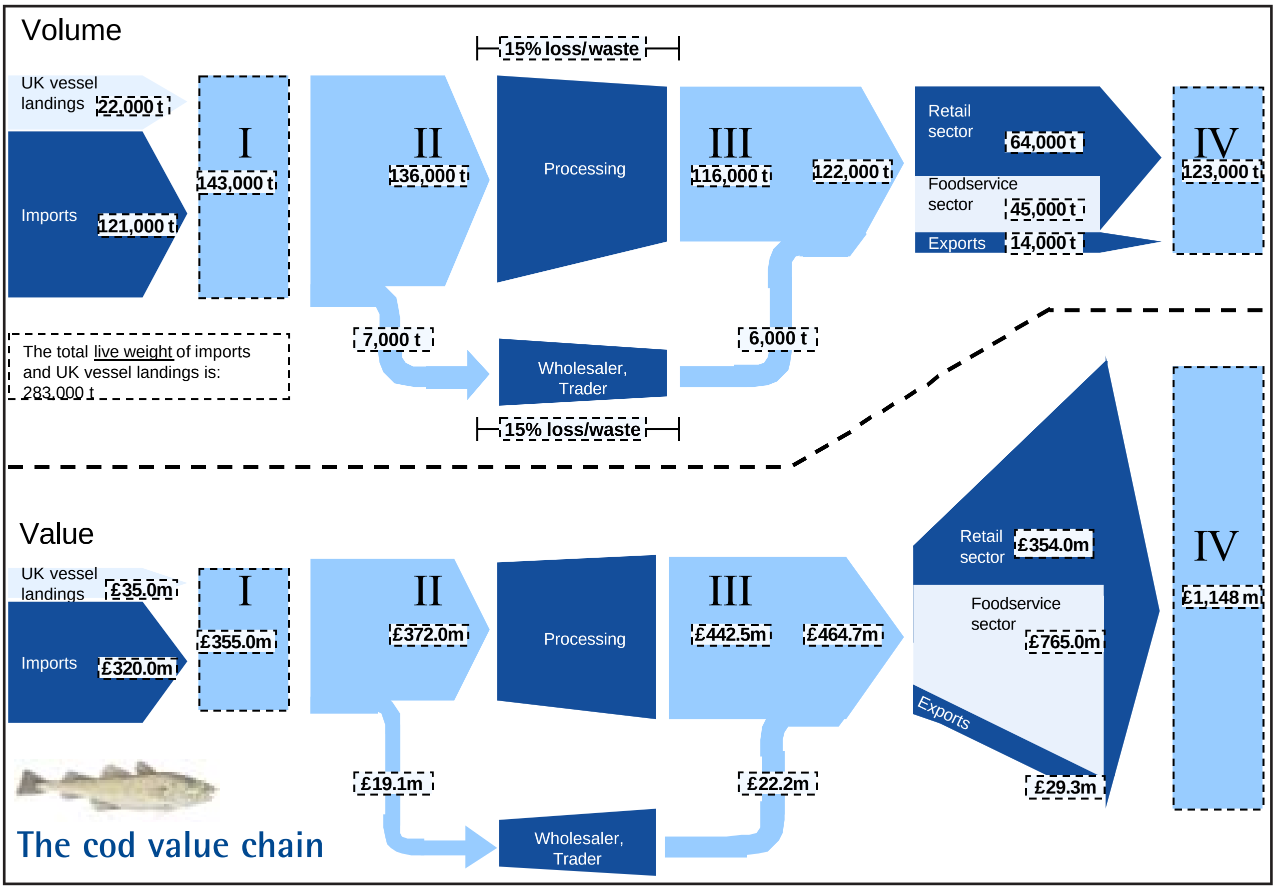
Seafood Industry Value Chain Analysis
Cod, haddock and nephrops

Key Features

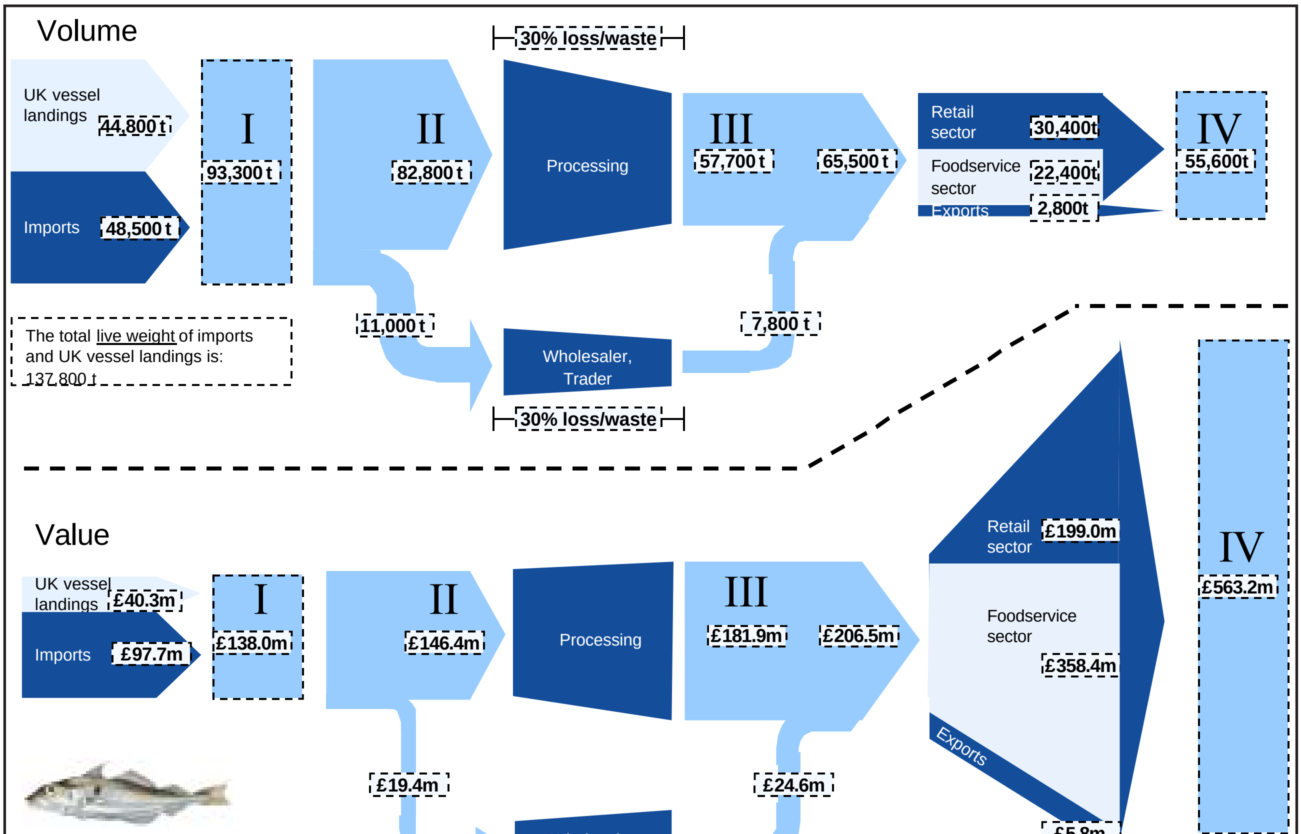
This report aims to encourage UK seafood businesses at all stages of the value chain to reconsider the efficiency of their various supply chains and routes to market. It illustrates the UK value chains for cod, haddock and nephrops and the main findings from each analysis are presented here. Key points extracted from interviews held with industry players and implications for the major stakeholders in this study are also included. Further detailed information is in the full report, available free from Seafish.



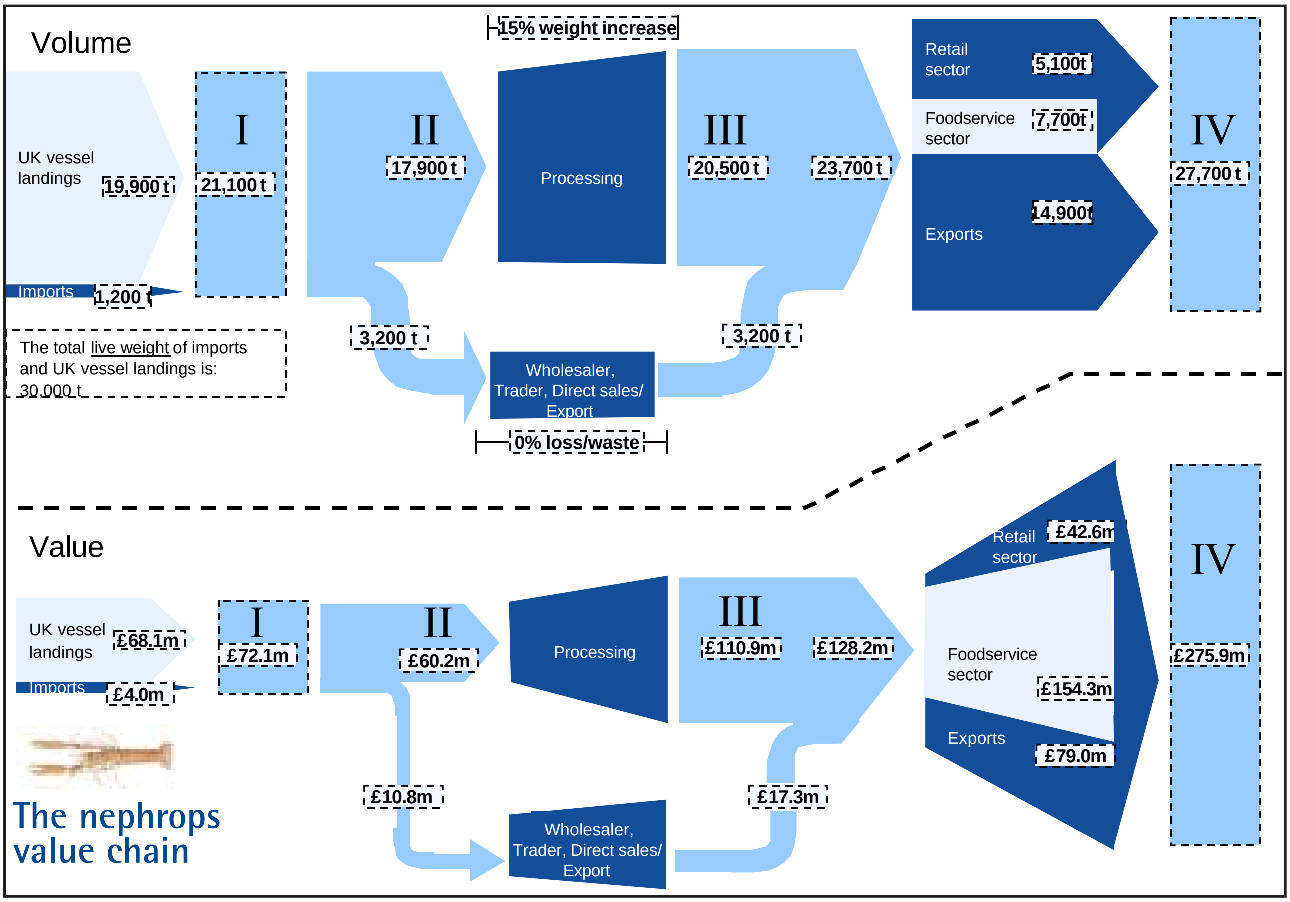
Total picture of the cod value chain for UK in 2002. Volumes in all diagrams are given in tonnes product weight, values in £ million. The volume/value flows are scaled vertically to indicate the magnitude of the flows in the diagrams.

The control sums used in the overall value chain analyses are as follows:

I. The combined imports and landings by UK and foreign vessels represent the supply of raw material in the value chain.
II. The second control sum represents the inflow of raw materials to the processing sector.
III. The third control sum represents the outgoing products from the processing sector.
IV. The fourth control sum is the amount of finished product that goes to UK consumption through the foodservice sector and the retail sector, in addition to the flow of raw materials and finished product exported from the UK. Control sum IV is labelled consumption and exports in the value chain.



The haddock value chain



The nephrops value chain

Key comments from interviews with processors

This section presents some of the statements made during interviews with processors.

- Some processors stress the importance of proper cooling in the whole distribution/logistic chain. They claim that foreign companies tend to be better at this than UK companies.
- For many larger processors supplying the retail sector, the ability to trace raw material through the supply routes is essential.
- It was stated that other countries' fleets are more used to being more exposed to the market. Other countries seem to have more vertical integration between the catching sector and primary processing; this enables vessels to have a stronger focus on the market and the consumer. It was claimed that the UK vessel do not co-operate in groups to give a consistent supply in compliance with product specifications.
- Many stated that UK landed fish is smaller than imported (especially haddock, but also cod). Since size of raw material is an important factor in production, flexibility and ability to meet volumes within specified size ranges are important when choosing suppliers. These processors say this favours foreign suppliers.
- Several processors say they prefer line caught fish to trawled fish because of quality. Others say on-board handling is more important than fishing method.
- Several mention the issue of sustainability of stocks and some say they use no UK raw materials due to the question of sustainability.

Key findings and implications for stakeholders

- There has been a shift of influence towards the market throughout the value chain.
- Consumer preference is having more impact in business areas upstream in the value chain.
- The UK market for seafood has substantial growth potential through increased market share of seafood, or higher prices on existing product volumes.
- Increased competition from twice-frozen products from low-cost countries has become an important factor in the UK seafood industry.
- Some primary processors now focus on the fresh/chilled sector to remain profitable and to take advantage of the short distance to market.
- Waste handling and by-product utilisation offer potential for improvement in the UK industry.

Main opportunities and areas for improvement in the UK fleet:

- Increased co-operation between catching businesses to have stronger influence in the seafood industry and government.
- Establish a clear strategy on improving environmental sustainability of operations.
- Establish information channels into the end user market to improve perception of UK caught fish.
- Effective chilled logistics chains, improved hygiene and catch handling methods may give the opportunity to offer a premium raw material for chilled products.
- Establish strategic alliances with distributors to strengthen market position.
- Improve waste processing and utilisation to improve economic results and the perception of the fleet as being environmentally sustainable.
- Encourage strict regulatory requirements from government to ensure compliance with quota regulations by all vessels.
- Develop and adopt good manufacturing processes to achieve high quality products at competitive prices.

Main opportunities for primary processors include:

- Increased consumption in the chilled seafood sector offers possibilities.
- Closeness to the market gives the opportunity to serve a premium chilled product with long shelf-life. This involves securing high quality raw material and having a strong focus on hygiene and effective logistics in-house and during transportation to the market.
- Secure strong market position through vertical strategic alliances in supply and with customers.
- Focus on process (handling, hygiene, quality) to differentiate from other primary processors.
- Improve by-product utilisation by focusing on product development to increase profits.

Main opportunities for secondary/mixed processors include:

- Increased co-operation with multiples in product development and sales may secure stronger relations and solid market position.
- Expansion of the overall seafood consumption market through product innovation and marketing.
- Strategic alliances in supply with UK/foreign companies may increase security in supply.
- Strategic alliances with integrated companies may reduce the risk of competition in the consumer market.
- Increased competition in frozen primary processed raw materials gives lower raw material prices. This may give increased margins for secondary processors for a limited time.

Examples of important areas of improvement for government:

- Establish a fisheries management regime that allows for long term planning for companies and an environmentally sustainable industry.
- Maintain control and perform inspections to ensure that commercial activity is in compliance with the current management regime.
- Maintain and develop infrastructure and communications to support commercial activity (port facilities, logistics etc).
- Stimulate innovation through research and increased co-operation between commercial and institutional sectors (universities, etc).
- Establish and stimulate education in relevant areas to maintain and expand key competence to further develop the seafood industry.

Examples of key areas for improvement for Seafish are:

- Co-ordinate and present official data and statistics from various data sources to increase the value of the data in the industry.
- Stimulate increased information exchange between industry players for mutual benefit.
- Serve as a communications channel for the industry into the public. This report shows the importance of educating the consumer.
- Sustain a dialogue between government and industry by communicating needs for improvement and the importance of compliance with the current management regime.
- Increase awareness and knowledge of the potential for waste handling and commercial utilisation.
- Stimulate innovation projects in the seafood industry.

This short document is a taster of the full report which contains further explanations of the value chain diagrams, more detailed diagrams of parts of the value chain, and a great deal more information about volumes and values by product type, as well as detailed examination of featured routes to market for the three species.

March 2004

SEAFISH

For further information, to order a full report or to arrange a presentation of the findings contact:

Hazel Curtis

h_curtis@seafish.co.uk

0131 524 8664

Sea Fish Industry Authority, 18 Logie Mill, Logie Green Road, Edinburgh, EH7 4HG.

Tel: +44 0131 558 3331, Fax: +44 0131 558 1442.

The House 5/04 Produced from sustainable material