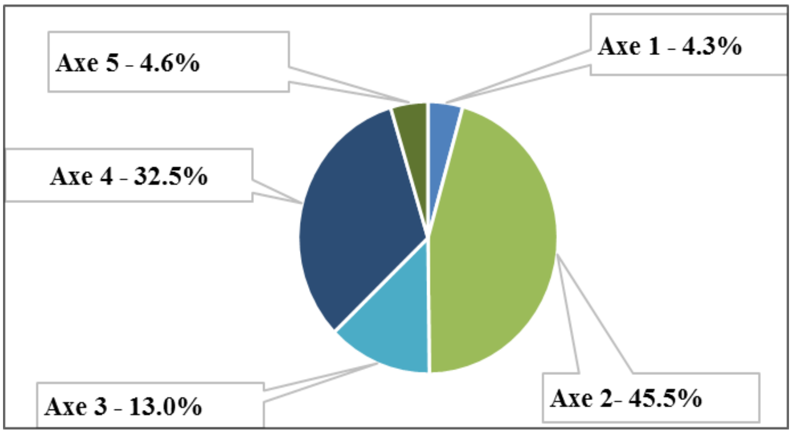

Figure 11. POP 2007-2013 Fund distribution on financing domains in Romania
Source taken from Stanciu, 2014

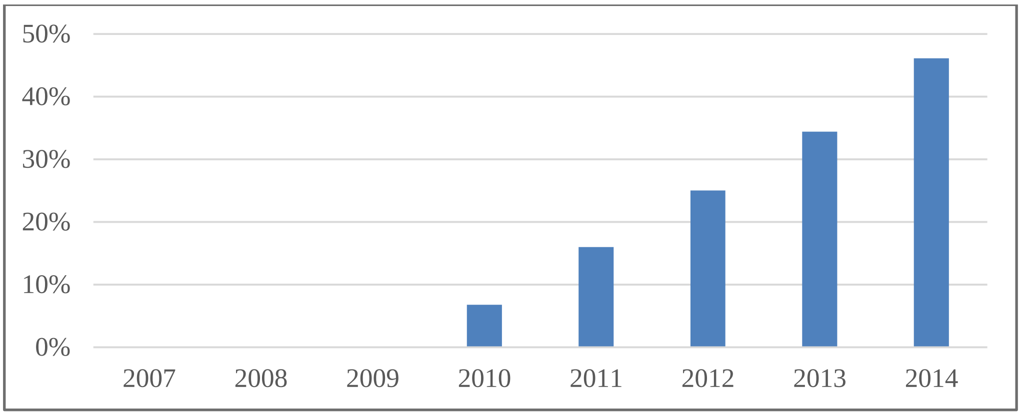

Figure No. 12. The evolution of the fund absorption degree of POP 2007-2013
Source Author, by relying on the MARD

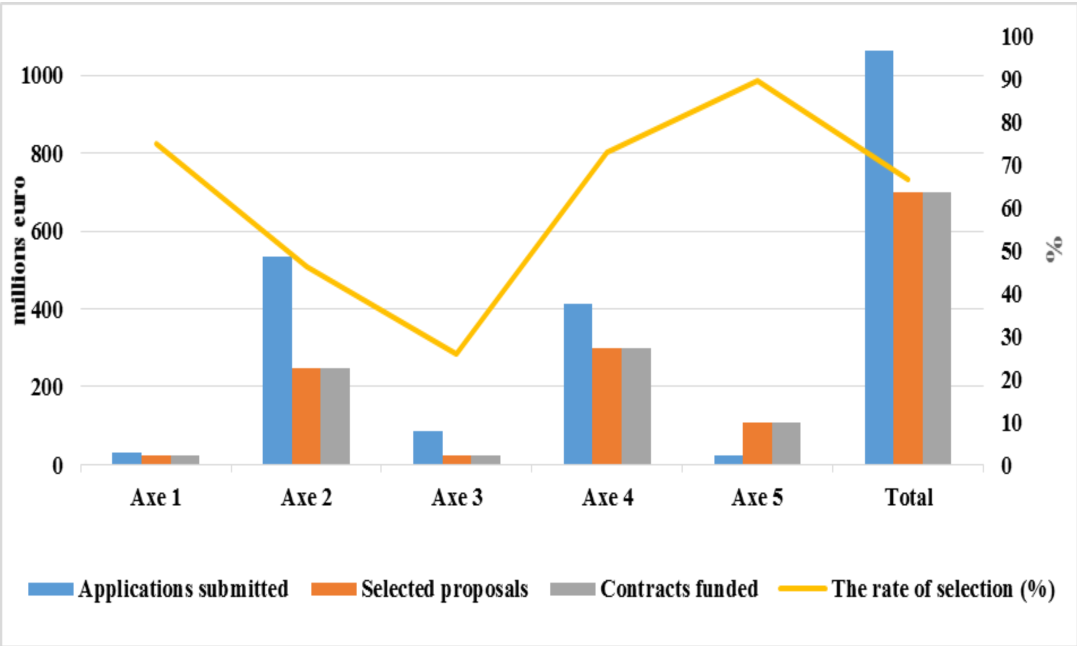

Figure No. 13. Requests for eligible project applications and domains of interest POP 2007-2013
Source Author, by relying on the MARD data, 2015

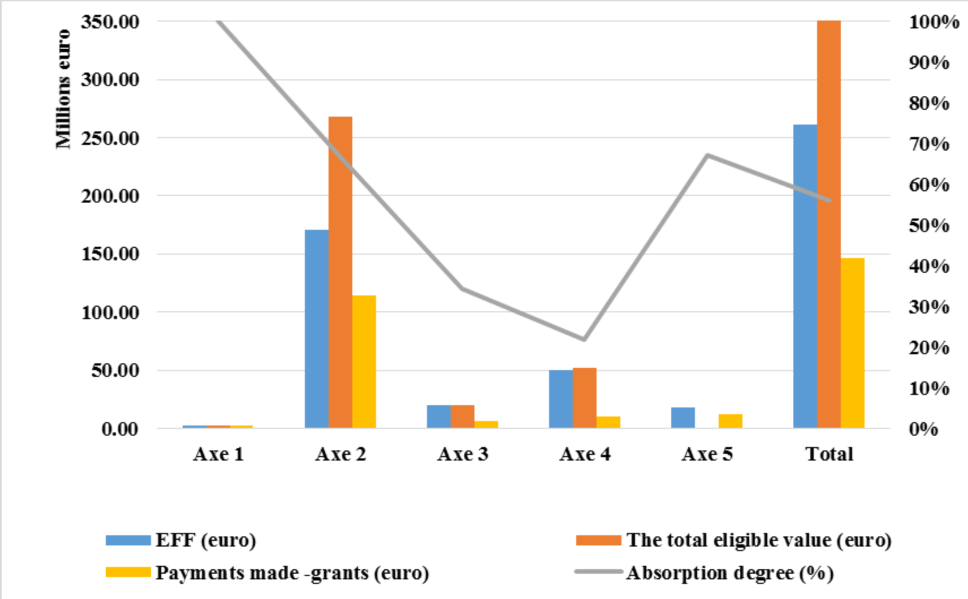

Figure No. 14. Unfolded contracts, accessed funds and financing absorption rates POP (16.10. 2015)
Source Author, by relying on the MARD Reports, 2015

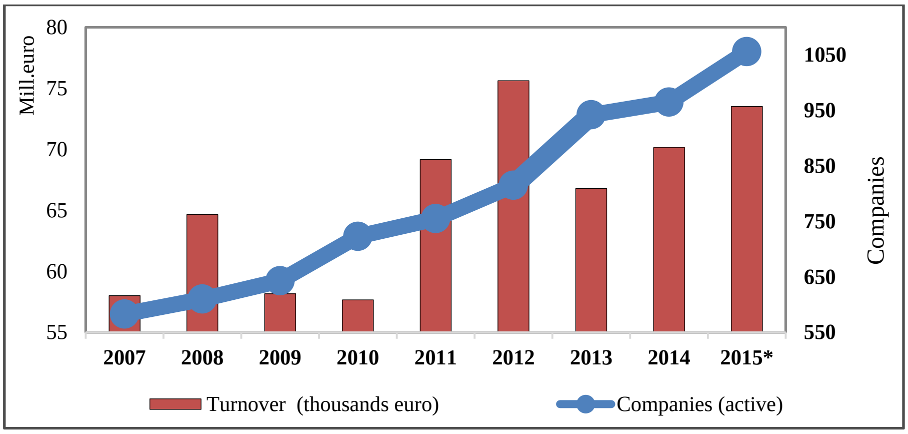

Figure No. 15. Active companies and the total turnover in the Romanian fishing sector
Source Author, by relying on the MARD data, 2015

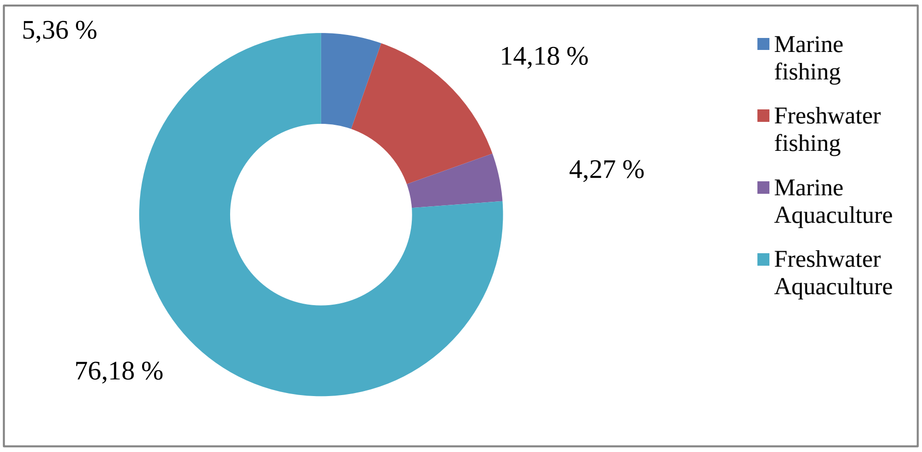

Figure No. 16. The fishery distribution on domains of activity
Source Author, by processing the data provided by MARD, 2015

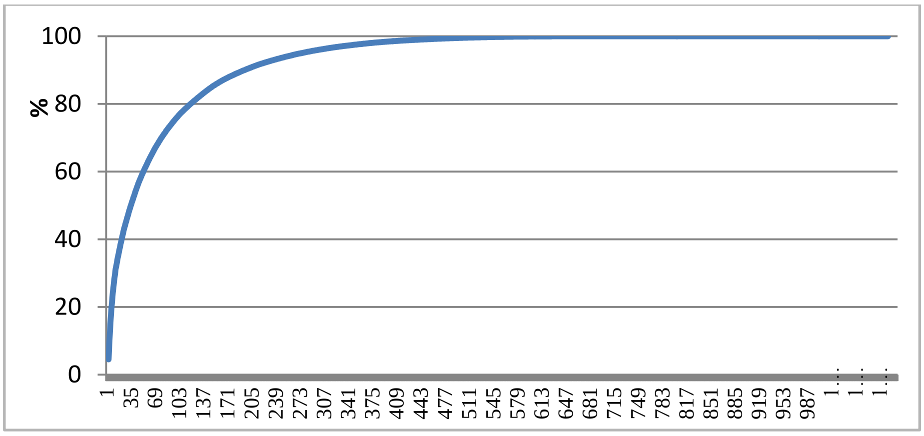

Figure No. 17. The Lorenz curve for the Romanian fishery cumulative turnover (2014)
Source Author, using the Amadeus Database, 2015

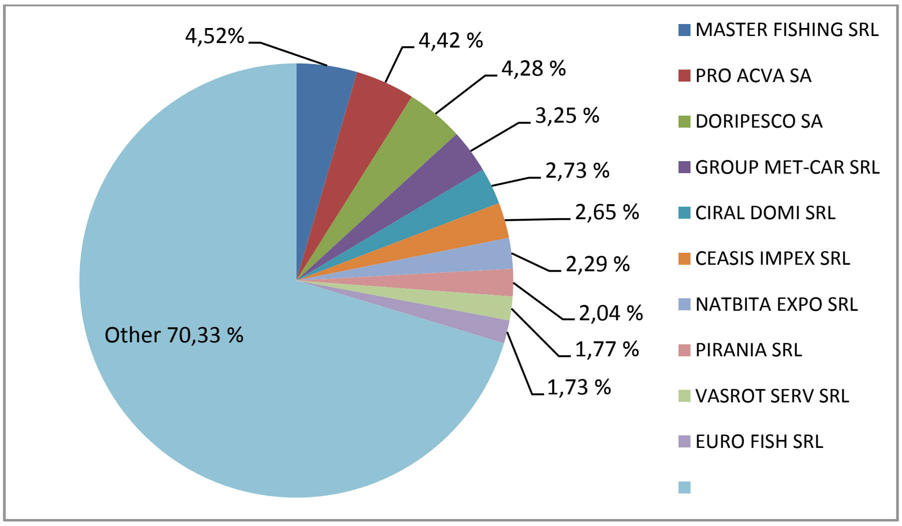

Figure No. 18. Market shares of the first ten fisheries from Romania
Source Amadeus Database, 2015

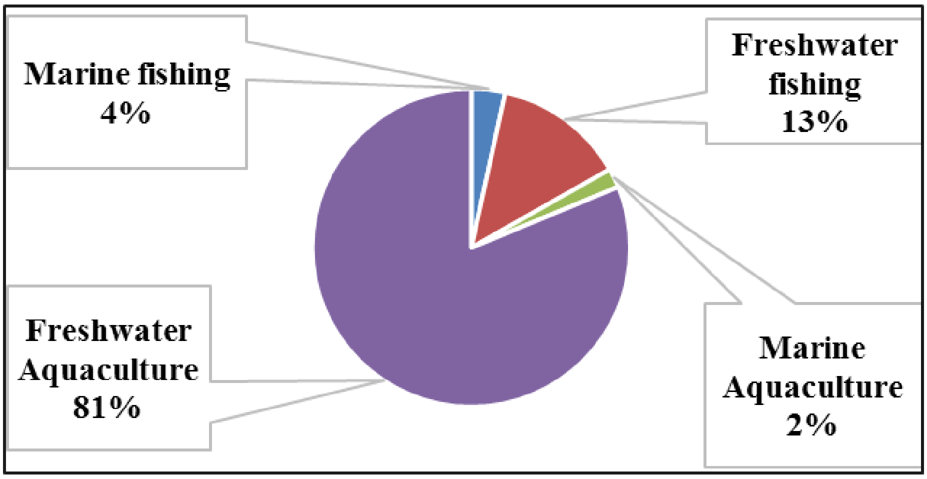

Figure No. 19. Employee distribution on domains of activity in the Romanian fishing sector (2014)
Source Author, by processing the data provided by Amadeus Database (2015)