Note of Domestic Processors Issues Group meeting held at the Menzies Dyce Hotel, Aberdeen. Wednesday 24 June 2015

1. Welcome, introductions and apologies
Tom Pickerell welcomed everyone to the meeting.

Attendees

Ian Moir	BDA Plus
John Cox	Scottish Seafood Association
Michael Bates	Scottish Seafood Association
Nathan de Rozarieux	Tegen Mor Fisheries Consultants
Ryan Scatterty	Thistle Seafoods
Steven Inglis	Deveron Shellfish

Seafish
Karen Green
Michaela Archer
Tom Pickerell
Tsvetina Yordanova

Interested but not able to attend this meeting:

Ali Hannaford	Paramount 21
Andrew Lakeman	Ocean Fish
Andrew Noble Jnr	Enterfoods
Daniel Whittle	Kilkeel Seafoods, County Down.
Iain Spear	Coombe Fisheries Ltd
Roy Cunningham	Macduff Shellfish (Scotland) Ltd
Stewart Crichton	Orkney Fishermen's Society
Trevor Bartlett	The Blue Sea Food Company
William Calder	Scrabster Seafoods

Apologies

Graham Young	Seafood Scotland
Hazel Curtis	Seafish
Jess Sparks	Seafood Scotland
Will Clark	Wilsea Ltd

2. Remit of the group and domestic processor issues
Seafish has been running Issues Groups for a number of years, starting with the Common Language Group (CLG) in 2007. This group was initially formed to counter NGO claims about North Sea cod and the negative language being used. The intention was to bring together organisations and individuals in a collaborative environment, with the result that NGOs began working with industry more, and that this has been part of the movement towards cod recovery. Using the CLG as a model additional groups have also been formed which are facilitated by Seafish including the Aquaculture Common Issues Group (ACIG), the Discard Action Group (DAG), the Skates and Rays Group, the Seafood Ethics Common Language Group (SECLG) and the Pelagic Industry Issues Group (PIIG). There is also an Importers Forum, in association with the BFFF, for which Seafish provides the Secretariat.

These groups are regularly reviewed and have proved to be very popular. We also conducted an internal review of all of our groups at the end of last year which noted a gap in our coverage. This coincided with a meeting with John Cox who noted the same. We agreed to explore the need for a group focussing on domestic processing, and subsequently agreed to hold four meetings over a two year period, and then review the level of interest, requirements and benefits.

This first meeting of the Domestic Processing Issues Group provides an opportunity to present some key information including, programmes of relevance in the new Seafish Corporate Plan (2015-18), research conducted by the economics team and the study being undertaken by Nathan de Rozarieux on the impacts of the Landing Obligation (LO) on the UK supply chain. It is also an opportunity for an open discussion on the issues facing processors processing domestic catch, to agree who should be involved in this Group and what the industry wants from this group.

How Seafish works, and the key areas it focusses on, are all encompassed within a three Corporate Plan which has just been agreed for 2015-2018. The Corporate Plan has been signed off by the four devolved administrations. The work programmes were agreed by three industry panels. The Panel Chairs came together to agree on priorities. In addition a Seafish Strategic Investment Fund is being launched on 1 July. This provides a pot of money to add more flexibility to the Corporate Plan structure.

<u>Areas of concern raised by the processors:</u>

- A lack of future focus and strategic planning for the sector, how to expand / grow business. Need economic information looking forward.
- Fishery management; quotas, alignment with POs and marketing plans. Lack of joined up thinking/approach. Inshore management, and its impact on domestic processing, is important what happens at sea does have an implication onshore and Producer Organisation business and marketing plans are not necessarily joined up. We need a proper structure in place in order to grow the industry, as a result the industry is not perceived as dynamic.
- Supply chain; forward information is essential for processors. Needs resolving with catchers. Majority of POs don't have business plans (required under CMO) that are aligned with supply chain.
- Efficiency of supply / supply chain (or lack of it in the UK).
- Continuity of supply / cost in the UK compared with imports. Fishermen need to consider the downstream parts of the supply chain. Vessels need to go beyond the minimum requirements and be the best they can.
- Use of technology, the industry is backwards in using it. How can technology be better utilised to alert buyers to landings in advance?
- Quota ownership was questioned.

<u>Comments and personal opinions from the processors: Seafish related</u>

- The lack of interest is evident in that there are as many Seafish representatives here as there are industry.
- Query value back from Seafish, for the levy paid. This includes Seafood Scotland. Too many organisations trying to do things that have little value.
- There is confusion about Seafish in Scotland and Seafood Scotland.
- There were concerns over the money spent on consultants.
- One of the Key Performance Indicators for Seafish is getting more people eating more seafood more often. The question was - why not promoting British seafood? This was something that Seafish cannot do, but there was a comment this was what the industry wanted.

- There were comments about the levy, a desire to not pay it and questions as to why it was not voluntary. The onus is on Seafish to make it itself valuable. Seafish is aware of concerns and has set up this group to try to address concerns. There was an acknowledgement that domestic processing may have been overlooked in the past.
- A lot of what Seafish does is not properly translated to industry. Seafish need to raise the profile of the industry and not just focus on consumer messaging.
- The feedback from the Corporate Plan roadshows is that the catching sector thinks Seafish is doing a good job. There is a lot of support from the major levy payers.
- Recognise there needs to be a voice against the NGOs, but Seafish is trying to serve the needs of too many diverse interests and many different views. Seafish should be a balanced voice, building the reputation of the industry, balancing the NGO agendas.
- There were comments on a BDA Plus survey which showed for some of the smaller businesses the services offered by Seafish were very useful. For the larger businesses it is not quite so clear what Seafish can do to support them. Whilst people thought Seafish was remote it was also very useful in certain quarters. For most of those who responded to the survey the key issues were a lack of volume of supply and the need for regular continuity of supply.

<u>Industry specific issues: reputational challenges</u>

- The black fish scandal in the catching sector has created a reputation issue for the wider seafood industry. There is a lot in inefficiency in the catching sector which then translates to the processing sector. How can we solve the reputational issues of the Scottish (UK) fleet?

<u>Industry specific issues: New opportunities</u>

- With the Landing Obligation and stock recovery in the North Sea there could be new opportunities. The key is continuity of supply for the retailers. Cod could soon offer continuity of supply. The real problem is a lack of messaging from the catching sector to the onshore sector.
- The hope for domestic processors is that we should handle a lot more domestic catch and use it in the UK.

<u>Industry specific issues: Needs addressing</u>

- <u>Future challenge of foreign workers not being able to work due to changes to immigration policy</u>. Would have significant implications for the sector. The focus on immigration could mean we will lose a lot of foreign workers. If we did not have foreign workers where would the industry be? Seafish needs to make an economic case. Careers in seafood are a great opportunity. Why is the seafood industry not a first choice career – and what can we do about it?
- <u>UK sustainability issues, retailers use of MCS ratings which doesn't align with reality. Need to challenge ratings</u>. Hake was cited as an example of a stock where the MCS rating is creating an issue - not well marketed, there is good supply, it is not threatened but has an MCS 'amber' rating which means retailers will not list. There were discussions around the new Seafish Risk Assessment for Sustainable Seafood (RASS) tool and retailers using their own decision trees. RASS can be more granular – Shetland is a prime example. It can be work at fishery level and could even go to vessel level. The real ask was for Seafish to engage with the Marine Conservation Society, to challenge the ratings. Seafish already does this through an Industry Review Group. Seafish data collection was seen to be very useful.
- <u>Import tariffs e.g. pollack fillet 12.8% but blocks 0%</u>. There were comments about paying 12.8% tax on Alaska Pollock skinless, boneless fillets, but 0% is charged on laminated blocks. This is down to action by German processors who lobbied in

Brussels. An industry body has to be able to lobby – this represents a major problem for industry. Seafish can inform not lobby. And this issue was not appropriate for the DPIG.

3. Data on the UK processing sector. Tsvetina Yordanova, Seafish.
http://www.seafish.org/media/1415691/dpig_june2015_seafoodprocessingdata.pdf
Discussion

- Distinguishing between the fish processing and catching sector figures was achieved through company accounts.
- BDA Plus had completed a similar exercise for Aberdeen Council. There was a difference in the figures between their report and Seafish and the two are working together to make the information as robust as possible.
- Seafish is paid to do the economic survey. This information is available to all stakeholders. Local Authorities, MPs and Brussels in particular use this.
- It is necessary to appreciate how well the processing sector is dealing with the raw material price increase, and how much has been absorbed by the onshore sector.

Actions arising:

- Send link to 2014 UK Seafood Processing Industry report.
- Consider opportunities for bespoke advice.
- Look at producing examples of the stories behind the figures.

4. Corporate Plan and market insight
http://www.seafish.org/media/1415688/dpig_june2015_ukseafoodindustry2014.pdf

- Panels. There was a question over how Seafish is getting more processors onto the panels and the balance of the panels. The domestic and processing panel is dominated by catching sector. Daniel Whittle from Whitby Seafoods is joining. Panel members represent the industry not themselves. There were comments about five people on one panel who could speak on behalf of mackerel.
- Seafood Week. Theme is UK seafood is world class. There was a question as to whether the proposal for Seafood Week been filtered back to the vessels as a lot of vessels could be laid up. Seafish would welcome feedback on how to maximise the campaign.
- Overseas exhibitions. There were questions over whether Seafish should be going to these exhibitions, whether the cost was justified. How about more targeted meetings and dedicated visits? Need to think of others way to develop the UK export seafood market. need to consider other ways to help with exports as current approach is limited (Opportunity for International Trade). There was a question over whether we can demonstrate the value of previous exhibitions/trade shows.
- Export profiles. Raising the profile of UK seafood. Produced for Seafish by UKTI. There was a question over whether the profiles were supported by the panels? How are we getting into these markets?
- Regulation. There was a question over what regulations did Seafish think could be positively influenced. Hygiene and labelling are key areas. Drift net ban – Seafish work showed the impact of a possible ban.

Actions arising

- Send round link to panel members.
- Look for examples of case studies where there has been an impact on regulatory change.
- Demonstrate the value of previous exhibitions/trade shows.
- Ensure details of Seafood Week are circulated to catching sector

5. Landing Obligation what are we going to do with the previously discarded fish that will now be landed.
http://www.seafish.org/media/publications/FactSheet_SeafishActivities_LandingObligation_201503.pdf
Nathan de Rozarieux, Tegen Mor Fisheries Consultants, spoke about the project he is undertaking for Seafish to study the impacts of the Landing Obligation (LO) on the UK supply chain.

- It is not clear what we can do with this fish.
- There is not much detail yet. It is likely year one of the demersal LO won't be too difficult. Whole lot of uncertainly. Could be status quo – could be all sorts of issues. Guidance is at a very top level at the moment.
- All catch now counts against quota and has to be landed. If it is under the Minimum Conservation Reference Size (MCRS) it cannot go for human consumption (could be a smaller percentage than imagined).
- Most discards – over MCRS but below market requirement. They will now be counted against quota. Quota will drive this. How is that quota uplift going to be distributed? There are potential risks – fundamental share of quota species could be a very limited for some species. Relative stability being questioned. There could be a fundamental change in the ways POs manage. Should POs have the power to withdraw licenses? Could this be a change? Also questions over how this is going to be policed.
- There is a strong economic driver. The driver is to survive. The catching sector will adapt. It could be dangerous to do too much prediction.
- The key question is around small fish. What happens if selectivity of gear improves and less small haddock is landed? What happens if selectivity of gear improves and there is more small haddock – could you cope? The market will cope. If the fish arrives processors will sell. Industry will adjust. Real issue is availability of raw material. What is required is time and funding to help organisations adjust to the different scenarios. No help is needed with marketing. But there is a cost implication of processing a lot of small fish.
- What if a fishery chokes and loses market share and doesn't get it back? It won't be the processors that will suffer it will be the vessels.
- This presents potential opportunities for some businesses but smaller businesses may struggle.

6. Way forward
Seafish has committed to four meetings of the group and asked whether the session had been useful, have attendees got anything from it and whether they would be willing to attend another (maybe remotely)? It was acknowledged this is a very diverse sector and that aims will be different. As a result of the meeting there was more of an appreciation of the limitations on what Seafish can and cannot do, and that maybe there is a role for industry to use Seafish information to lobby.
Actions arising

- List of what Seafish can do and what Seafish can't do. Be more prominent in promoting what it does produce.
- Look towards the next meeting. This is likely to be in the SW (possibly Newquay in September). Also looking at trialling a video link to Scotland. Future meetings could be via video.
- Invite Lee Cooper to talk about what onshore training is available.