Seafood Strategic Outlook

Fish as Food 2024 update:

A review of developments in UK seafood consumption, implications, and practical responses

Authors: Dr Angus Garrett, Richard Watson, Suzi Pegg-Darlison. With thanks to industry experts for their valuable contributions.

March 2024

seafish

Contents

1. Introduction 3

2. Recent and anticipated changes affecting seafood consumption 4

3. Impact on the 'value for money' proposition 8

4. Implications for forward pathways 9

Appendix 1: A plausible forward path for seafood 12

Disclaimer: this document combines data, opinions and conjecture and is a position paper at the time of press. It is important to bear in mind that evidence today might suggest trends that turn out to be very different in the longer-term.

1. Introduction

This short report is a refreshed update of last year's Fish as Food horizon review that explored longer term UK seafood consumption pathways[1]. Drawing on market data, observations from Seafish staff, and reflections from leading industry experts, the review provides a summary narrative on the current challenges in seafood consumption across 2023. It also explores how these may play out in important ways in the months and years ahead.

Seafish, and many seafood businesses, believe that *seafood is the way forward*. It is therefore critical for Seafish and the UK seafood industry to understand the changes afoot. In particular, the upcoming seafood consumption challenges, what that means for the seafood proposition in the marketplace, and how to navigate and respond. This review is a contribution to that understanding.

Last year's Fish as Food review described the shifting landscape over five and 10-year timeframes, and what that might mean for the seafood 'value for money' proposition. As part of that, a plausible forward pathway was described for the seafood industry (see Appendix 1).

As the landscape evolves, it was suggested the pathway is regularly revisited and updated. Key questions are:

- What are the significant changes in the last 12 months?
- What key changes are anticipated in the year ahead?
- Are longer term pathways consistent: are the projected pathways still valid, and are we diverging - if so, in what direction?
- What action is appropriate?

To explore these questions, we frame seafood consumption as:

- Sitting within a wider shifting landscape, of:
  - Consumers, outlets, other food options
  - The wider world
- Depending on the seafood 'value for money' proposition. Specifically, a combination of: prices; quality (product taste, freshness, and consistency); convenience (product availability, format and versatility); health (product safety and nutritional content); and welfare/resources (people, animals and resources).

1 2023 Fish as Food review: A review of developments in UK seafood consumption, implications, and practical responses.

2. Recent and anticipated changes affecting seafood consumption

2.1 Key changes in the last 12 months: seafood consumption and sales

Key changes experienced in seafood consumption and sales across the last 12 months include:

- Seafood consumption:
  - **Consumption down 22% from 2006 to 2022:** UK seafood consumption in significant decline[2]. Seafood consumption remains at just over 1 portion per person per week, around half the '2 a week' recommended for good health.
  - **Decline accelerates to 30% post Covid-19:** The speed of seafood consumption decline appears to have accelerated, equating to around a 30% decline every 10 years.
  - **Demand for farmed seafood and convenience remains:** Despite pressure on personal finances, sales of convenient seafood such as fish pie mix and coated products remains strong.
- Seafood retail sales:
  - **Return to price-driven growth:** After the temporary boost to seafood sales from COVID-19, seafood retail sales have fallen back into the normal pattern of price driven growth, with inflation driving the value of the category whilst consumption declines.
  - **Modest seafood inflation:** Seafood inflation was slow to build, topping out at around 12%, never reaching the 19% high of general food. At the end of 2023, seafood inflation had fallen to 6.5%.
  - **Return to accelerated decline:** UK seafood retail sales have fallen by -13.6% since the peak in 2021. It remains to be seen if the rate of decline will slow.
  - **Bargain hunting shoppers:** Only the cheapest seafood sectors, segments, and species showed volume growth in 2023. For example, frozen seafood is back to full growth driven by fish-fingers and battered seafood (as a result of preparing fish & chips at home in response to foodservice inflation) and a switch to the likes of Alaska pollock - these products/species being attractive value formats.
- Seafood food service sales:
  - **Seafood servings remain below pre-pandemic levels:** servings of seafood remain flat hovering around 20% lower than before the pandemic, currently down 18% versus 2019.
  - **Seafood outperforms total foodservice:** higher increases in consumers visiting the foodservice market for seafood than total food and drink, with seafood servings up 6% and total food and drink up 4% versus 2022.
  - **Mirroring total foodservice, the six out of home channels experienced mixed performance in seafood servings:** Quick Service Restaurants, Pubs, Travel and Leisure, Workplace and Education all experienced growth in seafood servings with Full Service Restaurants and Fish & Chip Shops in decline.

2 See latest Defra Family Food dataset (released in 2023).

- **Fish & chip shops have lost share of seafood servings to other channels verses pre-pandemic:** between December 2019 and 2023, the share of seafood servings has increased for Pubs and Workplace and Education, all other channels declined.
- **Consumer motivation to eat out of home has changed:** switching from social occasions to more functional eating as consumers grapple with household costs. However, on occasions where seafood is consumed, socialising consistently remains the most important motivation.

2.2 Key changes experienced in the last 12 months: seafood in a changing landscape

Changes in seafood consumption and sales are situated within a wider changing landscape. The following is a short summary of high impact changes affecting the industry over 2023, described in terms of the wider world, food world, and the seafood world. In the **wider world**, there have been three major drivers of note: continuing financial pressure, climate ambition and regulatory appetite. Geopolitics re-emerged as a driver towards the end of the year with, as yet, uncertain consequences for food and seafood.

In the **food world** *financial pressure* has meant high food prices have proved ‘sticky’, slowing only latterly. Cost and sustainability trade-offs have been seen, for example in multiple retailers’ positioning, and the re-emergence of consumer mistrust. Consumers themselves have moved away from the idea of plant-based diets, partly due to expense. *Climate ambition* has moved towards operationalising through ‘climate tools’: a focus on commitments from retailers but also from large food service operators and government; on climate diets with attention to the impact of different food groups, and – in some quarters – an anti-meat agenda. *Regulatory appetite* can be seen in response to concerns over ‘greenwashing’ suspicions and latterly reduced commitments, and with the emergence of initiatives on data transparency in the supply chain and in eco-labels.

In the **seafood world**, *financial pressure* has meant continued high prices - now somewhat easing, and the reaction to that by consumers switching/trading down and ‘eating out at home’, industry switching species and further pressure on consumers to leave the seafood category. Cost and sustainability trade-offs are seen, for example in NGO reaction to high-end food service outlets introducing bluefin tuna on menus. *Climate ambition* has highlighted warming waters, the potential for increased illegal, unreported and unregulated (IUU) practices as species distributions shift, and blue carbon loss. In parallel with ongoing dialogue on spatial management, there has been further push for a High Seas Treaty. The climate ‘toolbox’ has emphasised the role of Marine Protected Areas (MPAs) in addressing climate change, with divergent approaches to introducing highly protected areas across UK waters. Latterly a critique of the evidence for MPA and blue carbon claims has emerged. Meanwhile regulatory appetite has been evident in requirements asked of seafood operators: medicals for fishermen, extended producer responsibility and migrant worker policies have all added burden, cost and threatened livelihoods. Subsequent industry pushback has seen a degree of compromise on these requirements.

From what we have seen over the last 12 months, we have an emerging world where financial pressure vies with climate ambition and regulatory appetite to produce backlash. A food world where market actors' aspirations amid social constraints add to this tension and commitments founder on 'reality'. A seafood world where seafood actors, facing structural damage to businesses and livelihoods, have pushed back on the 'worst excesses' of these ambitions.

2.2.1 Changes anticipated over 2024

Industry experts describe the pathway ahead over 2024 as likely to be challenging, unpredictable, and busy. Consumption could potentially stabilise with a focus on 'cuisines' and younger shoppers.

Drivers more likely to dominate the wider world are, in rank order and direction:

1. *Economic conditions* are expected to be the dominant driver, tough economic conditions are set to continue with only very tentative potential for recovery.
2. *Geopolitics* is likely to be a more significant driver with increased volatility and polarisation arising from elections in several countries and widening conflict.
3. *Climate change* is expected to have a lower profile, with costs coming to the fore — and geopolitical tensions centre stage — climate efforts will be squeezed although overall cooperation will continue.
4. *Regulatory appetite* could ease: regulatory appetite remains high but requirements may ease once cost implications become clear.

In response to these priorities, it is anticipated that the wider world will 'muddle through' requirements on climate change and regulation given other pressures. As economic and geopolitical conditions become more pressing, a more pragmatic approach to climate and regulation is anticipated – particularly as more questions come from business, and government increasingly recognise the implications of ambitions in these areas.

2.2.2 Anticipated changes in the 'food world'

These drivers will fuel the profound changes already underway in the food world. Consumers will continue to adjust to cost-of-living pressures, with retailer and food service businesses managing high costs and changes in consumer behaviour. Geopolitics may produce turmoil in supply chains, and accelerated shifts away from China, driving further price increases and inflation. Both retail and food service will experience further polarisation as a structural response to these challenges.

In retail, food will continue to be more expensive despite recent food inflation going down. Higher prices have given rise to changes in consumer purchasing and shopping occasions. Over the last few years, various coping mechanisms - trading down, loyalty schemes, shopping around, and eating less – have changed the purchase/basket and meant a reduction in what consumers have bought.

Food service will continue to be more expensive and may take a greater share of consumer expenditure. Food service sector inflation is very significant, with even those at 'the top end' beginning to react to high prices. Increased costs conspire to make eating out an expensive option: food service businesses are experiencing increased costs of produce, living wage, rates, VAT and 20% service charge on restaurant food.

Eating out patterns are expected to change further. In food service, fewer people are going out for meals; more people are staying in, with younger people less keen to go out. Reflecting continued flexible office/home working, changes in city centre eating patterns suggest Thursday's have become the busier night rather than Friday and Saturday nights. Higher costs may drive further changes, with consumers expected to focus more on 'occasion' eating.

In food service, polarisation could see premium outlets surviving in the same way quality butchers survived the emergence of multiple retailers while other outlets offer general fayre. Many independent outlets are expected to close.

Looking ahead, consumers are not expected to return to previous purchasing behaviours. Recent changes in consumer purchasing are now embedded as habit, much like the post-war 'make do and mend' mentality. If taxes are reduced or energy prices continue to fall, this may not affect consumption. Changes to purchasing occasions may not reverse.

2.2.3 Anticipated changes in seafood

The anticipated changes may affect the seafood world in several ways. Geopolitical turmoil may introduce additional cost pressures through supply chains, particularly given seafood status as one of the world's most traded commodities. In retail, we can expect continued consumer sensitivity to high seafood prices, as the retail price gap between seafood, meats and non-meats is maintained. In food service, high seafood prices combined with fewer consumers eating out could see declining seafood sales. These impacts may aggravate declines in overall per capita seafood consumption.

- In retail, the cost of seafood versus other proteins (other meats, non-meat) is already notable with many consumers switching into chicken, for example. This may change as soya price rises may lead to an increase in meat prices, reducing the price gap with seafood. Expect a little movement from frozen seafood into the chilled category that will flatten out the seafood consumption decline: fewer consumers leaving seafood, just eating less. Retail seafood shoppers aged over 65 years, buy twice as many as those aged under 34 years: two 'younger' consumers need to be recruited for each 'older' consumer lost.
- In food service, the combination of fewer people going out for meals and the preference of most people to avoid cooking seafood at home, suggests seafood consumption is likely to decline further. Seafood is challenged on price and familiarity – fewer people are brought up eating seafood. This could lead to an increase in 'ready to eat' products and seafood take-aways: fish & chips and prepared meals. For the fish & chip sector, with many consumers wanting cheap meals, fish & chips will remain an expensive option in the near term; for example, higher potato costs are on horizon in the next 12-month period. Sector polarisation will see those shops specialising in quality attracting customers willing to pay a premium while many will become general takeaways.
- Long term consumption per capita is a real concern. Seafood is not 'recruiting' enough new consumers to compensate for the loss of consumers for whom seafood has more relevance.

3. Impact on seafood 'value for money' proposition

The anticipated changes are expected to affect seafood across the 'value for money' proposition. Figure 1 shows the extent to which these value for money factors are affected, positively or negatively.

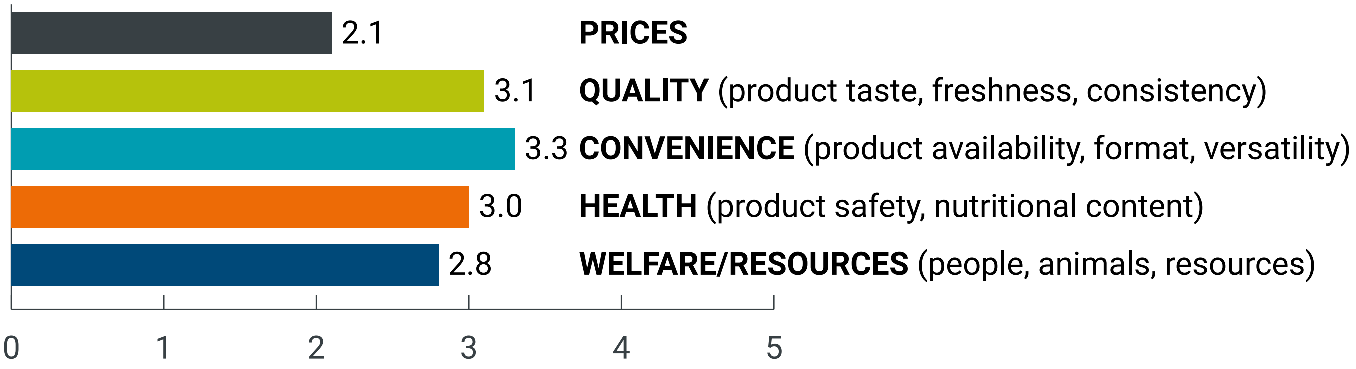

Figure 1. *The effect of anticipated changes, in food and the wider world, on the UK seafood 'value for money' proposition (Scale of 0-5, where 0 is negative and 5 is positive)*

In summary:

- *Prices* overall are expected to remain high and potentially net negative. However, with a recovering economy, price increases may see some decline in retail although this is subject to geopolitical tensions. In food service, high seafood prices are expected to remain broadly stable, although price increases are likely to continue for fish & chips given the tariffs on Russian imports etc.
- *Quality* is expected to see positive effects, remaining a continued focus of differentiation, with ongoing efforts to reach quality levels and then build on that. In food service, quality is paramount at 'the top end', where consumers are prepared to pay a premium, and producers work hard to ensure good quality. In retail, value categories may appear, but these tend to be short-lived as retailers quickly want to exit that position.
- *Convenience* is expected to see generally positive effects on balance. Retail convenience may suffer as seafood struggles to compete on shelf space, as retailers focus on incremental rather than absolute value to make the space as valuable as possible. Food service convenience may be advantageous with more food service options (food on the go) and seafood options e.g. pick up salad with prawn cocktail, Asian oriental formats and producers working hard on versatility, given the options available.
- *Health* could see a slightly positive effect as it remains an important aspect of seafood, particularly if price pressures ease. There is a general awareness of nutritional aspects and this represents an opportunity that could be unlocked through better engagement (with schools, NHS etc) and communication of seafood's positive nutritional story.
- *Welfare/resources* is likely to see a neutral effect in terms of driving consumption but will remain important as necessary components influencing market access. The exception is where high profile media stories, like a food scare, can affect consumption temporarily. Ongoing campaigns relating to farmed salmon, humane slaughtering, and prawn ablation are expected. As such, efforts in this area are likely a requirement that producers must take on board, and a cost that businesses must absorb.

4. Implications for forward pathways

Changes experienced in 2023, and anticipated for 2024, may have a bearing on longer-term forward pathways previously suggested (see Figure 2). Of interest, is whether those pathways are still consistent with how the wider world, food and seafood worlds are evolving. The feedback below provides a view from industry experts and - being forward looking - is necessarily speculation, albeit *informed* speculation.

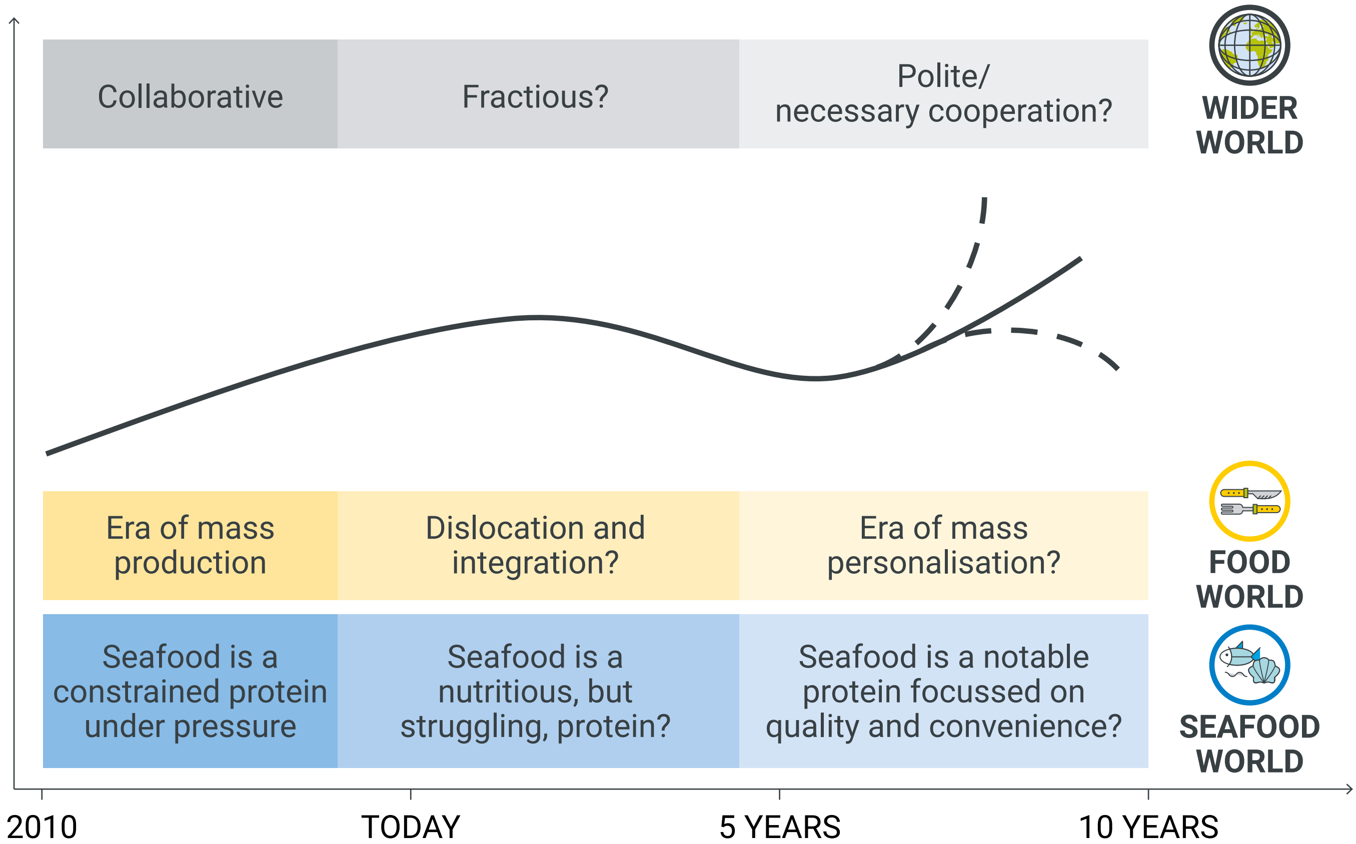

Figure 2. *Anticipated pathways for seafood, food, and the wider world*

4.1 Validity of projected pathways

The previously projected pathways are considered to remain broadly valid, but timeframes may be more drawn out. More specifically:

- *Wider world pathway:* with the major drivers in play, geopolitics is again becoming a dominant aspect. However, the overall pathway remains 'perfectly plausible'. For the purposes of understanding seafood direction, it is reasonable to consider a wider world that features 'polite/necessary cooperation' in the longer term.

  With seafood being such a global economy and traded commodity, actors tend to see the 'bigger picture' and pursue pragmatic relations even in the face of diplomatic confrontation.

- *Food world pathway:* the 'era of mass personalisation' is a good description of the longer-term pathway. In some parts of the food service industry for example, with the range of restaurant offerings, variety of 'cuisines', new concepts being brought out - such as Hello Fresh, this era is almost upon us now.

- *Seafood world pathway:* with the nature of the external factors in play, seafood is not in control of its own destiny. The current period for seafood is one of struggle, but there is the potential to stabilise in the next five years given all the positive work currently underway. Longer term, there are opportunities to re-position seafood and make it more accessible, particularly to younger consumers.

4.2 Areas of divergence and suggested action

Although the projections for forward pathways remain broadly valid, there are some areas of divergence and nuance worth noting. Notable points and suggested actions include:

- *Prices:* The price environment for the next 12 months will be tough. Geopolitical tensions aside, even if raw material prices were to stabilise, for example, this won't appear in outlets for a while - particularly in food service.
- *Quality:* Unlike some other meats - like red meat - which can be stored for a longer period, seafood can be seen as more perishable. Seafood could be at a disadvantage if freshness means products must be bought and consumed on the same day. **Suggested action:** consumer education may be needed on seafood storage and the cooking of seafood, to allay worries about freshness and 'best before' dates.
- *Convenience:* Retail seafood product formats tend to be more traditional, requiring a 'knife and fork' and so may struggle with the 'I'm eating cuisine' trend. Seafood tends to be 'I'm eating seafood' and this may not be a good fit with the tendency towards 'cuisine' eating or younger consumers. The versatility of seafood tends to be undersold, certainly in relation to aquaculture species which have benefitted from technical innovations. **Suggested action:** Given the versatility of seafood, the broader interest in cuisines, and the need to reach younger consumers, consider altering promotional messages: 'try a different fish' may be just as effective as the 'two a week' message, if not more so.
- *Nutrition:* The greater competitive threat to seafood comes from non-meat products rather than other meats. In the promotion of non-meat options, consumers tend to 'jump over seafood to get out of meat'. **Suggested action:** Seafood might be better positioned as the nutritious 'alternative' meat to those considering non-meat options.
- *Welfare/resources:* Retail and food service ambitions, as reflected by WWF and Waitrose, have sought to go down a path of reflecting the true cost of fish. With the recent industry pushback against the 'worst excesses' of food ambitions, there is a danger that pushback will 'come home to roost' as prices go up and legislation, such as the EU's Corporate Sustainability Reporting Directive (CSDR) reporting requirements, develop further. From outside the industry, it is difficult to see the whole range of positive actions underway: the demonising of seafood tends to overshadow the positive aspects. **Suggested action:** Re-launch the beauty of seafood by telling the good story and keeping to the positives. For example, showcasing British seafood might be a good response to uncertain external factors, while investing in myth-busting may help counter the tendency to demonise the industry and 'easy to tell' negative stories.

In conclusion, this review exercise highlights how the direction and destination of seafood is often at the mercy of a host of external factors. The review confirms a period of struggle over the next five years. It also highlights that, to the extent that there can be influence, the seafood path followed thus far must change. The concern is that relying on the pathway of the last 15 years, will produce the same challenges in the next 15 years. A different pathway is required, where the industry is presented differently, with a positive emphasis.

A pathway to seafood consumption: There is an opportunity for an industry push to drive frequency of seafood consumption. At just over once a week, seafood consumption is significantly lower than that of meat which could typically be around 15 occasions per week. Consumers could be reminded of the unique health benefits of seafood - the only natural source of EPA and DHA the active ingredients in Omega 3 and Omega 6 oils[3], and the great taste of seafood which are in the top three triggers to purchase along with price. Targeting core seafood consumers (+45years) is key, as is engaging a younger demographic.

There remains optimism that showcasing seafood aspects currently undersold, and positive actions quietly underway, will result in seafood being in a good place longer term.

3 The primary natural source of the long-chain fatty acids – eicosapentaenoic acid (EPA) and docosahexaenoic acid (DHA) - the functional health-giving components in Omega-3.

Appendix 1: A plausible forward path for seafood

	Last 10 Years	Next 5 Years	Next 5-15 Years
WIDER WORLD	**...COLLABORATIVE...**	**...FRACTIOUS?...**	**...COOPERATIVE/ UNCOOPERATIVE...**
Economy	• Bounce back/growth	• Hybrid working, inflation, recession	• Growth/stability/decline?
Climate change	• High profile	• Climate 'zeal' versus 'backlash'?	• Climate effort transforms/ just enough/fails?
FOOD WORLD	**...MASS PRODUCED...**	**...DISLOCATION & INTEGRATION?...**	**...MASS PERSONALISATION?...**
Price	• Price of meat and other key foods contained	• Higher prices for meat other foods	• Higher prices for meat and other foods
Quality	• Push for trust and transparency	• Trust shaken/polarised?	• Trust (and assured) versus 'faceless' products?
Convenience	• Broad choice (in-home and out) - global/local supply chains	• Reduced choice as outlets and supply chains disrupted?	• Choices personalised but polarised (i.e. reduced/ improved for some}?
Health and nutrition	• High profile claims for red meat, 'plant-based' foods, 'blue' foods	• Scrutiny of 'plant-based'/'blue' foods, demerits of red meat	• Merits of 'plant-based'/'blue' foods vs red and synthetic meat (incl. synthetic seafood}
Welfare and resources	• Human rights and sustainability commitments	• Buyer action on human/ animal welfare and sustainability commitments	• Supply chain action on human/animal welfare and sustainability commitments
SEAFOOD WORLD	**...UNDER PRESSURE...**	**...STRUGGLING?...**	**...NOTED FOR QUALITY & CONVENIENCE?...**
Price	• Prices relatively high	• Prices increasing	• Prices higher, more so for higher valued species
Quality	• Taste not widely 'foregrounded' • High value/low volume protein, with emerging 'non-meat' proteins	• Taste celebrated {by some) over price • Consolidation drives consistency • Up against improving credentials of 'non-meat' proteins	• Seafood taste is widely acknowledged • Consolidation drives a supply chain (and delivery) optimised for quality • Higher value/lower volume protein
Convenience	• Availability of seafood relies on complex local /global chains • Product can be 'mysterious' • Product innovation 'mixed'	• Availability improves as farmed species take hold, species mix broadens, and evolution of store and product formats/online channels; constrained by confusing' credentials/ supply chain disruption	• Availability personalised through store layout, product format, species mix and online channels; 'authentic' now competes with 'non-meat' I emerging 'lab grown' protein • New product formats mean 'seafood is easier for the consumer'?
Health and nutrition	• Seafood 'healthy' but instances of 'eat less fish' advice	• Seafood competes with plantbased foods on health credentials	• Seafood widely recognised as 'healthy', supporting health driven flexitarian diets
Welfare and resources	• 'Sustainability' expands to 'responsibility' and high profile with food buyers and dieticians	• 'Responsibility' expands to include carbon and animal welfare ... now influencing buyers and dieticians' advice	• 'Responsible' supply chains show full credentials on people and planet, as the consumer 'say-do' gap contracts

Seafish
18 Logie Mill
Logie Green Road
Edinburgh UK
EH7 4HS

t: +44 (0)131 524 8697
f: +44 (0)131 558 1442
e: seafish@seafish.co.uk
w: www.seafish.org