

Here to give the UK seafood sector
the support it needs to thrive.



UK Seafood Supply Chain Overview:

April-June 2023

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January 2024

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Introduction

This report takes a high-level view of the whole of the seafood supply chain to explore factors impacting UK seafood markets, seafood business operations and consumer behaviour during April to June 2023.

In the UK, we export a large proportion of the seafood we catch and import much of the seafood we eat. Our seafood supply chain is heavily integrated into the global seafood supply chain. Therefore, both local and global changes have consequences for the UK's seafood supply chain.

We have drawn on qualitative and quantitative data available at the time of writing. This includes official statistics and industry insights. Links to data sources and other resources are provided at the end for further information.

Acknowledgements

A special thanks to those who have shared invaluable industry insights with Seafish. Our thanks also go to our industry engagement, economics and insight teams and other colleagues across Seafish who have provided input and feedback on this report.

Industry Impacts Overview

April - June 2023: Inflationary pressures continued to affect wages, business costs and consumer choices. Labour pressures continued across the supply chain.

Cost pressures continued to impact the whole UK seafood supply chain. Inflation in the UK remained stubbornly high, falling from 7.8% in April to 7.3% by June, exacerbated by inflation in the food sector. This led the UK government to apply pressure to supermarkets to get prices down. In May, the government considered capping the price of basic food items. In June, supermarket executives were challenged by MPs on the speed at which they were passing on price decreases to consumers.

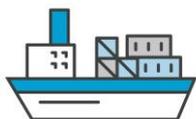
Squeezed both by their buyers in the retail sector, and with high raw material and energy costs, processors came under pressure. This is borne out in the import trade data as import volumes of cheaper white fish, like Alaskan pollack grew, and was further reflected in increased retail sales of products containing these lower value species. Over the same period the value of imports increased driven by price inflation. However, the volume of imports decreased at the same time. A similar story of higher value but lower volume was also occurring in exports.

The increased cost of seafood, while below the average inflationary rate for all food products, contributed to the accelerated decline in seafood consumption in retail. In foodservice, visits and servings were improving over the previous year, but were not yet back to pre-covid (2019) levels. Recovery in foodservice was driven by consumer need for value for money, convenience and a desire to socialise.

Labour was another pressure across the supply chain. The catching sector was affected by the changes in visa rules brought into force with the Nationality and Borders Act 2022. These changes confirmed that migrant crew working on vessels inside 12nm should be employed under a skilled worker visa. This led to some boats having to tie up because they could not source crew that met the visa requirements, border force patrols removing migrant crew from vessels, and owners and skippers becoming sponsors to bring workers in on skilled worker visas. There was some good news from the Migration Advisory Committee (MAC) consultation with deckhands, trawler skippers and share fishermen added to the shortage occupation list (SOL).

Calls for processing jobs to be added to the Seasonal Workers Scheme highlight the pressures faced in the processing sector. The impacts of inflation and the cost-of-living crisis saw employees moving jobs to secure wage increases.

Seafood Supply



Imports

- The volume of seafood imported to the UK experienced one of the steepest declines of the past decade despite price inflation beginning to ease.
- Total import value of seafood remained in growth as all species groups continued to experience price inflation

The value growth of the UK’s imported seafood slowed to +1.3% in the 4 quarters to Q2 2023, reaching £3.54 billion. Price inflation of imported seafood also eased this quarter to +12.0% down from +16.4% the previous quarter, as all imported species groups continued to experience price inflation.

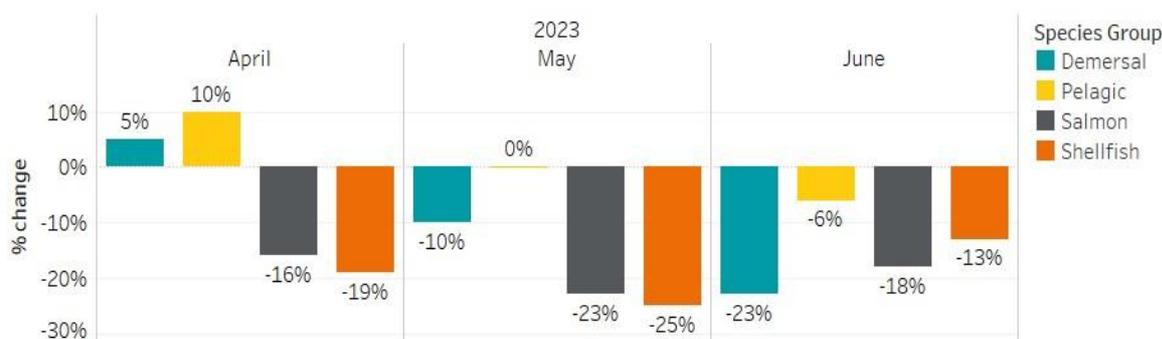


Figure 1. April to June UK import values compared to the same period in the previous year, by month and species group.

The volume of seafood imported to the UK experienced one of the steepest annual declines of the past decade, a decline of -9.6% to 612,072 tonnes in the 4 quarters to Q2 2023. Salmon, cod, shrimp and prawn, tuna and haddock were the top five species imported to the UK, making up 64.8% of the total volume. All five species were imported in lower volumes than a year ago. Imported seafood that experienced volume growth were cheaper alternatives such as Alaskan pollock, mackerel, pangasius, hake, sardines and surimi.

Price inflation started easing for imported salmon, cod, and shrimp and prawn in this quarter, yet remained at some of the highest average annual prices of

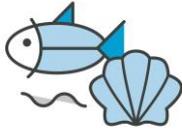
the past decade. Imported pelagic products started to experience growing price inflation, particularly in tuna as fisheries in the Western Pacific, Indian and Atlantic Oceans experienced a slow start to the year with low catches.

Free Trade Agreements and their impact on imports

Following the UK exit from the European Union (EU), the British Government has entered into a series of negotiations with a number of nations to establish free trade agreements (FTA). The terms of each agreement is negotiated, and it's important for importers and exporters to understand the implications for their business.

During this period, the FTA's with Australia and New Zealand entered into force. This marks the UK's first FTA's signed as an independent trading nation since leaving the EU. The FTA reduces tariffs on imported seafood items to 0% or phased to 0%. High value and low volume seafood products such as toothfish, rock lobster, tiger and banana shrimp are some of the premium seafood products due to enter the UK market for seafood consumers.

The Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) trade agreement entered ratification, though had not yet entered into force. Meanwhile, trade negotiations continued with Switzerland, India and Greenland.



Aquaculture

- Increased development of aquaculture farms on land
- Certification uptake increases

Farming sea fish on land gained pace this quarter, with a new salmon farm announced in Grimsby. The proposal looks set to go ahead with an expectation that 5,000 tonnes of salmon will be produced annually. Also announced, was a proposal for a shrimp farm in Lincolnshire with construction to begin in 2024. The UK is also being considered as a site for a land-based recirculating aquaculture system trout farm.

While farming on land was gathering pace, oyster farm development suffered a setback. The Duchy of Cornwall decided to ban the cultivation of Pacific oysters on its land because of their classification as an invasive and non-native species. Instead, encouragement will be given to growing native oyster species.

News from the Aquaculture Stewardship Council (ASC) highlighted an increase in the uptake of certification in the UK. Certification allows businesses to demonstrate that they are undertaking responsible farming practices to buyers. Forty farm sites, covering both finfish and shellfish, are now ASC certified. A further 18 farms are at the initial audit stage and should achieve certification by the end of the year.



Landings

- Successful sustainability measures see the return of spurdog
- Scottish government rolls back plans for Highly Protected Marine Areas (HPMA)

Both volume and prices were up for shellfish this quarter, when compared to the same period in the previous year. The volume of demersal landings was similar to the same period in 2022, however, the overall decline in value was affected by the amount of small fish caught. This was particularly a problem as processors did not want to buy, and did not have the labour, to process small fish.

The largest change in the landings came in May for pelagic species which declined 93% when compared to May 2022 (see figure 2). This was mainly caused by a reduction in blue whiting landings as most of the quota was fished during the previous quarter.



Figure 2. April to June UK landings values compared to the previous year, by month and species group

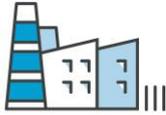
During this period, Norway and the UK agreed on management and quota sharing arrangements for mackerel in 2023, worth 59% of the total northeast Atlantic's total allowable catch (TAC). Though this came as the Marine Conservation Society (MCS) removed mackerel from its list of recommended species, stating a declining population resulting from overfishing of the TAC. Overfishing the TAC occurs because while coastal states agree with the

scientific limit set, they do not have an agreement on how the catch should be allocated to ensure fishing pressure remains within agreed scientific limits.

On 1 April, UK fishing boats were once again able to land spurdog (also known as rock salmon), with a TAC of 7,606 tonnes being made available. This has been hailed as a success for sustainability measures as spurdog had previously been on the prohibited list because of concerns about stock levels. Alongside this decision, the UK government continued to prohibit sandeel fishing. Sandeels are an important part of the diet of seabirds and sea mammals, and the purpose of these restrictions is to deliver wider ecosystem benefits. This decision means that UK fishermen cannot catch or trade the previously agreed quota.

In Scotland, at the end of this period, the Scottish government confirmed the plan to designate 10% of Scottish seas as Highly Protected Marine Areas (HPMA) will not be progressed. This came as the government consultation received a total of 4,502 responses, and with campaign responses removed, 76% of the respondents were in opposition to the proposal.

Production & Distribution



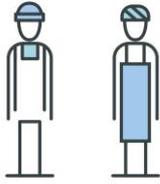
Processing, Transport & Logistics

- Cost pressures, especially from energy, transport and inflation, continue to impact the processing sector, from both the supply and demand sides

In a bid to reduce high food inflation, the government placed pressure on supermarkets to reduce prices. Some processing businesses reported this pressure being passed on from buyers. Businesses were also feeling the squeeze as a result of continuing high energy costs. Energy prices have fallen from their peak, but companies that locked in their pricing before last September were finding themselves unable to access cheaper deals until their current deal finishes. During the Seafish processing census, one site manager advised that their new energy deal saw them paying twice the rate per kWh than they had under their old deal before the energy shock.

Energy wasn't the only cost that was a challenge for business. On the logistics side, increasing transport prices and minimum load weights were causing issues for both inbound supply and customer deliveries, with businesses reporting being unable to transport goods at a reasonable price. However, the prices charged by airlines for carrying cargo was predicted to fall as increased passenger flights over the summer holiday season would create more space becoming available for cargo.

Meanwhile, seafood products destined for Northern Ireland from Great Britain were experiencing longer travel times as businesses reported certifiers of the export health certificate were often located far from the port of transport. This meant extra travel time for goods, with an impact on the freshness of the seafood products. There were concerns that this would be unlikely to improve with the red/green lanes due to be brought in under the Windsor Framework later in the year.



Workforce

- Recruitment remains a challenge across the entire supply chain
- Catching sector required to use skilled worker visas, but jobs added to the shortage occupation list

The catching sector received some relief as trawler skippers, share fishermen and deckhands were added to the shortage occupation list (SOL) before the end of the Migration Advisory Committee (MAC) consultation. The benefit to fishing businesses is a lower salary threshold and a reduced visa application fee. Changes to the Nationality and Borders Act 2022 in April, mean that fishing vessels operating inside 12nm must now employ non-UK crew under a Skilled Worker Visa arrangement. This change saw businesses and vessel owners registering as sponsors. However, the cost of the visa process and the difficulties of finding skilled crew that can also meet the English language requirements have limited uptake of the Skilled Worker Visa. Another issue for skippers and owners, is that their current crew must apply for this new visa from their home country and cannot transfer to it from the UK.

Over the same period, Border Force had a presence in the Clyde and in Northern Ireland, and migrant crew that were not engaged under the correct visa requirements were removed and returned to their home countries. The impact of the visa changes was highlighted in the UK parliament with concerns that companies, reliant on foreign workers, were at risk of going out of business. This in turn would affect supplies of seafood, most notably scampi, a popular choice for pub meals.

Alongside the visa changes, the treatment and rights of foreign crew came to the fore in this quarter with an article in the Financial Times alleging mistreatment of crew in Northern Ireland. In response members of the Seafood Ethics Action Alliance (SEAA) commissioned an independent investigation with a report due out later in the year.

With the impacts of the new visa requirements, cost of living pressures and the stress of tightening regulations, such as the medical fitness certificate for

fishermen, fishermen's welfare charities reported seeing an increase in fisherman accessing mental health help and support.

In the processing sector, workforce issues focused on pay and access to labour. Minimum wage rose on 1 April, by +9.7% to £10.42 per hour for workers aged over 23. But as the cost of living continued to impact workers, they held less loyalty to their employers, and were more willing to move to other employer even for only small increases in pay. Further, the processing sector was having to consider its approach to pay grades and benefits packages as the increased minimum wage narrows the gap with higher pay grades and puts pressure on businesses to re-evaluate pay at all job levels.

In a bid to improve the availability of workers for seafood processing factories, calls were made for the UK Government to add the seafood processing sector to the Seasonal Workers Scheme. This would make it easier for businesses to secure sufficient labour for the busy Christmas and New Year period.

Alongside these challenges work was underway during this period, via a range of initiatives, to attract new entrants to seafood sector. This included, the Developing Young Workforce team which promoted opportunities in the aquaculture sector and helped employers to connect with young people in schools and colleges across Scotland. Meanwhile in Northern Ireland, a collaborative partnership between Hospitality Ulster, Tourism Northern Ireland and the Hospitality and Tourism Skills network (HATS), was launched to boost training and development opportunities for hospitality and tourism staff. Positive news came from the UK marketing scheme, Hospitality Rising, an initiative to attract younger people into hospitality roles. The scheme attracted over 100,000 job applications, less than six months after the official campaign 'Rise Fast, Work Young' was launched.

Domestic Markets



Retail

- Seafood inflation is well below the average food inflation rate, yet UK retail seafood consumption is in accelerated decline
- Consumers are shopping around and looking at cheaper alternatives including 'dine in' options, trading down or even out of seafood for cheaper proteins

In June 2023, sustained pressure on personal finances pushed UK retail seafood consumption into accelerated decline compared to the previous year. In the 52 weeks to June 2023, seafood sales were worth £4.1bn (+1.3%), with a volume of 375,324 tonnes (-6.4%) and an average price of £11.01/kg (+8.2%). All seafood sectors were in price driven growth as inflation boosted value despite volumes continuing to fall sharply. Inflation continued to increase the price of an already expensive product, though at 8.2%, seafood still remains well below the 17% average for food.

The UK government put pressure on the retail sector to bring food inflation down. In May 2023 the government considered plans to cap prices on basic food items in supermarkets. Supermarkets responded by voluntarily reducing prices on staples like bread, milk, and cheese. As yet there are no plans to extend this to meat and fish.

All three seafood sectors were in price driven growth (see figure 3), with chilled continuing to show the highest volume decline (-8.6%) and the highest inflation (+10%). This may be due to having the highest average sector price in a highly price sensitive market. Ambient showed the least decline (-3.8%) also having the lowest average price. This trend is likely to continue until financial pressure and uncertainty ease.

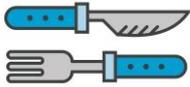


Figure 3. Weekly seafood volume sales in retail in April to June 2023 compared to the previous year.

In June 2023, most segments were also in price driven growth. The cheapest segment, fishfingers, was the only segment to show significant volume growth of +10%, driven by consumers turning to cheaper seafood options to save money. Sushi, although an expensive consumer choice, appealed to shoppers’ desire for a healthy treat as consumers chose to ‘dine in’ as a cheaper alternative to foodservice.

Pressure on personal finances continued to impact species sales during this period, with only the cheapest species in volume growth. Out of the top ten species, only Alaskan pollack showed modest volume growth (+1.7%) with sardines and crabstick the least popular species. Interestingly, ‘Mixed seafood’ entered the top five for the first time, displacing haddock. Despite not being a cheap seafood option, it remains popular with shoppers for convenience and minimal waste, breaking two key seafood shopper barriers.

In this quarter shopper priority continues to be firmly set on saving money. Shoppers expanded the number of stores they used to keep grocery bills low and there was renewed interest in own label products, promotions, loyalty schemes and everyday low prices (EDLP). The discounters, Aldi and Lidl, continued to perform strongly as their message of Britishness, quality and price resonated with shoppers.

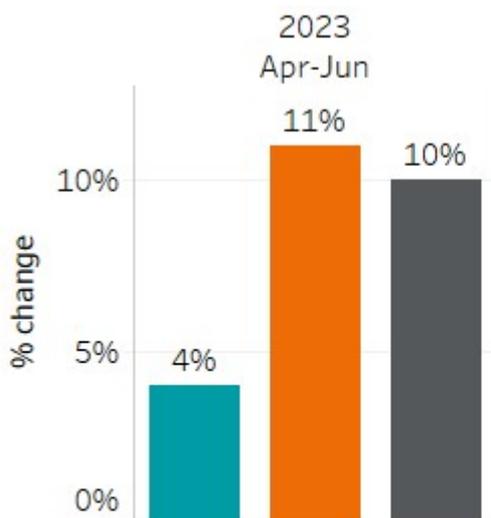


Foodservice

- The foodservice sector continued to recover with a 9.8% increase in visits on the same period in 2022.
- Seafood was up 6.7% for servings Out of Home (OOH)

This period marked a notable improvement in performance on the previous quarter, where visits OOH increased by +3.4%. This was despite the ongoing economic challenges and pressures on household spend, with visits up +9.8% when compared to the same period last year. This reflects market resilience and consumers eagerness for OOH consumption, driven by a need to socialise and convenience.

Seafood servings were up +6.7%, but lagged behind the total food and drink market where servings rose by +9.5% when compared to the same period in 2022. However, servings and visits still remain below pre-covid (2019) levels.



Foodservice Sales Channel

- Fish and Chip Shops
- Quick Service Restaurants (excluding Fish and Chip Shops)
- Total Foodservice (Total Food and Drink Out of Home)

Figure 4. Foodservice visits during April to June 2023 compared to the previous year

The growth in visits to OOH was strongest in Retail, which benefitted from consumers return to commuting to offices and traveling for leisure. Supermarket meal deals also benefitted from trading down behaviours from other channels such as full-service restaurants (FSR), workplace and education sites, and Fish and Chip Shops. Quick Service Restaurants (QSR) saw traffic growth of +11% due to convenience and value-led eating out. Almost one third of seafood servings are from QSR and it remains the channel with the largest servings share of seafood OOH. Modest growth was seen in the 12 months to June 2023 with visits up +0.9% and servings up +0.2%. FSR also saw strong growth, with traffic up +4%. Further showing that despite the economic challenges, the opportunity for socialising continues to be important to consumers despite the pressures on spending.

Following a period of stagnation, visits to foodservice for dinner returned to growth (+4%), although visits for lunch led the way (+13%) benefitting from the growth in on-premises dining. This also impacted 'In-car' visits which saw a decline of -7% as consumers switched from drive thru back to 'In-store' visits. After several quarters of decline, 'at-home' traffic returned to growth of 3%, driven by demand increasing again for home delivery.

In the 12 months to June 2003, Fish and Chip Shops had declining visits (-6.9%) and servings (-8.4%). The decline in visits to fish and chip shops was likely linked to fish and chips seeing the largest price rise for a takeaway, a knock-on effect from high raw material prices. Potato prices were expected to remain high into 2024 as growers cut back on supply. However, haddock prices reduced sooner than expected, with hopes that cod prices could soon follow.

International Markets



Exports

- Seafood export value grew driven by price inflation, with the most notable growth in trout
- Overall, a lower volume of seafood was exported from the UK compared to the year before.

Driven by price inflation, total seafood export value continued to grow in this period yet remains below pre-covid (2019) levels. Exports of all species groups experienced inflated prices over this period, apart from pelagic species. Overall, a lower volume of seafood was exported from the UK compared to the year before.

In the 4 quarters to June 2023, total seafood export volume decline had slowed to -5.7%, totalling 329,715 tonnes. With an average price increase of +6.9%, total seafood exports were worth £1.73 billion. This was an increase of +0.8% compared to the year before.

The value of seafood exports declined for most species groups this period (see figure 5). However, trout remained in value growth (+28.3%), albeit slowing growth. Demand from the USA drove value growth in this group, along with additional growth in exports to Poland, Singapore and Iceland.

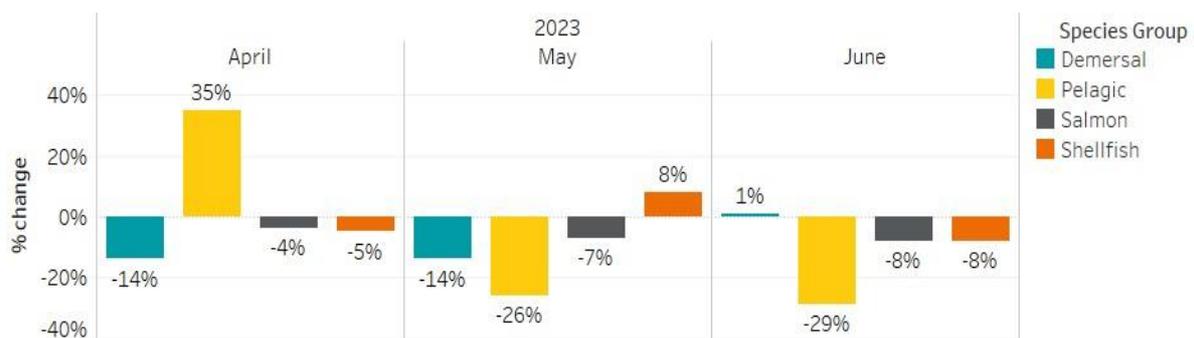


Figure 5. April to June UK export values compared to the previous year, by month and species group.

The value of herring exports increased significantly over this period (+42.3%), showing signs of recovery but remaining below pre-covid (2019) levels. Shellfish export value was only slightly in decline (-0.1%), driven by declining shrimp and prawn, clam, scallop and crab exports. This trend was bucked by value growth in exports of cuttlefish, spiny lobster, mussels, whelk and Nephrops compared to the year before.

Trading with the EU continued to present issues three and a half years after the UK's departure from the EU. The Institute of Export and International Trade reported the delay in import controls was creating an unequal playing field, putting the UK at a significant competitive disadvantage. Meanwhile the digitisation of Export Health Certificates remained on hold, but remained a key priority for the UK government following a successful pilot period.

References and Data Sources

Retail

Data Source: Nielsen Scantrack UK.

Reference:

Seafood in retail factsheets:

<https://www.seafish.org/insight-and-research/retail-data-and-insight/>

Foodservice

Data Source: The NPD Group. Foodservice data are only available at the level of Great Britain, rather than United Kingdom.

Reference:

Seafood in foodservice factsheets:

<https://www.seafish.org/insight-and-research/foodservice-data-and-insight/>

Trade (Imports and Exports)

Data Source: HMRC monthly data via Business Trade Statistics (BTS), processed by Seafish.

Species groups are defined as follows:

- Pelagic includes: Anchovy, Blue Whiting, Herring, Horse mackerel, Mackerel, Misc. pelagic, Sardine, Sprat, Swordfish, Tuna
- Demersal includes: Alaska pollack, Cod, Coley, Dogfish, Grenadier, Haddock, Hake, Halibut, Ling, Megrim, Monkfish, Other flatfish, Other groundfish, Plaice, Pollack, Ray, Redfish, Seabass, Seabream, Shark, Sole, Toothfish, Turbot, Whiting
- Shellfish includes: Clam, Cold Water Shrimps & Prawns, Crabs, Crayfish, Cuttlefish, Lobster, Mussels, Nephrops, Octopus, Other cephalopods, Other crustaceans, Other molluscs and aquatic invertebrates, Oyster, Prepared and preserved shrimps & prawns, Rock lobster and sea crawfish, Scallops, Sea cucumber, Squid, Warm Water Shrimps & Prawns
- All Others includes: Carp, Catfish, Caviar, livers and roes, Cobia, Eels, Nile Perch, Other freshwater fish, Other marine fish, Other products, Other salmonids, Pink cusk-eel, Ray's Bream, Salmon, Surimi, Tilapia, Trout
- Overall excludes: Non-food

Reference:

Seafish Trade and Tariff Tool:

<https://public.tableau.com/profile/seafish#!/vizhome/SeafishTradeandTariffTool/Overview>

Landings

Data Source: Marine Management Organisation.

Reference:

MMO monthly landings statistics:

<https://www.gov.uk/government/collections/monthly-uk-sea-fisheries-statistics>

Real-time industry data

Data source: Seafish horizon intelligence. Real time intelligence on notable changes affecting the seafood industry sourced from the general media (media, newspaper articles and social media) and from industry and other stakeholder debates and conversations. www.seafish.org/insight-and-research/current-and-future-trends/ .

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Here to give the UK seafood sector
the support it needs to thrive.

The Seafish logo features the word "seafish" in a white, lowercase, sans-serif font. Above the letter "i" is a stylized graphic of a fish's tail, composed of several white diamond shapes arranged in a fan-like pattern.

seafish