Cogépêche technical guidebooks

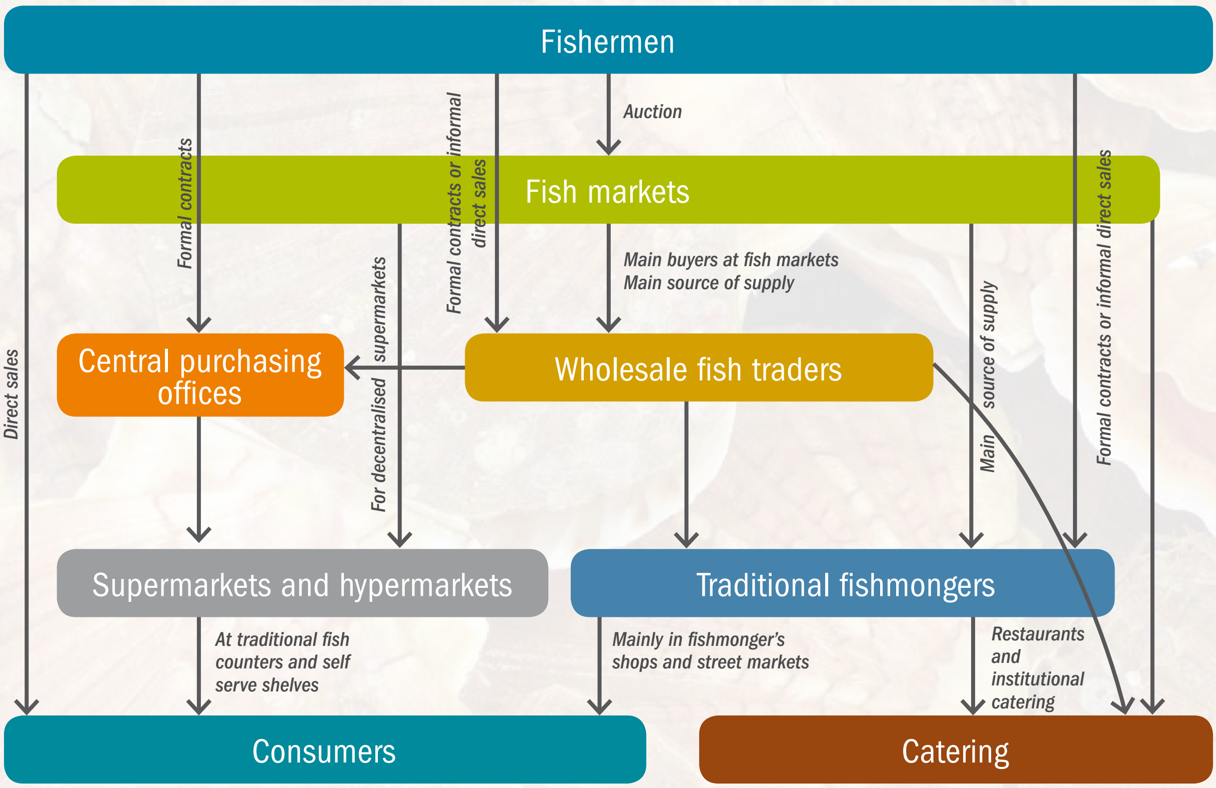
Sea product marketing channels in Brittany

Normapêche bretagne

AGRO CAMPUS OUEST

Brittany is characterised by a rich, diversified seafood production. Over 60 species of fish, crustaceans, shellfish and cephalopods are landed at Breton ports, but none prevails, either in volume or value. All types of fisheries and fishing gear are represented: offshore and inshore fisheries, trawlers, netters, pot vessels, line vessels, purse seiners, etc. The region also has a number of areas specialising in certain types of fisheries or species: scallops in Côtes d Armor, sardine and other oily fish species at Douarnenez and Saint-Guénolé, monkfish in the South Brittany and conger at Quiberon, etc.

This booklet analyses how sea products are currently marketed in Brittany, from when they are landed to the consumer's plate, highlighting fresh product marketing channels.



Organisation of the fresh sea product sector and commercial relations between the various players in Brittany

The booklet will also try to suggest some answers to one of the questions put to interviewees working at the different stages of the supply chain as part of the Cogépêche project: "Can formal contracts increase the value of Breton sea products?"

Another objective of this booklet is to identify which levers and areas could be used to ensure that these sales enhance the value of Breton landed products and that this added value is spread evenly along the entire supply chain.

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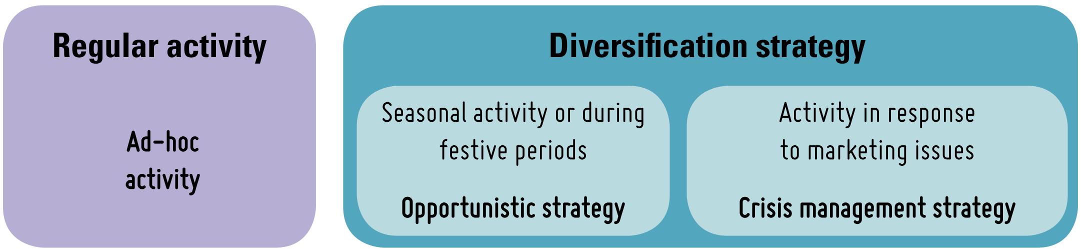
The initial sale: what are the producer's options ?

Fishermen have a number of options when placing the products they have just landed on the market. This initial sale will determine the type of marketing channel, long or short, the products will follow, as well as the players involved.

DIRECT SALES

Direct sales are where the sea products are sold directly from the producer to the end consumer with no intermediary. For the fisherman, direct sales are regulated and must respect certain conditions: they can only take place in given areas, must not exceed a given volume, have to comply with hygiene requirements and fish must not be processed. The number of producers involved in this type of activity and related volumes depend on the coastal area, the type of fishery and the season.

For producers, choosing to make direct sales may be for different reasons. It may be a regular activity aimed at selling some or all of the catch, as is the case on the Mediterranean coast or on some Breton islands, where the network of fish markets is sparse. This regular activity is usually the result of a diversification strategy aimed at providing additional income. In parts of Brittany, the activity is seasonal, during tourist periods or at the end of the year (e.g. scallops), although some producers practice it all year-round. In all cases, direct sales require personal investment in both time and energy.



The different direct sales strategies *(Hénichart and Lesueur, 2011)*

FISH AUCTION MARKETS

In Brittany, the traditional marketing channel for fresh sea products is by auction at a fish market. The fish market is the interface between upstream – fishing – and downstream activities, i.e. fish marketing and processing. It is a vital component in the structuring and organisation of the fresh sea product sector. Around 40 fish markets operate on French coasts, each trading products from several local landing spots. In Brittany, 70% of all landings are auctioned at one of its 15 fish markets (according to the surveys carried out as part of the Cogépêche programme and depending on the fish market, this average percentage may vary from 30 to 100%).

The role of the fish markets and organisation of the sales

Fish markets are responsible for the product from its landing to its delivery to the buyer, or even shipment to the customer, and oversee all related operations: product weighing, grading and dividing into lots, reporting of volumes and sale. One or more auctions per day take place at the fish market, depending on the type of fishing carried out by the vessels selling at the fish market. Catches from offshore fisheries, inshore fisheries and from purse seiners are sold separately at different times of the day, depending on how the fishing trips are organised, the tide and the part of the day when the vessels return to port. Catches are usually sold early in the morning, between 3 and 6 am. Catches from offshore fisheries are almost always auctioned in the early morning, whereas some fish markets prefer to sell inshore fishery catches in the afternoon, between 3 and 4 pm (which is the case for some Bigouden ports or for the port of Saint-Malo). The number of vessels selling at the same market may vary from twenty or so in Quiberon or Saint-Malo to 300 in Lorient.

Specialised fish markets

Brittany has a number of prime production areas for some species. Some fish markets tend to specialise in these products - scallops in Côtes d'Armor, sardine and monkfish in Cornouaille, fish to fillet in Lorient, etc. - although these same species may be found at other fish markets and of very good quality. Each fish market forms a distinctive marketplace but the trend is towards their interconnection. This new trend is opening up the fresh seafood market and gives greater visibility to producers and buyers.

Sorting and grading

Standardised sales criteria (species, grade, presentation and freshness) are indispensable to ensure transparent and fair transactions at fish markets. Although fish markets easily agree on criteria like species and presentation, grade and freshness classifications are more disparate. Official grades are defined for each species but sorting operations may vary from one port to another. As regards freshness, the three levels in declining order of freshness and product quality are: E (Extra), A and B. Evaluation grids based on objective criteria do exist, but assessing the freshness of a product will always involve a significant part of subjective appreciation by the operator, who may grade products and practices by default, for example A for offshore fisheries and E for inshore fisheries. In Brittany, significant efforts have been put into improving the sorting of fresh catches. Species denomination is standardised and grading is less disparate. But a set of objective criteria for identifying freshness remains the weak point.

Distance selling

Distance selling has been gradually introduced into all fish markets in Brittany and enables Internet-connected first buyers to buy lots on line. With this system, buyers cannot see the lots before the auction and have to trust fish market operators to properly sort the products; hence the importance of sorting quality. Distance selling makes it possible for these first buyers to compare lots and prices from several fish markets and to buy simultaneously in several ports without having to leave their own premises.

Depending on port accessibility, sorting quality reputation, product quality and landed volumes, distance selling accounts for a variable portion of fish market sales, from under 20% in volume in Douarnenez up to 70% in Audierne.

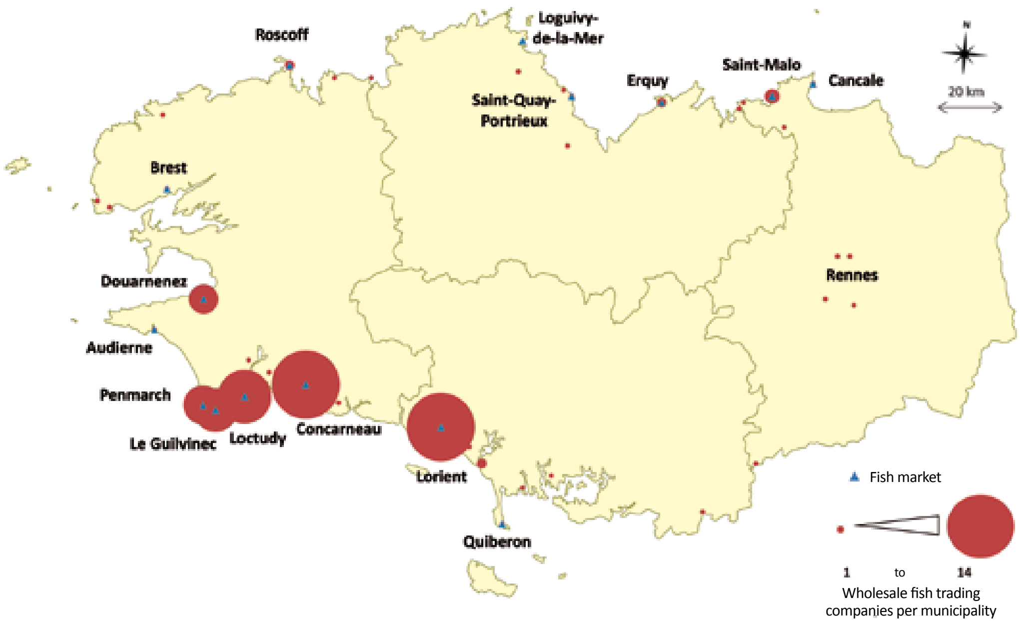
FISH MARKET FORECASTS AND AUCTION PRESALES

Distance selling has opened the way to a standardisation of the marketplaces at the regional and even national levels. For buyers, it means added convenience as they have access to several marketplaces simultaneously and benefit from the resulting forced standardisation of fish lots that cannot be inspected prior to auction. Reliable and regular forecasts of products brought to the fish market, from 48 to 72 hours for offshore fisheries, would help make this first sale more efficient. This would in turn open the way to a new marketing system, the presale of fresh catches. This would consist of auctioning the so-called floating stock i.e. volumes not yet landed or even fished, but made visible and predictable by the system. The idea would be to smooth out the volumes sold as well as the price of products landed at a given fish market. For this presale system to be effective, operators must have a clear picture of the products brought to the fish market. Few of the operators interviewed have set up their own forecasting systems, and most use the more or less sophisticated forecast services made available by fish markets (for example the w-fish platform made available by the Chamber of Commerce and Industry of Cornouaille to all ports from Douarnenez to Concarneau) or the system developed by the Ile d'Yeu producers' organisation, which merged with the Vendée producers organisation in January 2013. Such forecasting tools are indeed crucial to downstream operators who need reliable, efficient forecasting systems covering all fish markets.

In short, buying at a fish market is an activity that requires good knowledge of the products, and of the supply and demand and which involves a number of complex factors. But this activity is appreciated by first buyers because of the transparency of the transactions. All buyers are on an equal footing in terms of access to raw products, with auction prices being the result of supply and demand mechanisms.

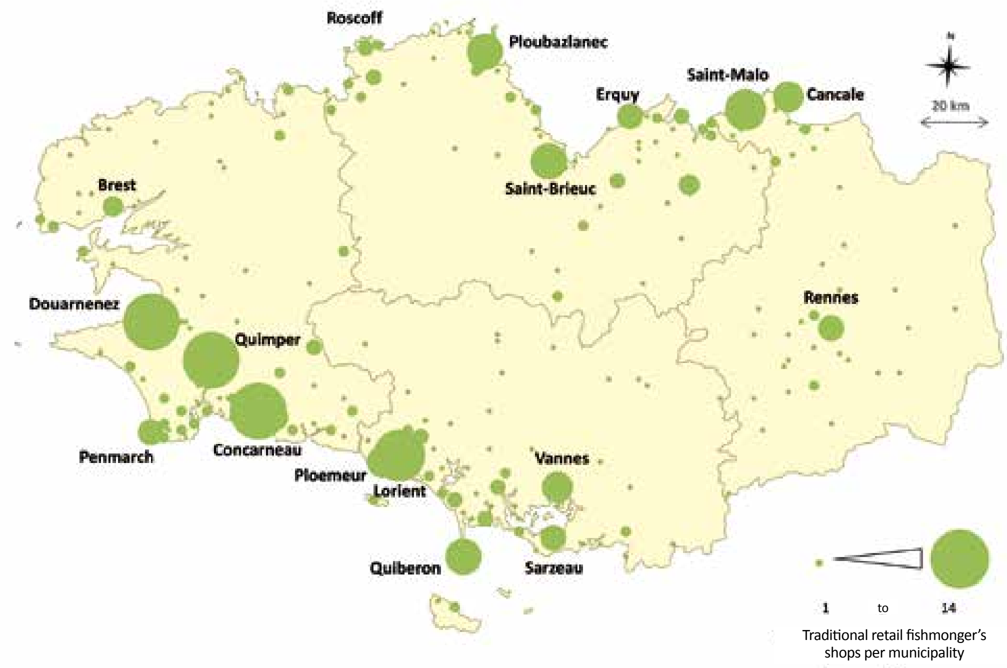
Main first buyers at fish markets in Brittany: wholesale fish traders and traditional retail fishmongers

At Breton fish markets, the main first buyers are wholesale fish traders, followed by traditional retail fishmongers. Brittany is a leading region in France for the fish wholesale trade and concentrates over 1/3 of all businesses, jobs and turnover generated by this sector. Its hundred or so wholesale trading companies are mainly located in the ports of the Cornouaille area and in Lorient. They mainly buy at fish markets, which provide them with over 80% of their purchases in terms of volume.



Distribution of wholesale fish trading companies in Brittany *(Vidie et al., 2013a)*

Traditional retail fishmonger's shops are well established in Brittany with around 400 businesses listed. These are unevenly distributed, with the Finistère and Côtes d Armor départements concentrating most of them. 85% are located on the coast. Brittany has one of the highest densities of fishmonger's shops in France, with 10 sedentary shops per 100,000 inhabitants, whereas the national average is 4 shops per 100,000 inhabitants (Insee, 2010).



Distribution of retail fishmonger's shops in Brittany *(Vidie et al., 2012)*

MAKING FISH MARKETS ACCESSIBLE TO ALL, A MAJOR ISSUE FOR THE SECTOR

Until recently, buying at the fish market was only open to those who met a number of conditions: "The local fish market operating regulations provide for the approval of buyers who meet the condition of providing a security bond as per article 3 of the afore-mentioned Decree of 26 April 1989, as well as one of the following two conditions:
- a minimum purchase commitment over a given period, expressed either in tonnage or value, at the buyer's choice, or
- a commitment to buy on a minimum number of days within a similar period."

Decree of 8 July 1991 relating to the conditions for admitting buyers to fish markets

This article was repealed by article 5 of the Decree of 13 December 2013 laying down the common provisions of fish market operating regulations and providing for easier and wider access for all operators wishing to buy, even occasionally, part of their products at a fish market (subject to the deposit of a bank guarantee).

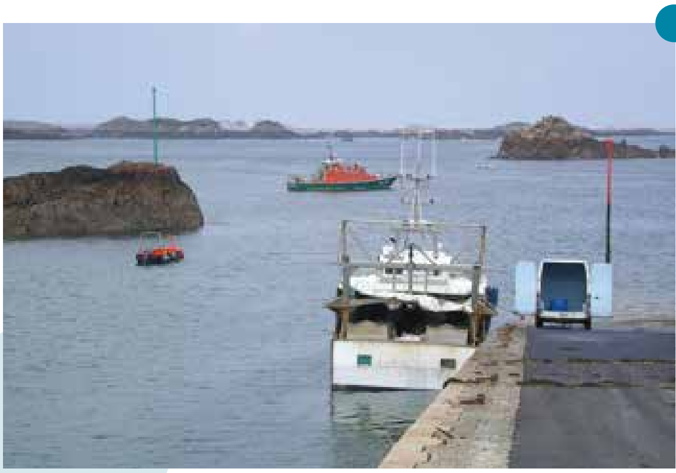
The main buyers at Breton fish markets are currently wholesale fish traders and traditional fishmongers established in Brittany. Distance selling had already increased the number of buyers, but the removal of the conditions to be met by fish market buyers is likely to have an even deeper impact on the organisation and operation of fish markets. According to the people interviewed as part of the Cogépêche programme, allowing buyers to purchase, on an ad-hoc, opportunistic basis big lots or large volumes, for example, could destabilise the market.

Auctions are the main system used in Brittany for making first sales of fish but it is not the only way producers can sell their catches. They may decide to sell them by mutual agreement (private sales), i.e. via a contract with another sector operator.

Note: the following two sections will only discuss first sales made by mutual agreement (private sales)

PRIVATE SALES MANAGED BY A FISH MARKET

Private sales can be made using the services of a fish market. In this case, the products are landed and managed by fish market employees: they are weighed, declared, sorted and sold to an operator without being auctioned. The contractual relationship between the operator and the buyer is managed entirely by the fish market.



This interesting practice often focuses on one species or operator. It is quite commonly used for selling sardine at the peak of the season, when landed volumes are extremely high. It usually concerns emblematic species at some high volume fish markets, private sales contributing to enhancing market liquidity.

In Lorient for example, private sales made through the fish market account for 70% of all volumes sold by Scapêche fishing vessels. This practice can be adapted to suit the market, or the demands of the economic players. It makes it possible to sell large quantities of a given species, enables first buyers to anticipate and simplifies logistics. Port taxes are still collected, safe payment to the producer is supervised by the fish market and the volumes sold by the fish market are recorded. The practices relating to private sales operated by Breton fish markets greatly differ from one fish market to another.

The initial sale: what are the producer's options ?

PRIVATE SALES NOT MANAGED BY FISH MARKETS

The first sale of sea products can also take place without going through fish markets. In this case, the producer negotiates the sale of his products directly with a downstream operator. This type of transaction is regulated by a decree in the process of being validated as part of the French Agriculture and Fisheries Modernisation Act. A contract must be signed and the quantities sold must be officially registered on the online platform managed by FranceAgriMer.

Many wholesale fish traders consider that the decree regulating contractual relationships under the AFMA will be extremely difficult to implement and most are favourable to the fish market's establishing framework contracts for the private sales they handle as intermediaries. They feel unaffected by this new legislation and consider that the decree will have a limited impact, confined to a few species only, even if it is hard for them to give an objective opinion on the matter as the actual provisions are still unknown. For them, encouraging the development of formal contracts will not result in an enhancement of Breton production value: almost two thirds fear that significant volumes will go to some players, such as the hyper and supermarkets, to the detriment of more open access to the catches. Some also believe that it will lead to a reduction in the price paid to fishermen. Fish traders are among the main opponents to the development of formal contracting (Région Bretagne, 2012). They are clearly against direct purchases from the fishermen as they lack transparency and compete with the fish markets. In Brittany, wholesale fish traders consider that private sales are suitable for specific products only, mostly shellfish and oily fish. And although formal contracts are seen as a way of enhancing the value of Breton products, the opinion of the fish traders interviewed is clearly lukewarm *(Vidie et al., 2013)*.

FRENCH AGRICULTURE AND FISHERIES MODERNISATION ACT (AFMA)

Act n° 2010-874 passed in July 2010 • The implementation decree for the fishing sector is scheduled for 2014

Content of article 86: *Obligation to sign a written contract for private sales (either organised by a fish market or directly agreed between a producer and a buyer). Private transactions cover: direct purchases "from the boat", pre-sales, floating stock sales and sales involving offloading companies. They can take place before the auction, in the fish market or after the auction.*

Contract provisions *(article L 631-24 of the French Rural and Fisheries Code): duration of the contract, volumes and characteristics of the products to be delivered, provisions for the collection or delivery of the products, criteria and conditions for determining the price, payment terms and provisions for amending and terminating the contract .*

Objectives: *To secure supplies in terms of volume and quality for buyers, guarantee income for fishermen and improve the balance of supply with demand.*

In any case, this marketing channel is not much used by the players of the sea product sector. Virtually no formal contracts between producers and operators were mentioned during the interviews conducted in Brittany as part of the Cogépêche programme among representative samples of wholesale fish traders, traditional fishmongers and managers of supermarket fresh fish counters.

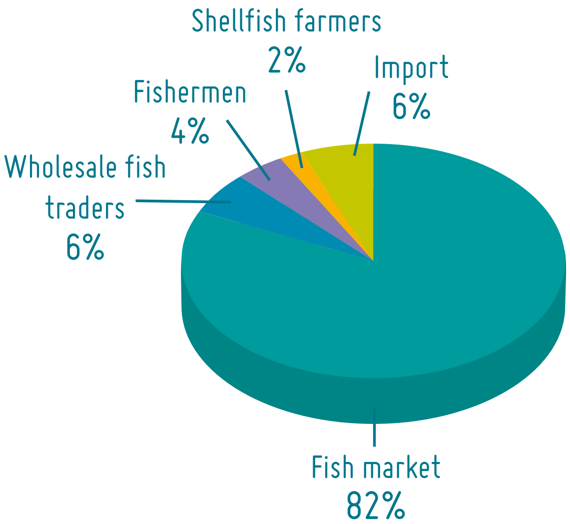
Generally, all this trading is carried out orally, with no written record or formalisation. The players trading in this way appreciate its informal nature and the fact that it is based on trust. At the first sale stage, the only way to make written contracts a truly integrated solution for adding sea product value, and one accepted by all, would be to involve fish markets. They are the mainstay of sea product marketing, at least in Brittany, and as such, cannot be left out. Formal contracts guarantee transparent and fair transactions, ensure that volumes are officially declared to the satisfaction of all operators and contribute to restructuring the sector.

B to B trading: what marketing channels for breton products?

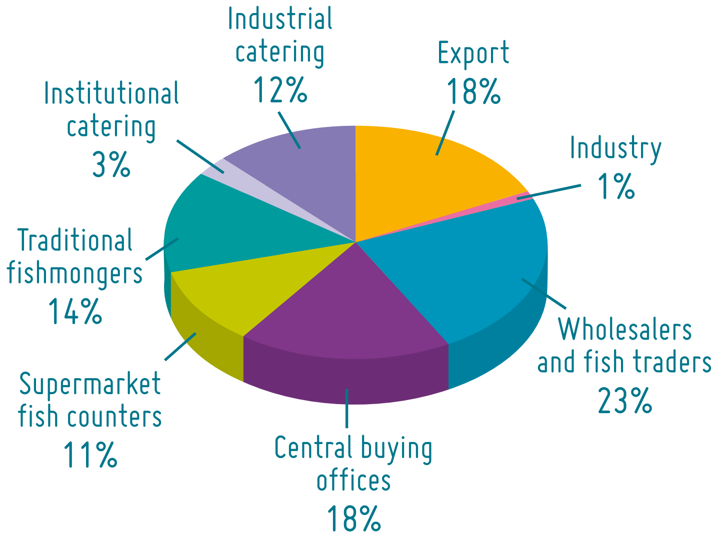
B to B – business to business – trading is the trading between sea product market operators after the first sale stage.

Wholesale fish traders are pivotal to fresh sea product marketing in Brittany. Simultaneously buyers, processors and sellers, they buy from local sources (local fish markets or other traders in the area) and contribute to disseminating and shipping the products on a wider scale, to other parts of France and European countries. The marketing channels are relatively short: 40% of the products bought by wholesalers are sold to retail distribution networks (traditional fishmongers, supermarket fish counters and industrial/institutional catering).

Local supply of Breton wholesale fish traders



Wide-scale dissemination and shipment of Breton products after first processing



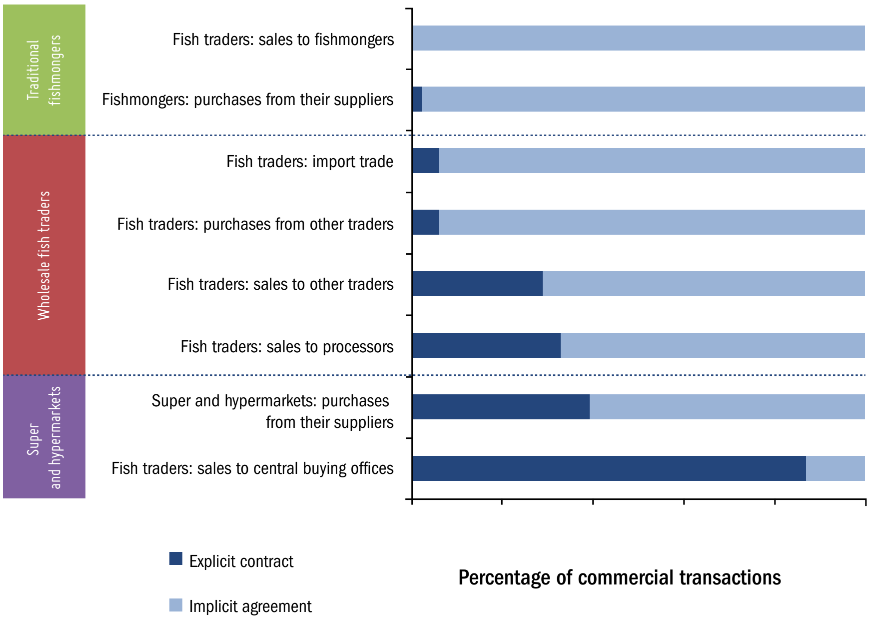
Distribution of sea product supplies and sales at the wholesale level in Brittany (% volumes) *(Vidie et al., 2013b)*

B to B trading may be performed through formal contracting. In Brittany, this solution is little used by traditional operators and neither wholesalers nor fishmongers use formal contracts much with their suppliers and/or customers.

Informal commercial relationships based on trust prevail in the fresh fish sector in Brittany. Operators appreciate the freedom and room for manoeuvre they have in carrying out their work, and are extremely loyal to their commercial partners.

But when super and hypermarkets are involved, explicit contracts are much more frequent. This sector is more organised and structured than the traditional fresh fish sector and commercial transactions are usually regulated by formal contracts. Wholesale traders have to adapt to this type of customer and sign contracts with central buying offices, and even with supermarket fresh fish departments.

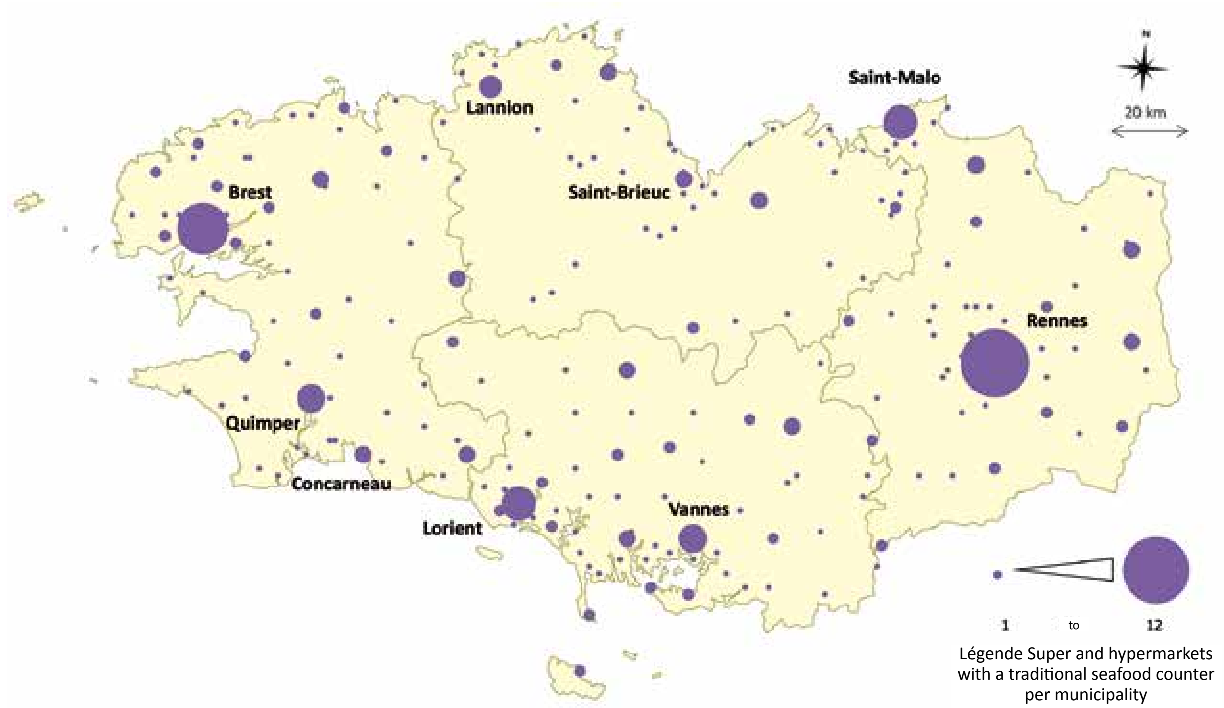
B to B trading: what marketing channels for breton products?



Degrees of commercial transaction formalism in the fresh fish sector in Brittany *(Vidie et al., 2013b)*

Super and hypermarket fish counters in Brittany

Five super and hypermarket groups are present in Brittany: Leclerc, Système U, Intermarché, Cora and Géant Casino. In 2012, Brittany had a total of 480 supermarket and hypermarket stores. Intermarché, Système U and Carrefour are the 3 main players as they account for 75% of all stores and slightly over two thirds of sales area space. 71% of these super and hypermarkets have a traditional seafood counter, i.e. 340 counters, or 10 per 100,000 inhabitants.



Distribution of super and hypermarkets in Brittany *(Mesnildrey et al., 2013)*

How super and hypermarket groups operate

Large retailers' operations are characterised by two main indicators:

The first is the degree of ***centralisation*** in management and supply. Centralised large retailers buy most or all of their goods from a central buying office, resulting in a somewhat standardised supply. Decentralised large retailers also buy from central buying offices, but a significant part of their supplies are bought through more direct channels, from fish markets or from producers, fish traders or other wholesalers.

The degree of ***integration*** refers to the number of listed products at the fish counter. Integrated large retailers have to present a standardised offering in all sales outlets and apply a uniform merchandising policy. The level of initiative left to the department manager is quite low. More independent large retailers have their say in the composition of the counter as long as they generate profits (annual increase in the gross margin and turnover).

LARGE RETAIL GROUPS	Centralised	Decentralised
Integrated	Carrefour, Auchan, Géant Casino	cora
Independent	Les Mousquetaires	E.Leclerc, U Les nouveaux commerçants

Distribution of large retail groups based on their strategy (degree of centralisation and integration)

However, the gap between the way "super and hypermarkets" and "traditional retailers" operate is widening, leading to a two-tier system. Super and hypermarkets are general retailers that have made themselves a place in the traditional fresh fish sector. They, however, have their own way of operating, which is not necessarily well suited to the local fishing and seafood sector. More generally, it is the general functioning of large retailers that is totally out of tune with the traditional organisation that still prevails in the fresh fish sector in France, and notably in Brittany. Super and hypermarkets have requirements in terms of price, volumes and delivery deadlines that traditional players may find difficult to satisfy. Moreover as they buy most of the products landed and processed in Brittany (Région Bretagne, 2012), they therefore have a strong bargaining position that enables them to apply pressure at all stages, from landing to first processing and transport.

At all levels, most sea product operators in Brittany consider that formal contracts only mean more red tape and administrative hassle. Some admit however that they could have a positive impact on their activity or on the sector. Legislation like the Agriculture and Fishery Modernisation Act decree, for example, contributes to making trading by private agreement more visible and legible and helps improve sea product traceability. It also ensures the quality of the goods supplied and generates a medium to long term vision that is not possible to achieve currently. Formal contracts could help regulate prices more efficiently and structure the whole sector, whilst enabling the traditional sector to be more responsive when dealing with large retailers, especially as regards the species that are landed in very large quantities, mainly from offshore fisheries.

Structuring of the sector

One of the recurrent issues about the sea product sector in Brittany or even France is the lack, or total absence, of a proper structure.

France Filière Pêche is a recently established, nation-wide organisation but it is still too early to assess its ability to bring the players together. In Brittany, Normapêche Bretagne has also positioned itself as an inter-professional association, but in practice, this mission is secondary to its role as a promoter of product standardisation in fish markets. The sector has no forum that could be used for exchanges and discussions and operators are not used to getting together to think about and invent new ways of marketing local sea products. The Regional Council of Brittany has launched a specific initiative aimed at encouraging professionals to discuss first sales of sea products, but with no concrete results so far.

As regards formal contracts, it would be appropriate to consider this marketing channel for the whole sector. Formal contracts between operators at first sale level or further down the marketing process could contribute to a concerted, well thought-out structuring of the sector. The so-called "long" contracting system, from first sale to industrial processing and retailing, involves all sector operators and is an efficient way of sharing out the value among all players. It differs from "short" contracting which only concerns the transactions between the producer and the first buyer. Short contracting can help bring together producers and give them more weight in their dealings with other sector operators, but it does not contribute to building and operating the sector as a whole. Long contracting as practiced in many other sectors gives more visibility to all players: it ensures stable income to producers, makes it easier for processors to invest and makes the products more visible to retailers. For a sector, investment in an industrial tool can be key to maintaining a production's added value.

Seafood sector operators have a real desire to generate maximum value throughout the supply chain. Formal contracting is one possible solution among many others and could be used in parallel to first auction sales. In no event must fish markets be bypassed but Brittany has all the winning cards to make it a success.

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