Seafood Strategic Outlook

Cod to 2030: Summary report

A short review of the UK's cod supply base and 10 year forward view.
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Authors: Dr Angus Garrett, Gavin Hatton.

Introduction

This report is a special review focussed on the changing prospects for Atlantic cod supplies to the UK. Special review reports explore changes on the seafood horizon with high impact for the UK seafood industry to identify opportunities and threats. The reviews aim to raise awareness and understanding of longer term trends and impacts amongst industry operators and government. This can then support stakeholders in working together on initiatives to address the changes taking place.

The UK consumer relies on seafood from domestic waters and from around the world. Of key interest to the UK industry are the medium to long term opportunities and threats to the seafood supply base.

In order to help the UK industry to thrive, we reviewed the UK seafood supply portfolio, how it is developing, and the prospects for that supply looking ahead to 2030[1]. Having undertaken this initial work, feedback from our processing and importing stakeholders suggested we look at parts of that supply portfolio in more depth. Interest focussed on touchstone species like Atlantic cod, and particularly imported cod supplies, given that the UK and EU are not self-sufficient in cod (having limited cod resources in European waters).

This report is the result of a short exploratory exercise, with key importers, to understand the supply routes to the UK market for Atlantic cod and identify major changes on the horizon. Of particular interest has been identifying trends in key supply chains over the last 10 years, the changes afoot, how this may play out for cod supply to 2030, and the implications for industry.

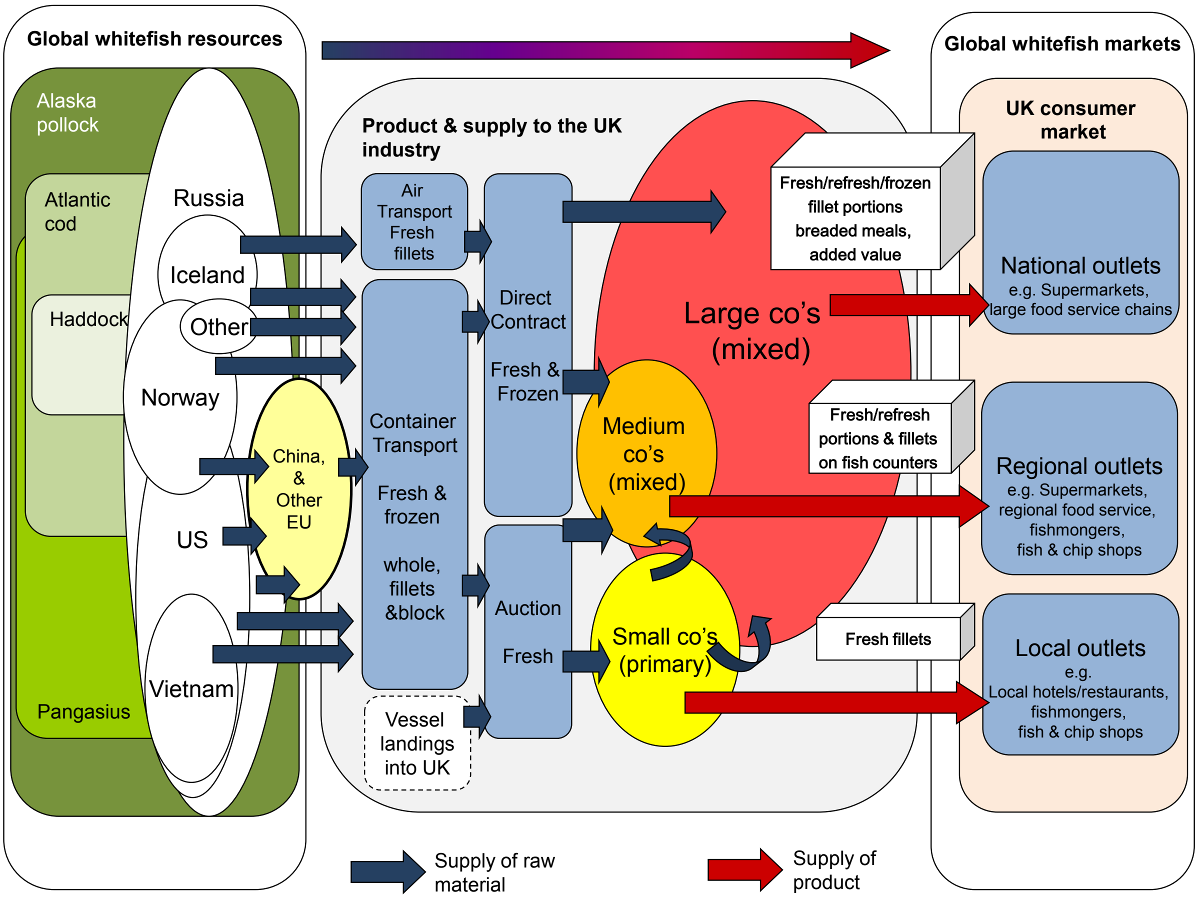
Recent developments in UK cod supply

The review highlights a range of notable points:

- Tastes and diets are becoming more personalised e.g. veganism, vegetarianism, pescatarianism, and 'flexitarianism'. Many UK consumers are seeking proteins that are easy, simple and versatile, that offer value for money, and that can help personalise meal occasions. Chilled seafood now dominates over frozen and ambient sectors, as chilled natural products - with no additional ingredients - allow more scope for final use, supporting versatility and personalisation.
- Amongst traditional proteins, seafood tends to be priced relatively high and can suffer quickly in the face of price increases although the chilled seafood consumer can often pay more for perceived quality. In the cod market, frozen products are very price oriented, whilst chilled products are influenced by other factors alongside price, such as perceived quality, source country etc.
- The UK (and EU) is not self-sufficient in cod or whitefish. To meet the volumes demanded by the UK market, Atlantic cod supply to the UK is heavily reliant on imports from source countries having major cod fisheries: primarily Iceland, Norway and Russia. Recent years have seen a period of relative abundance, in which the availability of cod peaked in the Barents sea cod fishery. However, this abundance is now becoming more constrained and, compounded by slow growth in the smaller Icelandic cod stock, this has translated into lower catch levels, particularly in Norwegian and Russian fleets.

[1] https://www.seafish.org/media/publications/UK_Seafood_Supply_Base_to_2030.pdf

- With pressure from the market and constraints in cod fisheries, innovation and investment has triggered important changes in cod supply routes. Cod imports to the UK are overwhelmingly in the form of primary processed products drawn from Iceland, Norway and Russia. Iceland and Russia have seen increased investment in technology to support the efficient supply of premium products for the chilled sector, Norwegian investment has been more conservative. Atlantic cod imports now focus on low volume and premium priced fresh fillets (largely from Iceland) and higher volumes of single frozen fillets (from Iceland and Russia) both of which can support the chilled sector, as well as double frozen fillet blocks (from Norway and Russia via China and Eastern Europe) which can support the frozen sector.



Major import supply routes that support UK whitefish for the UK consumer market

Longer term drivers

More broadly, longer term drivers are putting additional pressure on the competitiveness of supply routes including food security, climate change and automation. Food security will be challenged as wild capture whitefish resources grow slightly but Asian demand grows markedly. Climate change, particularly increased sea temperature, will drive fish to more northerly latitudes. Automation will play a larger role as the cost and availability of technology will improve relative to labour, putting operators with access to high volume supplies in pole position to reshape their supply chains.

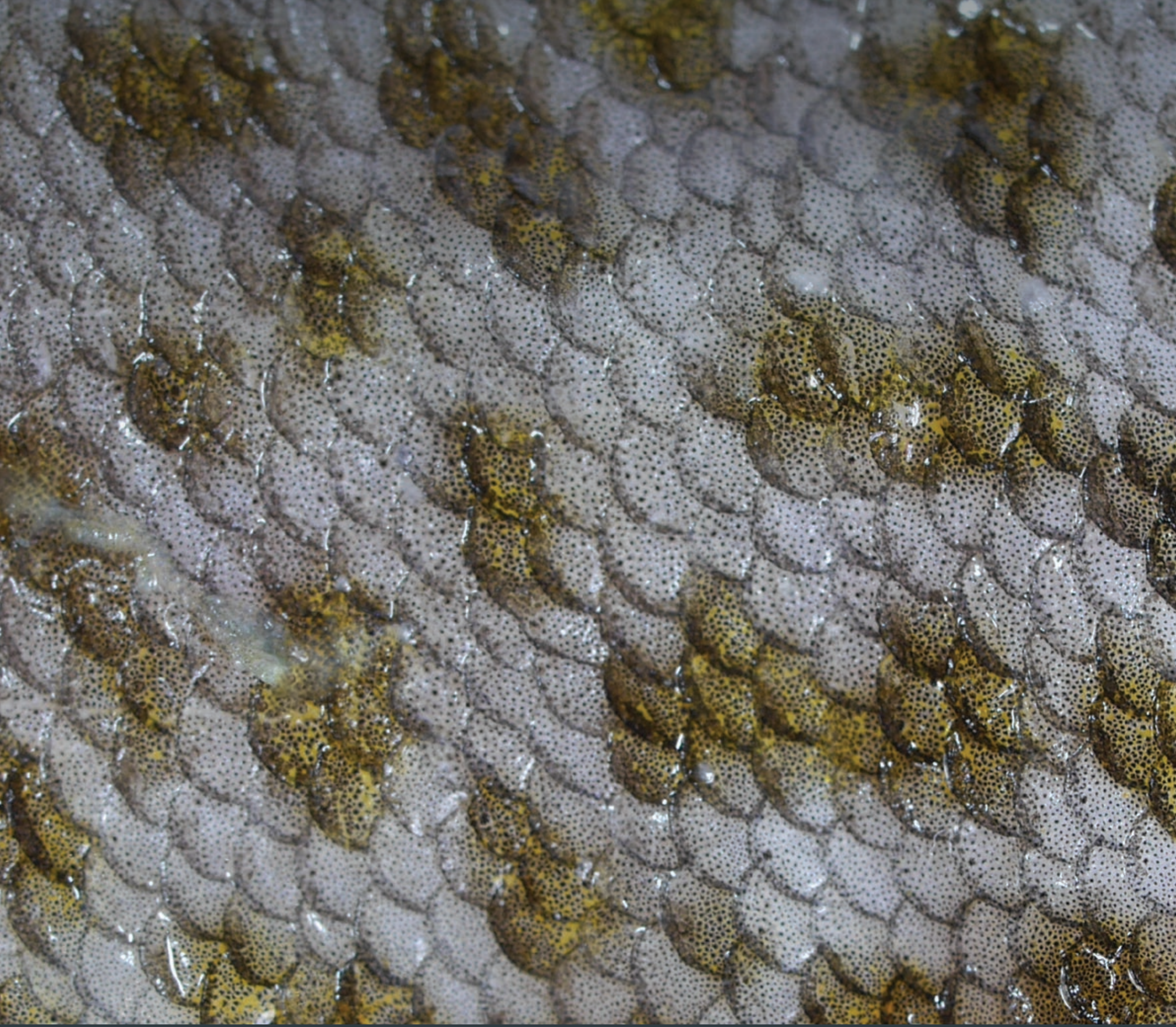
Supply of cod towards 2030

Looking ahead:

- The UK is expected to continue as an important market for cod, supported by consumer loyalty for this iconic fish, but faces serious competition from China and elsewhere in Europe as their markets develop.
- Within cod supply routes, continued pressure on the affordability of cod is anticipated with a risk of price barriers and of the species tracking downwards. Recent advances in supply chains are likely to continue with greater pressure for processing near the market.
- Source countries are expected to maximise the value of their cod fisheries. Of the possible future pathways, two paths stand out: source countries could invest and embed their current specialisation targeting chilled and frozen sectors; alternatively, source countries could invest in automation and specialise in high value chilled sector product (Norway, in particular, changing its orientation and investing in these products via automation).
- Automation is likely to play a key role in the shape of future cod supply. Market pressure for shorter supply chains, coupled with investment in automation by larger consolidated businesses handling high volume supplies, could herald a re-shoring of processing to Europe.

Impact and response to longer term developments

Should some of these changes play out, there could be major opportunities and challenges for the UK industry. Appropriate strategies should be explored in responding to these new circumstances – some of which are highlighted by stakeholders. Seafish will continue to maintain close dialogue with industry stakeholders to explore appropriate responses.



Seafish
18 Logie Mill
Logie Green Road
Edinburgh
EH7 4HS

www.seafish.org
seafish@seafish.co.uk
0131 524 8697