

Fish comes at a price

Case study

Fish is an important source of food. We would like to keep it that way, because fish is healthy and the supply chain of fish in general is less of a burden on the environment than the production of meat. Based on current fishing practices, however – which cause overfishing and bycatch discards – that is not going to happen. Even with fish farming, sustainability is not altogether guaranteed. Rabobank strives for sustainable fishing operations, using techniques that ensure the conservation of vital fish populations and maritime ecosystems.

The world's population and prosperity are growing and fish consumption follows suit. Whereas in 1950, annual fish consumption was just 20 million tonnes, it had risen to 140 million tonnes by 2004. This increase causes significant problems. According to the FAO (Food and Agriculture Organisation) fishing limits have already been reached for more than

half of sea fish species. Of these, more than seventeen per cent are being overfished, while seven per cent is now nearly extinct. The reason is that many of the current fishing and breeding practices are not sustainable.

Fish quotas are not the answer

An international quota system has been established, in which the European ministers of Agriculture and Fisheries have agreed per fish species how much is allowed to be

caught. But not all countries adhere equally strictly to the regulations, thus helping fishermen evade the system. In addition, a discussion is ongoing as to whether the fish quotas have not been set too high. The environmental movement is of the opinion that this is the case for a number of species. As a result, various environmental organisations have taken initiatives. Greenpeace and the World Wildlife Fund (WWF), for instance, have introduced fish cards. These cards give consumers information on the fish species you should and the ones you should rather not buy. A good initiative, but reality is often more complex than the information on this card might lead you to believe.

Sustainable supply of fish

The solution to the problem outlined above is to achieve a sustainable supply of fish. A growing number of supermarkets are assuming their responsibility and want to sell more sustainably caught or cultivated fish. That is not an easy task, either vis-à-vis the fishermen or the consumers, given that many consumers opt for fish they are familiar with such as cod or eel, the very species being threatened with extinction. The switch to sustainable fish species means that in practice, customers will have to get used to other fish species in the range.

Thijs van Banning

Fish, meat and poultry manager at Albert Heijn

"For Albert Heijn CSR is part of doing business. We are alive to the issue of sustainable fishing because it is a major and pressing one. We do our best to enhance the sustainability of our fish purchases. To us, the availability of sustainable fish is the challenge. Investment and a change in outlook by the whole fishery chain will be necessary. It is important that sustainable fishing is put on the agenda when financing this chain."





Not only supermarkets, but the entire chain from fishing and fish breeding to fish auctions, and from the processing industry to the retail trade and the consumer should be serious about tackling sustainability. That means establishing the correct quotas, sustainable catching and breeding methods and providing good consumer information. Only if the entire chain strives for sustainable fish for consumers can the various stakeholders continue to meet the growing demand for fish and benefit from it.

Financing of the fish sector

In the fishing sector there is a direct link between sustainability, customer value and competitive advantage, given that the stock of fish found in nature is finite. Moreover, supermarkets and consumers are becoming increasingly alive to the

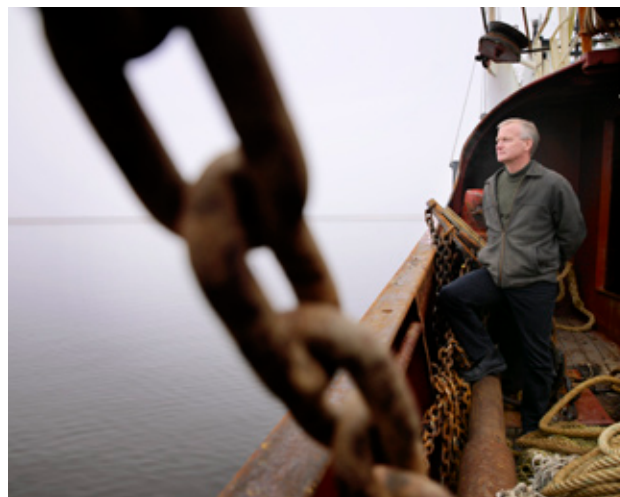
The international system of fishing quotas is inadequate: some countries do not comply with the regulations, and added to this is the question of whether the quotas have not been set too high.

vulnerability of fish species and acknowledge this through their choices. Careful, sustainable fishing operations are accordingly essential for long-term profitability. A fisherman who switches to sustainable catching methods and abides by the quota contributes to the long-term prospects of the sector and the preservation of fish species. In its lending to fishermen, Rabobank checks first and foremost whether they have fishing rights (quota rights). Furthermore, in our credit assessment we apply ten CSR guidelines that define unwanted practices. One of these is the irresponsible depletion of scarce natural resources. The use of unsustainable fishing methods comes within the scope of this guideline.

Dilemmas

In practice, assessing a loan request properly is not without difficulty. The international fishing industry is not entirely transparent and unsustainable practices are still commonplace. In order to acquire a good understanding of this sector and of the complex decisions it has to take,

we use official research, such as that by the European Community, and findings of environmental organisations, in addition to talks with our clients – businesses in the fishing sector. Even then it is difficult to determine what is right and proper, because every lobbying group has its own objective to achieve, and the finer points are accordingly lost sight of at times. In addition, there can be substantial differences in context and therefore in the decisions to be taken.



Klaas Post
Rabobank Noordoostpolder-Urk client
Fiskano B.V.

“For a Dutch fisherman to have a quota was traditionally tantamount to earning a profit and qualifying for a bank loan. In recent years, however, in addition to having a quota, efficiency and energy savings in business operations have steadily become more important. Even fishing techniques have been adapted with this in mind. The outrigger trawlers employing flatfish beam trawls, for instance, use too much energy, already making it hardly worthwhile for some fishermen to put out to sea. With the switch to other fishing techniques or other species and quotas, Rabobank has been reticent in its lending; possibly to weed out the dead wood I think. Of interest is what the bank would do if a good client, through optimum fishing operations, reaches his quota too soon. I would then expect the bank to freeze repayments. As a co-operative bank, that would be the right thing to do.”

In Europe, for instance, the use of antibiotics in fish farming is prohibited. So we do not finance that. But in China it is legal. The point of departure of the Chinese government in this is that without antibiotics, there would simply not be enough food available on the internal market. For the time being, sufficient food in the short-term is more important there than possible long-term health hazards. The question then is whether we should stand by our own European frame of reference or whether we could take account of the local circumstances? Clearly a thorny issue! In China, Rabobank would presently finance such a method of fish farming as long as there do not appear to be any compelling reasons not to do so, since in terms of local laws and priorities the cultivation method is permitted.

Sector policy document

For a number of sectors in which these thorny CSR issues play a part, we draw up separate policy documents to provide further support and direction to our lending operations. For the fishing sector, a policy document was developed in 2007. It contains important sustainability issues and criteria in the fisheries and marine animal life chains. We discussed the document with the Marine Stewardship Council (MSC). We expect the document to be ratified halfway 2008, after which it will be implemented within the bank.



More and more supermarkets are assuming their responsibility and wanting to sell more sustainably caught or cultivated fish. That is no easy objective.

than 2,5 kilometres length) causing considerable environmental damage, excessive fisheries bycatch and discards.

Unwanted practices in fish farming

- Biological, chemical and genetic pollution
- Fish feed originating from unsustainable fishing operations
- Adverse effects on fragile ecosystems (such as mangroves with valuable biodiversity) near hatcheries due, among other things, to pollution of waste water and dehydration and salinisation of agricultural land.

Engagement is key to success

In order to further stimulate sustainable fishing, we also use our engagement approach. Our Food & Agri fishing research experts study developments set to affect the profitability of corporate borrowers, and report on their expectations regarding progress. These studies frequently yield potential improvements in sustainable solutions for our clients in the fishery chain. These insights our account managers can broach in their discussions with fisheries clients. An example of this type of engagement is to scrutinise and discuss the remuneration package of a fishing trawler's crew. By eliminating the bycatch incentive from the pay package, this – unwanted – bycatch can be significantly reduced.