# Solutions for quality seafood products exporting to the EU markets

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***Abstract:*** **Quality and safety standards especially in the seafood sector have been an essential component of food consumption. Similarly, with the increases in income, consumers in developed nations started to be selective on the products they purchase. Health hazards from the seafood can arise from the raw materials used, from handling and through the other stages involved in the processing, transportation, storage and the sale of the food. Most seafood quality problems from developing countries is related to poorly defined inspection and approval procedures, weak technical regulations, and lack of staff for inspection and laboratory testing. Moreover, poor levels of personal hygiene and sanitation, lack of infrastructure for fish marketing and distribution and poorly defined institutional framework are also the causes for poor quality of seafood from these countries. This paper presented the solutions to fulfil the major challenges for seafood exporting concerns meeting quality standards set by EU markets.**

***Key words:*** **seafood products, EU markets, quality standards**

## I. INTRODUCTION

The rapid increase of food quality and safety standards in developed nations can be stated as one of the major challenges of seafood exporters. Thus, the export performance of the company highly depends on its ability to comply with higher food quality and safety standards in these markets. In order to fully meet the EU regulations of quality and safety, the company needs to overcome its current constraints including the shortage of stores, un-standardized processing plants, ineffective refrigerators and maintenance problems.

Food quality has dimensions related both to its production process and the final product. Its determinants can be grouped into four as: hygienic properties, nutritional properties, functional properties and organoleptic properties. Importing firms in general and EU wholesalers in particular have tight rules regarding fish imports from developing nations. The seafood exporter from developing economies have to adapt to the new and more stringent rules concerning safety and quality standards such as the implementation of the Hazard Analysis Critical Control Point (HACCP) system for EUmarkets, which could have a considerable impact on the volume of products exported in the short-medium term. The seafood exporters from developing countries; therefore, may find it difficult to overcome their problems and meet the requirements of their customers in EU markets easily on their own.

## II. LITERATURE REVIEW

A systematic way of examining all the activities a firm performs and how they interact is necessary for analyzing the sources of competitive advantage (Porter 1985). The value chain of a firm is composed of a series of distinct value creating activities including production, marketing, materials management, R&D, human resources, information system, and the firm infrastructure. According to Porter (1985) firms can gain a competitive advantage by performing these strategically important activities more cheaply or better than its competitors.

The concept of value system is more critical and relevant to firms involved in food businesses. The application of HACCP system, which is being mandated in an increasing number of developed countries, establishes process control through the identification of points in the chain of food production where the loss of control could result in unacceptable food quality and safety risk. Most of the points in the principles of the HACCP require a systematic way of examining all the activities in the vertical chain. The system identifies critical control points in the production process, thus food safety hazards can be prevented, eliminated or reduced to an acceptable level before they occur.

The value chain that shows the total value of the product consists the value activities and margin. Value activities are activities that are physically and technologically distinct to the firm. Margin is the difference between the amount buyers are willing to pay and cost of performing the activities (Porter, 1985). The total value of a firm's product is a function of not only the value chains of a focal firm but also that of its suppliers and buyers. According to Porter (1985) suppliers and channel value chains include a margin that is important to isolate in understanding the sources of a firm's cost position, since supplies and channel margin are part of the total cost borne by the buyer.

The major objective of value chain analysis of a firm is to find the most effective and efficient way of adding values, with the aim of generating cross-functional solutions to the many complex problems associated with meeting consumer requirements effectively and at minimal cost. Cross-functionality may occur within organizations (e.g. sales, marketing, logistics and production combining to reduce inventory levels, which maintaining customer service levels) or, between organizations (e.g. third party logistics,

production planning etc.) combining to manage raw material supplies in a way that optimizes short-term storage and the utilization of vehicle and processing capacity (Eastham et al. 2002).

According to Eastham et al. (2002), the common functions in food processing company include production of raw materials; which requires breeding, production, storage, and distribution, the procurement of other inputs and the management of a number of discrete production functions.

While most of the functions necessary for the transformation of raw materials into finished food products are universally accepted, the way in which they are undertaken individually and in combination are not. There is no consensus regarding the most effective and efficient way of combining these functions to secure competitive advantage (Eastham et al.2002). According to Eastham et al., (2002), what is quite clear is that in order for any process to be efficiently complete there needs to be effective communication between and within all organizations involved. In theory, market forces and the dynamics of competition will force the discovery or adoption of 'the one best way' as failure to do so will, other things being equal, result in loss of market share. However, sharing information causes a real threat to independence, particularly when those involved lack mutual trust and have a tendency to behave opportunistically. Therefore, the success of these businesses is determined by their ability to deal with this real challenge.

To summarize, how value chain activities are carried out determines costs and affects profits. A firm that seeks a cost leadership position reduces the amount of resources it consumes and the price it pays for them. Decisions governing each activity in the value chain determine the nature and quality of the output. A firm that seeks to gain an advantage through the differentiation does so by performing its value chain activities, particularly transformation of the input, differently from or better than its competitors. Improving value chain functions is one of the means of achieving competitive advantage. This idea is especially more important and applicable to firms involved in food businesses. For example, the value chain analysis is helpful for quality assurance of fish and its products, which requires an organized way of investigating all the activities in production process of the product.

Firms or organizations are the context in which social relations and economic exchange are embedded (Powell 1999). The social relations and the economic exchanges co-exist as drivers of firm strategy but the rationality assumed in economics, and hence in much of the strategic management literature, needs to be tempered by more focus on the social issues (Granovetter 1993; Uzzi 1999). It may be that the strategic management literature has overly focused on the economic rationale (Grant 1991) and that the industrial marketing literature has focused traditionally on the social issues and what may be needed is an approach combining the two (Ford 1995). Whilst the economic or the social approaches may predominate in the analysis of strategy, and thus in the analysis of inter-firm co-operation and relationships, firm behaviour can exhibit both simultaneously (Powell 1999).

There have been several studies focusing on inter-organizational relations. Some of the most common ones include; resource dependency approach (RDA) (Pfeffer and Solanick 1978) transaction cost approach (TCA) (Coase 1937; Williamson 1991), social network approach (SNA) (Birley 1990; Birley et al. 1991; Gronovetter 1995; Ostgaard and Birley 1996; Uzzi 1999), and the Swedish network approach (SNM) (Axelsson 1995; Beije and Groenewegen 1993; Hakansson 1993; Hakansson and Johansson 1993; Johansson and Mattson 1993).

These theories of inter-organizational cooperation vary based on their view of or rationale for inter-organizational relations. For example, the TCA looks at inter-organizational co-operation from an economic point of view, while RDA views it from the management point of view, SNA from sociological point of view and SNM from marketing point of view.

## III. DISCUSSION OF THE EXPORT REQUIREMENTS OF EU COUNTRIES

The EU inspectors who are representatives of the EU community represent the common interest and embody, to a large degree, the personality of the Union. Its main concern is to defend the interests of Europe's citizens'. Using its inspectors, the EU commission attempts to satisfy the high demand of fish and fishery products of the EU community through avoiding the disparities existing in the other countries in respect of health requirements. It also enables the production and placing on the market of fishery products to be better harmonized and bring about competition on equal terms, whilst ensuring quality products for the customer.

The EU Commission, in its role as guardian of the Treaties of the European Community, is responsible for ensuring that Community legislation on food safety, animal health, plant health and animal welfare is properly implemented and enforced. As a commission service, the Food and Veterinary Office (FVO) plays an important role in fulfilling this task. The EU's Food and Veterinary Office (FVO) located in Dublin, Ireland, oversees national implementation of binding EU level laws on food safety, animal health, animal welfare and plant health. The FVO carries out on-the-spot inspections on food safety controls in the member states as well as in countries exporting to the EU. Thus the FVO's main activity is to carry out inspections in member states and third countries and to verify the implementation and enforcement of EU legislation by competent authorities. The findings of these inspections are written in inspection reports, together with conclusions and recommendations

The FVO's objectives comprise; to promote effective control systems in the food safety and quality, veterinary and plant

health sectors, to prove on compliance with the requirements of EU food safety and quality, veterinary and plant health legislation within the European Union and in third countries exporting to the EU, to contribute to the development of EU policy in the food safety and quality, veterinary and plant health sectors and to inform stakeholders of the outcome of evaluations.

The EU is the largest single market for seafood products in the world. It relies on imports from the rest of the world to meet a large part of its requirements. This means that, the EU is highly dependent on imported seafood products to meet its domestic demand.

In an attempt of establishing equivalence regarding fish and fishery products, the concept of equivalence is included in the regulatory texts of EU community that is the EEC council directive 91/493/EEC. According to this directive, imports of fishery products from third countries should be at least equivalent to those governing the production and placing on the market of community products. In order to ensure the uniform application of this directive or to verify the conditions of production, storage and dispatch of fishing products for export to EU countries, experts from the commission and the EU member states make inspections on the spot. In determining the import conditions of fishery products of the third country, particular emphasis is given to the following parameters: the availability of fishery legislative of the country, the competency of the competent authority, and the assurance that the third country can give on the compliance with the standards in the EU directive.

In addition, imports from the third countries must be accompanied by health certificates, and be from a list of approved establishments or factory vessels in which the licensing of these establishments or factory vessels is carried out and monitored by the recognized authority in the country concerned. An approval of establishments by the competent authorities of the third country is a result of compliance with the requirements equivalent to those laid down in the directive and monitoring by an official inspection service of the third country. For identification purposes, the exporting firms are given registration numbers. Thus, imports from the third countries carry an identification mark with the license number of the establishment so that the source of the seafood products can be easily traced.

The EU directives require the HACCP approach as a basis for food safety. This means that, although HACCP is not the only requirement from a regulatory point of view, fishery products safety equivalence can be determined based on regulations that incorporate the HACCP system as one of their basic characteristics.

From the regulatory point of view, the introduction of HACCP based regulations implies the need for the procedures to determine equivalence both at national and international level. At national level, it is necessary that the competent authority, following the same type of criteria, validates different plants and processes. At the international level there is the need to determine the equivalence between the regulations and procedures followed by different countries to achieve production under HACCP control. Although a general international procedure to establish equivalence regarding fish and fish products safety has not been reached yet, the HACCP-based regulations have introduced some basic criteria and procedures regarding the assessment of equivalence, therefore of achieving and certifying compliance under current trade conditions. Through its seven principles, the plan deals with the whole system from receiving of raw materials to the delivery of the final products, and it requires the documentation of all the processes as evidence that the processing conditions are met. However, the concept of equivalence and therefore determination of compliance is basically linked to the processing conditions. Whatever the formal procedures to document equivalence are, processing conditions are determinant to achieving compliance (FAO 1998). Therefore, it is very important that fish processors realize that there is no possibility of achieving compliance just through a formal procedure without equivalence of the processing conditions at plant level. In addition, currently there is no possibility of achieving generalized compliance in international trade (e.g. for all the plants or products of a country), but to achieve compliance on a plant-by-plant basis, and for specific products or lines (e.g. fillets or lean fish) (FAO 1998).

## IV. CONCLUSION

To conclude, the EU market, which is highly dependent on imported seafood products to meet its domestic demand, is an attractive target market for seafood products from the developing countries. In addition to the high demand and high price of fishery products of these countries, EU markets are also attractive due to direct transportation links with the developing countries. However, exports of seafood products to the EU countries have to meet the EU regulations that lay down conditions for products produced within the union and also for fish imported from third countries. The EU council directive 93/431 EEC on foodstuffs hygiene also urges all food businesses to develop an HACCP system. The HACCP based regulations of importing countries provide working procedures to determine the equivalence of processing conditions and document the compliance.

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