

**Pelagic Industry Issues Group Meeting
Thistle Hotel, Aberdeen
13th March 2012**

1. Present

George West (GW)
Ian Gatt (IG)
Andrew Pillar (AP)
Jackie Bruce (JB)
Robert Duthie (RD)
John Goodlad (JG)
Ian McFadden (IMcF)
Simon Leiper (SL)
Francis Clark (FC)
Jess Sparks (JS)
Libby Woodhatch (LW)
Emma Hatfield (EH)
Hazel Curtis (HC)
Angus Garrett (AG)
Malcolm Large (ML)

2. Apologies

Brian Isbister
Stewart Harper
Chris Anderson
Helge Korsager
Alec Wiseman
Jon Harman

3. Terms of Reference

ML ran through the previously circulated terms of reference for the committee. IG suggested that agreement on the ToR should be delayed until after two or three meetings had been held. It was agreed that the tabled ToR will suffice in the interim.

4. Seafish Update

ML ran through the headlines from the recent Defra "*Discussion with Industry*" and the steps being implemented by both Seafish and Defra as a result. Defra are recruiting a new Seafish Board which will be responsible for the governance of the organisation. In order that Seafish are more accountable to industry, Seafish are to recruit members to three Operational Panels:- Domestic; Import & Processing and Supply Chain.

The Operational Panel members will be remunerated by Seafish and will be responsible for approving work programmes, recommending work programmes and approving budgets. This will allow Seafish to build a budget and three year plan to reflect the needs of industry and propose, through the Board, a levy income required to fund the planned work. This process could result in the levy rates being adjusted either upwards or downwards. JG asked how this may affect the current levy rate on pelagic fish. ML said that the levy rate is

set by Defra but, in common with demersal and shellfish rates, it could change as a result of this process.

5. Stock Assessment

EH reported that she would be attending the Herring Working Group that week and the following is an appraisal of the situation before that meeting:

North Sea Herring

A new model (SAM), is now being used to for current assessments. This is likely to be different due to changes in the ICES benchmark but will reflect reality more closely by taking account of age range of stocks.

VI North Herring

Looks like West Scotland Herring will get MSC Accreditation in the near future. EH reported that it would appear that over the last few years uptake of West Coast herring has been below TAC. IG argued that the full UK TAC had been caught.

Atlantic Scandia Herring

It is unlikely that the stock size will increase in the foreseeable future due to poor recruitment. However the stock biomass is above precautionary levels.

Blue Whiting

There has been a significant quota increase this year compared with the large decrease in the preceding year. The change has been bought about as a result of a problem being identified in the 2010 survey. This survey has now been removed from the time series and the rate of decline of the stock is not as drastic as previously indicated.

Mackerel

As a result of Icelandic and Faroese activity, mackerel exploitation rates are far in excess of recommendations for the stock. ICES base their advice on the agreed management plan. In 2012 the recommended outtake from the stock is between 586 and 639 thousand tonnes. The actual take is likely to be in excess of 900 thousand tonnes.

Despite two offers being made to the Icelandic and Faroese authorities, there has been no agreement reached with Iceland maintaining a claim on 145,000 tonnes and Faroes to 148,000 tonnes TAC. Greenland is looking to undertake a mackerel scientific survey in the near future.

IG questioned the reliability of the ICES stock assessment and asked EH how fishermen's information can be fed into the ICES process to ensure that the mackerel assessment is robust. EH replied that there are a number of surveys being undertaken by EU countries which were originally set up as a juvenile mackerel survey trial to develop a recruitment index. This will give another input into the process to add to the triennial mackerel egg survey. Additionally, the Norwegians have been running a tagging survey for a few years and can be used as an indicator of abundance.

6. Pelagic Harbour Landing Charges

HC reported that as a result of growing problems with increasing landing dues at Scottish harbours, the industry asked Seafish to conduct a survey of pelagic landing fees in pelagic landing ports in Denmark, Ireland and Norway. The survey highlighted the different approaches taken in the various countries but in particular highlighted the high fees being charged for landing into Scotland compared with other states in the North Atlantic. The detailed, impartial overview has given the UK industry useful information to begin discussions with the relevant Scottish port authorities regarding the level of ad valorem landing dues.

HC used this as an example of the type of ad-hoc work that can be carried out by Seafish on behalf of industry and encouraged the pelagic industry to approach Seafish for assistance when required.

7. Greenhouse Gas Emissions

AG outlined the work that Seafish is currently undertaking on behalf of the industry as a whole on greenhouse gas emissions. It is looking at the long term issues and is a forward thinking piece of work that will result in industry being able to react as required.

The feeling of the meeting is that the pelagic industry is a low carbon industry due to the short season and the nature of the large vessels and processing plants. SL reported that Shetland Catch has been assessed and was appraised as being highly energy efficient.

8. Pelagic Processing concerns and issues

Suspension of MSC certification on mackerel – secondary processors have frozen stocks of mackerel which are MSC certified that could be used on products well into 2012. It will only be mackerel caught in the end of year fishery which will be affected if the suspension is applied and continued. Loss of MSC certification will have little effect in some export markets but the most sensitive export markets are considered to be France and Germany. The position in the UK varies - some retailers attach little importance to MSC certification whilst others take an opposite view.

Iceland has already taken over nearly 50% of the Russian market for mackerel - a position formerly held by UK exporters who are now reduced to 20% of the market. Both Iceland and Faroe are able to offer product at lower prices and whilst the quality is at present poorer the point was made that both these countries are very experienced fish processors who can and undoubtedly will improve the quality of their mackerel products.

Norway has used significant government backed marketing campaigns to promote Norwegian mackerel in Japan. The effect is that now 'Country of Origin – Norway' carries a big premium (despite the fact that it may be mackerel landed in Norway from Scottish vessels). The point was made by the processors that rather than develop new markets, the limited funding available to UK processors should be used to strengthen our position in existing markets such as Japan. Seafish undertook to review what can be done in terms of marketing.

The processors felt there was not enough awareness of how difficult it was for these companies to survive on an inadequate supply of pelagic raw material. Primary processors

struggle to retain key staff and marketing effort is affected by lack of product. It is felt that there is insufficient recognition of how hard it is to compete against Norway. They argued for better support from the Scottish pelagic fleet or they could cease to exist in two years time. It was pointed out that the consequence of that could be the Norwegians turning the screw on Scottish catchers by claiming a larger share of the pelagic quotas, as they have already done in the past. It is recognised that it is not a level playing field with lower harbour dues in Norway and apparent higher prices helped by large government marketing assistance. George West stated that some vessels land in Norway for economic reasons based on price, turnaround times, payment guarantee, and landing dues.

9. AOCB

- **Duty** - Duty on mackerel from non EU vessels is payable at 20%. Obviously it is impossible to pay this and be competitive with Norway, where there is no duty in imported pelagic fish including mackerel. In recognition EU legislation allows relief from duty on the imports if the primary processor in the EU can show that an identical tonnage was re-exported. This is termed Inward Processing Relief. After difficulties caused by what was considered an erroneous opinion given to HMRC by MMO, IPR was not initially renewed to Scottish primary processors last year. Intervention by local MP's, the Herring Buyers Association, and Seafish managed to clarify the position and IPR was granted to the processors. HMRC also gave a ruling in 2006 that 'fish caught in EU or UK waters by non EU vessels was NOT subject to duty'. This ruling was re-confirmed by HMRC in 2011. As Norwegian vessels now catch far more of their quotas in EU waters this was important as it meant less reliance on the IPR route. HMRC officers in Aberdeen have caused problems by insisting that their interpretation of EU waters is essentially UK territorial waters. This would cause a major problem on demands for duty totalling millions of pounds from Scottish processors who relied in the 2006 ruling.
- IG suggested that as part of the review process, that the Seafish responsible seafood sourcing guides on pelagic species should be reviewed by the group to ensure that the content contained in the guides is relevant and factually correct. The mackerel guide can be accessed by following the link:
http://www.seafish.org/media/publications/SeafishResponsibleSourcingGuide_mackel_rel_201201.pdf
The updated copy for the herring guide is circulated with the minutes.

10. Date of Next Meeting

To be agreed in late May/June at Thistle Hotel, Aberdeen.