Seafood Industry Factsheet

Seafood

Consumption

Market overview:

In the UK, shoppers and consumers have a unique relationship with seafood. Unlike most other European countries, seafood can be a daunting choice. Since 2007 seafood consumption has been falling; approaching the second lowest level since records began.

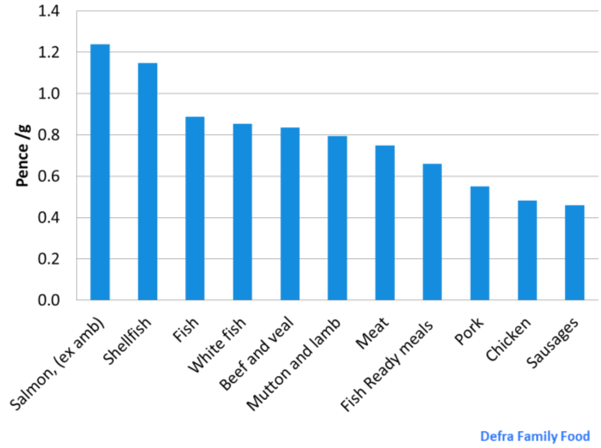
Sept 2015

‘In Home’ Consumption

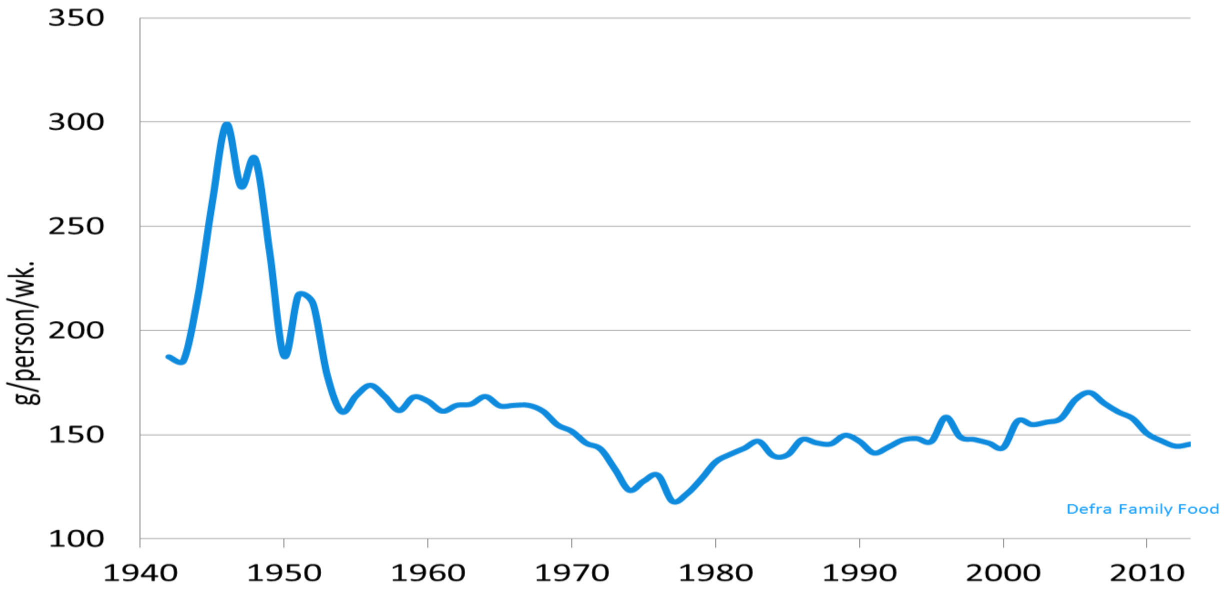
During the Second World War, seafood was one of the few proteins that was not rationed in Britain and consumption was at an all-time high. As meat became more readily available, seafood consumption had plummeted to around half its previous level by the mid-1950s. Consumption remained stable for the next 20 years or so at around 160 g per person/per week. But, when recession hit in the mid-1970s, seafood consumption plummeted again by about a third, to its lowest recorded level. Consumption began to rise throughout the 1980s as Britain became more prosperous; helped by a growing awareness of the health benefits of seafood, and technological breakthroughs in aquaculture bringing previously expensive species like salmon and warm water prawns to the masses. Seafood consumption continued to grow until Britain fell into recession again in 2007. The emerging historical pattern is one of falling consumption in times of recession.

This is because seafood is an expensive protein choice; since the 1980s, the average price of seafood has exceeded that of most meat types. And the gap continues to widen; food is currently experiencing deflation, but, meat prices continue to fall faster than that of fish. When times are hard, shoppers trade down within the seafood category, and indeed trade out of seafood altogether into cheaper protein sources.

Average Protein Price Comparison 2013



Long Term GB ‘In Home’ Seafood Consumption Trends



In the 1950s we ate a much wider range of locally caught seafood species than we do today, but favorites like cod and haddock are still in demand. However, there has been a significant change in supply. Now, the majority of seafood we eat is imported. For example in 2014, around 90% of the UK cod supply came from imports. UK vessels continue to land Atlantic cod into the UK, but over the past 50 years landings have fallen steeply by 97%.

When it comes to seafood, as a nation we export what we catch and eat the species we import.

The consumption of traditional whitefish species has been in steady decline since the 1980's. The 1990's saw an explosion in seafood ready meal consumption. This met the growing demand for convenience, whilst at the same time addressing key seafood barriers and the shopper's dislike of choosing, handling and preparing seafood. The consumption of salmon, shellfish and pelagic species increased steadily until the recession in 2007, when shellfish and pelagic consumption began to fall and salmon continued its long term growth. In 2013, the GB seafood consumption 'in home' was estimated at 146g/person/wk.

The Full Picture

From 2002 the Defra Family Food surveys began to include food eaten out of home (pubs, restaurants and cafes etc. – but not takeaways these are assumed to be eaten in home). In 2013, the GB seafood consumption 'out of home' was estimated at 31g/person/wk. Consumption of seafood out of home has stayed relatively constant from 2002 to 2013 at an average 30 g per person per week.

Total seafood consumption reached a peak at 199g/per person/wk. in 2006, just before recession hit. It is clear that the decline in overall consumption occurred as a result of less seafood 'eaten in home'. In 2013, the total GB seafood consumption (both in and out of home) was estimated at 177g/person/wk.

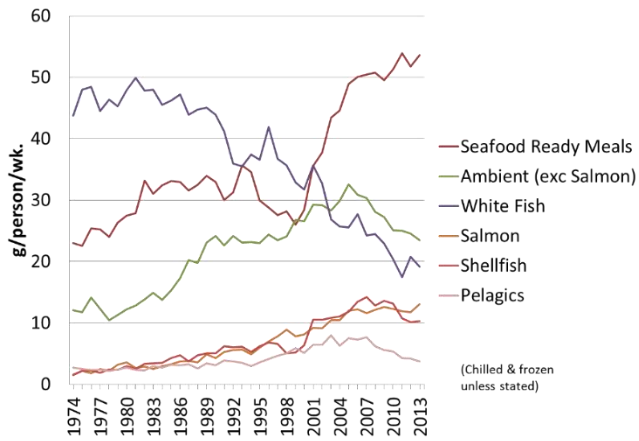
The Effect of Austerity on Retail

From 2007, Seafish have Nielsen Electronic Point of Sale (EPOS) data available, which can provide a very detailed picture of the effect of austerity on the seafood category. In 2014, GB retail seafood sales (excluding discounters) were worth £3.14bn for a total volume of 336,000 tonnes. This relates to an estimated import value of seafood worth £1.27bn (avg import price seafood £3.80/kg – 2014 HMRC)

Austerity has changed the face of grocery shopping in Britain. There has been a move away from the traditional large supermarket shop in a single supermarket. The past few years has seen a significant rise in the discounters and convenience channels, with the focus on 'top up shop' and 'meal for tonight' and 'food on the go' shopper missions. On the hunt for deals to reduce spend, 85% of shoppers now use four or more different retailers; and are shopping much more frequently but with smaller basket sizes, on average 26 times per month (IGD). Households have also changed over the past 20 years with a rise in one and two person households and larger households of 6+ people. In retail, the percentage of shoppers that buy seafood is high (penetration) at 97%. In 2014 the typical shopper bought seafood 28 times per year, spending a total of £110 per year with a total weight of 14.5kg. The average seafood basket weight is 0.5kg, worth £4.00. Currently the main seafood shopper demographic is aged 45-64 years and affluent (AB and C1), older couples or in a mature/ post family two member household without children.

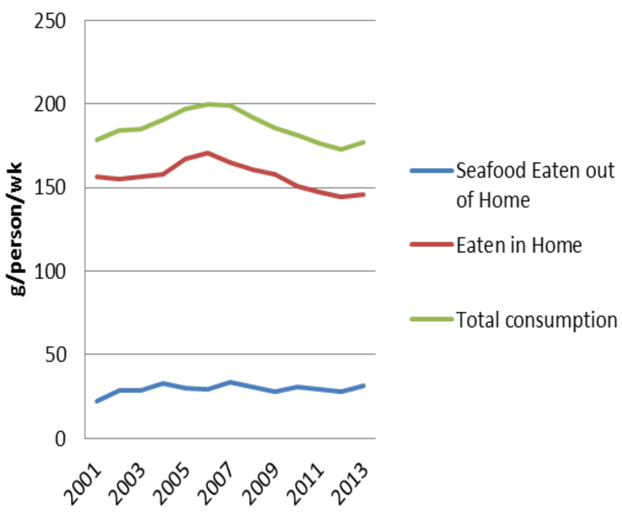
Until the turn of the millennium, chilled and frozen seafood contributed evenly to the total retail seafood market by value, but after this point, chilled value accelerated to be worth nearly 3 times that of frozen in 2014.

Medium Term GB 'In Home' Seafood



Defra Family Food

Breakdown of Total GB Seafood Consumption



Defra Family Food

By the mid-1990s the consumption of frozen fish had grown to match that of chilled but frozen has since declined.

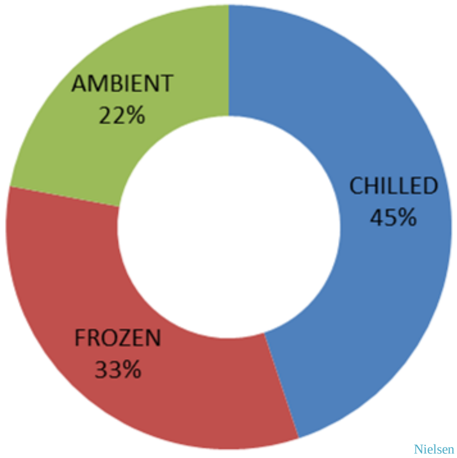
In 2014 chilled seafood was the most popular (by volume), followed by frozen and ambient. By segment, natural and prepared seafood products (which include seafood meals), took nearly half of the GB seafood sales by volume in 2014.

Chilled natural in particular is seen by shoppers as a high quality and healthy choice, whilst prepared seafood addresses many of the seafood barriers to consumption. Since 2009 all chilled segments have seen an increase in consumption except for chilled natural which seen a slight decline. The only frozen segments to see growth during this period were breaded and cakes.

From 2007 to 2014 the average retail price of seafood increased by over 37%, and the total volume fell from 389,000 to 336,000 tonnes, down 13.5 %. During this period only the chilled seafood segment was in true growth, with volume up 7.9%, despite an average price of increase of 19.5%. The frozen and ambient seafood sectors exhibited price driven growth. Frozen seafood volume fell by 18.3% with an average price increase of 24.1%. Ambient seafood volumes fell by 36.5%, with an average price increase of 86.2%.

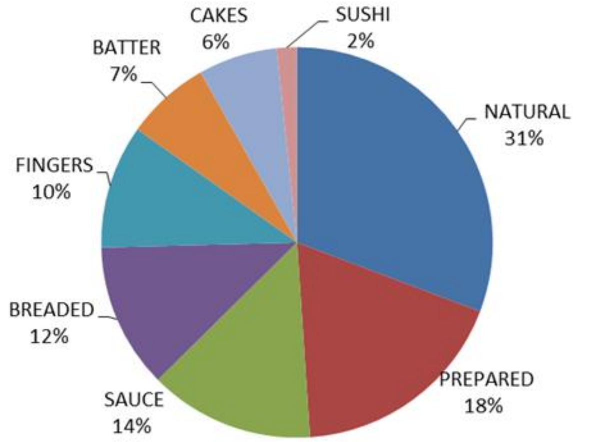
Tuna is currently ranked number one in retail by volume, but experienced significant decline over the same period; hit hard by both rising energy and raw material costs driving inflation, coupled with sustainability issues hitting the news. Salmon, cod, prawns and pollack increased retail volumes with salmon likely to displace tuna as the top seller, by the end of 2015.

Sector share of Seafood in GB Retail by value and Volume 2014



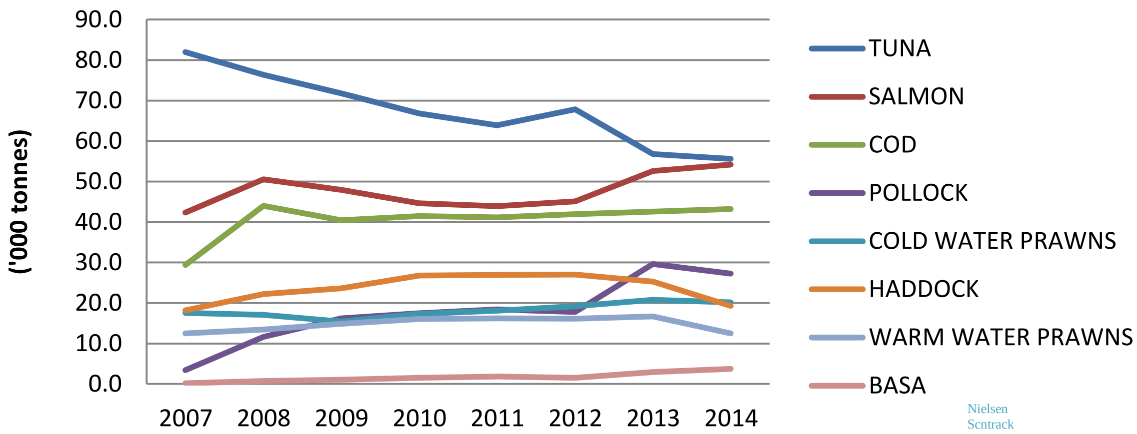
Nielsen Scntrack (Excludes Discounters)

Segment Volume share of Seafood in GB Retail 2014



Nielsen Scntrack (Excludes Discounters)

Post Austerity GB Retail Species Consumption



Nielsen Scntrack (Excludes Discounters)

The Effect of Austerity on Foodservice

From 2008, Seafish have NPD Crest (panel) data available, which can provide a detailed picture of the effect of austerity on seafood in foodservice. In 2014, total GB foodservice was estimated to be worth £50.8bn with 26.3bn servings. This included 954m out of home servings which included seafood, worth over £3bn. The estimated volume of seafood consumed in GB foodservice in 2014 was 152,640 tonnes; this equates to an estimated import value of seafood worth £580m[1]

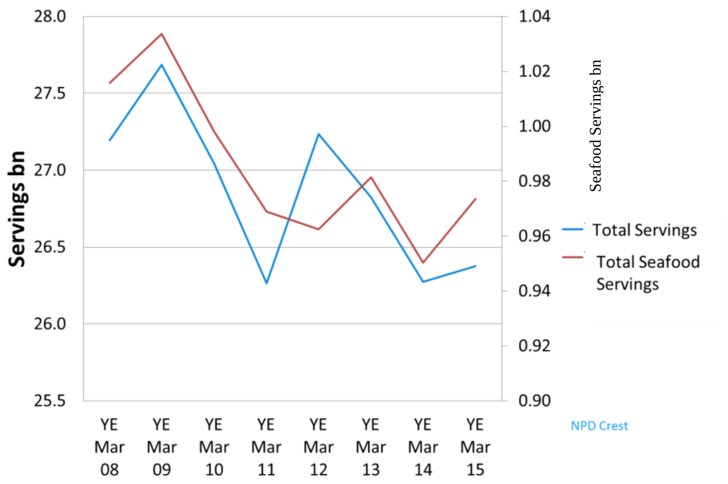
Like retail, GB foodservice has been hit hard by austerity. Static wages and spiraling food and utility bills, resulted in consumers eating out less often, preferring to 'dine in' to save money. Many remaining customers traded down within foodservice to cheaper channels; for example, trading out of expensive full-service restaurants to cheaper quick service restaurants like chains. Seafood tends to be an expensive protein choice in foodservice, so consumers trade down to cheaper seafood options like fish cakes and indeed trade out of seafood altogether into cheaper options, such as burgers in fish and chips shops.

The past 8 years has seen an explosion in half service or casual dining restaurants (such as Nando's or Pho), which have the upmarket ambience and dining experience, but costs are kept relatively low. Current trends are for Asian, Far Eastern, American and South American flavours and portable food formats such as burgers and wraps. This is an opportunity for seafood as it naturally fits the format. Other opportunities include new products for children and adult focused gourmet products for half and full service.

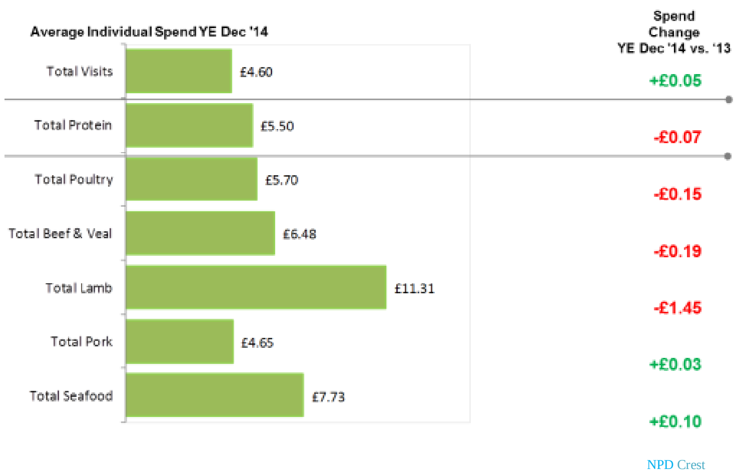
From March 2008 to 2015, total foodservice servings fell by 3.0%. Servings which included a seafood purchase fell by 4.1%, and followed almost exactly the same pattern as in retail. Full service, pub channel and the workplace channel have seen seafood servings decline since 2008; whilst seafood servings have seen modest increases in quick service (QSR), fish & chip and travel & leisure channels. In March 2015, total foodservice servings stood at 26.3bn, compared to servings which included seafood at 973m.

[1]*By using an estimated average seafood portion size of 160 g[2]. it is possible to approximate the amount of seafood consumed in foodservice. (954m servings multiplied by 160 g). The estimated import value of the seafood being (152,640t multiplied by the average import price of seafood £3.80/kg)*
[2] *Nominal 160g based on average retail unit weight of 282g divided by 1.7 (mean of average house hold members)*

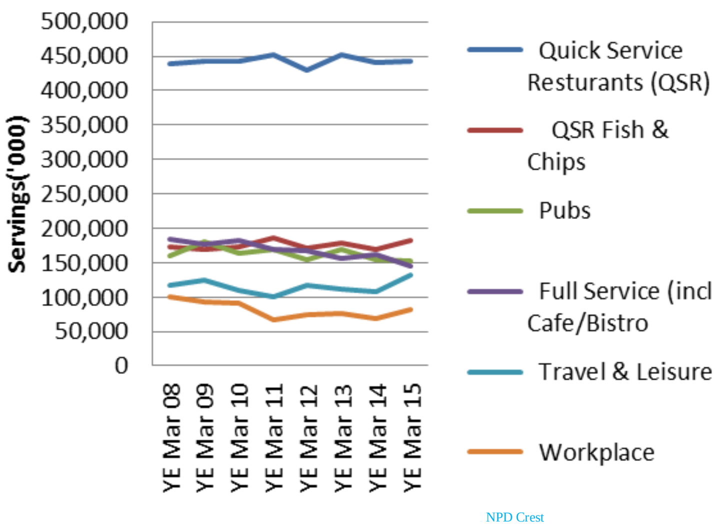
Total Foodservice and Seafood serving Trends



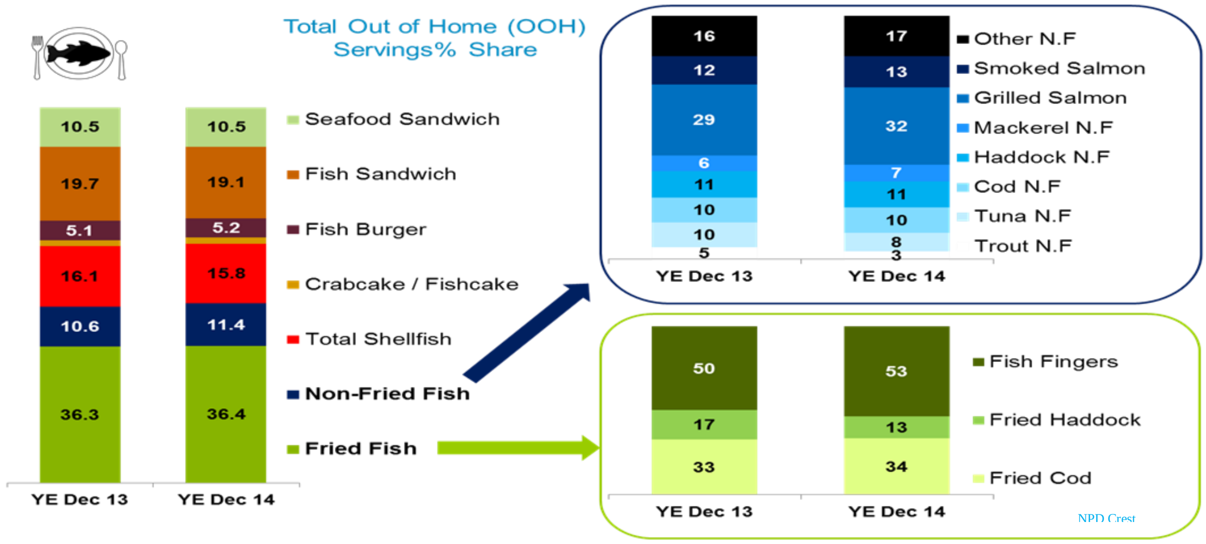
Average Serving Spend by Protein



Seafood Servings Trends by Channel



Fried fish dominates GB foodservice. In 2014, cod was the most popular species eaten out of home with 126m servings, followed by haddock, prawns and salmon.



Future of UK Seafood Consumption.

The UK economy performed exceptionally well in 2014, this looks set to continue throughout 2015. However, with recent events in Greece and the economic slowdown in China, the projected UK GDP of around 2.5% forecast by the end of 2015 is likely to be optimistic. The consumer prices index (CPI), which is a measure of inflation, recently hit its lowest level since 1996, driven by falling food and utility prices. Food prices have been in deflation for a while, but are expected to increase to around 2.5% by the end of 2016. Importantly, average pay recently overtook inflation for the first time in five years, which means shoppers have more disposable income for discretionary spend.

At the beginning of 2015 shopper confidence hit an all-time high, with a record number of shoppers thinking they will be better off in 2015. In reality, shoppers are bored with austerity and saving money. In a recent IGD shopper survey, 80% said they would be spending more money to treat themselves and their family in 2015. However, only 13% reckoned that any additional money would be spent in grocery, it is anticipated that it will be foodservice that will benefit. But in real terms, families are still worse off now than before the recession; purchasing power is low, and it will take time to recover from seven years of austerity. After price, quality is currently the number one concern for shoppers. This is seen in the continued growth of the chilled sector, despite significant price increases as shoppers hunt for perceived quality. Maximising seafood quality throughout the category is particularly important as seafood is a highly perishable product. Value for money is key, shoppers want to be delighted and are prepared to pay for a high quality product, but disappointment will see shoppers trading out of the category altogether.

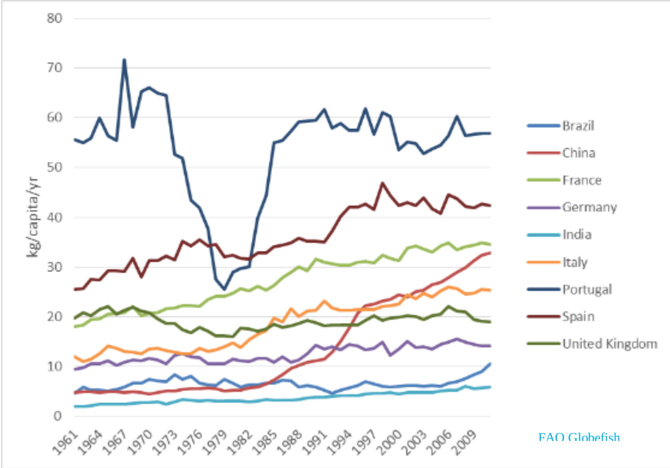
So where does that leave UK seafood consumption? If the economy and wages continue to grow, along with the shopper's interest in health and provenance; and assuming the demand from emerging economies such as China, Asia and South America along with energy and production costs don't drive up the cost of seafood imports, we should see seafood consumption slowly start to increase over the next 18 months. However, seafood consumption could grow at a much faster rate if we see more inspirational on trend seafood products which address seafood barriers, whilst meeting the key shopper missions and offering great value for money. This should be combined with reinforcement around the health benefits of seafood and educating the shopper to dispel the common myths around chilled and frozen seafood.

Establishing a Seafood Consumption Benchmark

A sound benchmark is required to compare seafood consumption year on year. The table below uses the latest available data (2013 dictated by the Defra Family Food dataset) to determine whether Nielsen retail and NPD crest foodservice data summated, are comparable to the Defra Family Food data dataset. It can be concluded that both data sources offer a similar figure for seafood consumption at 8.6 and 9.2kg/person/yr., respectively. By scaling up GB consumption (boosting consumption by 3% to reflect the population of NI) an approximation of UK seafood consumption can be made of 8.6 and 9.5kg/person/yr.

The Food and Agriculture Organization (FAO) use a complex trade based estimate for calculating consumption. For 2011 they estimated a UK seafood consumption figure of 19kg/capita/yr. live weight. Applying a fish and shellfish weighted conversion yield of 0.43 results in an FAO equivalent consumption of 8.2 kg/person/yr. of edible seafood. The rapidly growing seafood consumption of China in particular, represents a significant opportunity for UK seafood export.

FAO Seafood Consumption



Consumption data source comparison 2013

	GB Seafood Consumption kg/person/yr			GB Seafood Consumption ('000) tonnes		
	In Home	Out of home	Total	In Home	Out of home	Total
Defra Family Food	7.6	1.6	**9.2**	473	100	573
Nielsen Retail (EPOS) +8% Adjusted to included discounters	6.1	-	**8.6**	379	-	534
NPD Crest Foodservice	-	2.5		-	155	

Total 2014 GB Seafood Consumption Estimates

	Foodservice Consumption (tonnes)*	Retail Consumption (tonnes)+	Estimated Total Consumption (tonnes)
Total Fish/Seafood	152,623	335,995	488,619
Cod	20,115	43,432	63,547
Salmon	7,668	54,163	61,832
Tuna	1,270	55,628	56,898
Fish Fingers	29,466	26,405	55,871
Prawn	7,212	32,735	39,947
Haddock	9,051	19,253	28,304
Crabcake / Fishcake	2,478	16,031	18,509
Salmon (Smoked)	2,181	10,571	12,752
Scampi	5,215	4,351	9,566
Mussels	2,914	3,500	6,414
Trout	634	3,194	3,829
Calamari	2,784	592	3,376

*Values Lower than 2400 are on the borderline of statistical robustness (NPD Crest)
+Excludes discounters (Nielsen)

Data Sources –

(%) values represent change from the previous year unless otherwise stated

- Retail Data: A.C Nielsen Scantrack GB and Homescan, (Scantrack - excludes discounters)
- Foodservice: NPD Crest
- Trade Data: HMRC
- Landings: Marine Management Organization (MMO)
- Families and Households, 2014, Office of National Statistics
- Kantar World Panel

More Information:

- Seafish 2014/15 Category Insight Reports
- Seafish 2014/15 Retail Summary Reports
- Seafish 2014/15 Foodservice Reports
- Seafish 2014 Trade Summary Report
- Seafish 2015 Cod Information Sheet

Information and insight is available free of charge for levy paying seafood businesses. Click here to register for the monthly market e-alert, and report access

Richard Watson Seafish
Europarc, Grimsby, DN37 9TZ

t: 01472 252300
info@seafish.co.uk
w: www.seafish.org

Our Mission: supporting a profitable, sustainable and socially responsible future for the seafood industry