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the support it needs to thrive.



# UK Seafood Supply Chain Overview:

## July-September 2022

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## **Introduction**

This report takes a high-level view of the whole of the seafood supply chain to explore factors impacting UK seafood markets, seafood business operations and consumer behaviour during July to September 2022.

In the UK, we export a large proportion of the seafood we catch and import much of the seafood we eat. Our seafood supply chain is heavily integrated into the global seafood supply chain. Therefore, both local and global changes have consequences for the UK's seafood supply chain.

We have drawn on qualitative and quantitative data available at the time of writing. This includes official statistics and industry insights. Links to data sources and other resources are provided at the end for further information.

## **Acknowledgements**

A special thanks to those who have shared invaluable industry insights with Seafish. Our thanks also go to our regional, economics and insight teams and other colleagues across Seafish who have provided input and feedback on this report.

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## Industry Impacts Overview

### **July-September 2022: Rising prices, the cost of living crisis and labour shortages continued to impact across the UK seafood supply chain.**

Prices rose further and the cost-of-living crisis worsened during this period, affecting the whole UK seafood supply chain. Prices, especially for food, energy and fuel, continued to rise at a rapid rate. Inflationary pressure increased operating costs for businesses across the supply chain and squeezed consumer budgets, impacting both supply and demand for seafood.

During this period, processing businesses facing increased raw material, food production, energy and transportation costs began to pass these cost increases on to their customers to keep operations viable. Indeed, food and non-alcoholic drinks were the largest contributor to rising prices in July. With these costs rising faster than wages, many households' food budgets shrank and in August consumer confidence in the economy hit a record low. In response, retailers launched promotions and deals for customers and many shoppers switched to discount retailers.

Strike action across different sectors began during this period in response to the cost of living crisis, with workers demanding inflationary pay raises. Many of these strikes impacted the transport and logistics sectors including rail strikes and strikes at major shipping ports.

Labour shortages remained a universal issue across the supply chain. Issues related to staff recruitment and retention as well as difficulty accessing non-UK labour to fill skills gaps. Job vacancies in the hospitality and foodservice sectors were reported as high and rising. Across the processing sector labour remained a limiting factor in production for many businesses. In the catching and salmon aquaculture sectors, the introduction of new restrictions on the use of transit visas was announced by the UK Home Office, raising concerns for businesses reliant on migrant workers for vessel operations.

## Markets

### Key points

- Volume of seafood sold in retail continued to decline as the cost of living crisis ate into consumer budgets.
- Market recovery for seafood in foodservice stalled due to cost of living concerns, with visits and servings down compared to July to September 2021.
- Shellfish exports were strong during this period, with overall value up 15% during July to September compared to the same period in 2021. Demersal, pelagic and salmon export values were down on 2021 levels.



Both value and volume of total seafood sales in retail continued to fall in July to September (Figure 1). This brought sales more in line with pre-Covid (2019) levels. The number of shoppers purchasing seafood in retail also continued to fall during this period, compared to 2021.

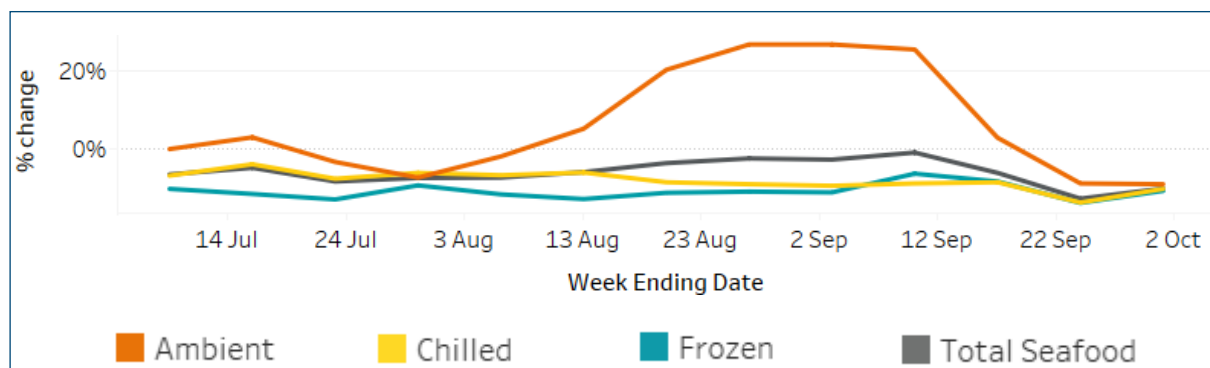


Figure 1. Weekly seafood volume sales in retail during July to September 2022 compared to previous year.

Despite price increases across other food categories and record grocery price inflation above 10%, seafood price inflation was only around 1% in retail because many businesses had not yet passed production cost increases to the end consumer. Nevertheless, broader inflationary pressures reduced shopper spending across retail. Shoppers were shopping less often and spending more money on significantly smaller baskets. Sales of own-label ranges were at record highs through the summer. Data also suggests that consumers were actively shopping around between retailers to find the best deal rather than relying on promotions at their usual retailer.

In response to personal budget constraints shoppers have historically switched from more expensive fresh (chilled) seafood products to less expensive frozen seafood products before trading down to the cheapest tinned (ambient) seafood products. However, during July to September shoppers appear to have traded straight from chilled to tinned products. During this period the sales volume of ambient seafood was up 9% overall on 2021, with sales volume peaking at +27% in August. Meanwhile, sales volume of both fresh and frozen seafood were down compared to the same period in 2021. Pressures on personal finances continued to impact on nearly all species with only the sales volumes of tuna, crabstick and squid growing as consumers switched to cheaper seafood alternatives.



### Foodservice

The 2022 cost of living crisis reversed the earlier positive trend in foodservice market recovery that was seen in 2021 after Covid-19 restrictions were eased. In July to September, overall consumer visits to foodservice outlets were down 1% compared to 2021 and down 22% compared to 2019 (pre-Covid). Fish and Chip Shops saw less demand during this period compared to July to September 2021. However, it should be noted that Fish and Chip Shop demand was unusually high in 2021, compared to businesses operating in other channels (Figure 2).

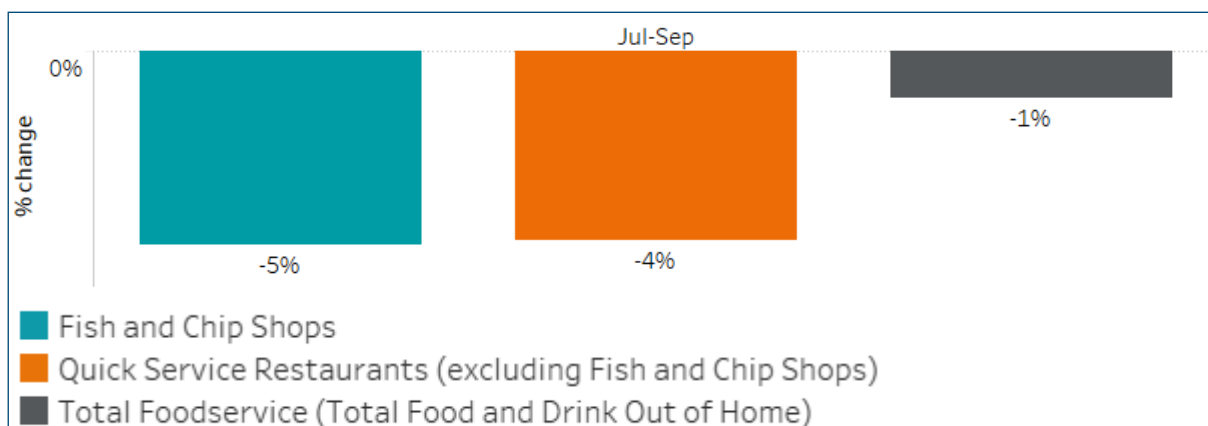


Figure 2. Foodservice visits during July to September 2022 compared to previous year.

Considering seafood in foodservice specifically, visits were down 14% and servings were down 15% compared to the same period in 2021. This means visits and servings of seafood in foodservice reached just over 80% of pre-Covid (2019) levels during this period.

High and rising energy, labour and raw material costs continued to put pressure on foodservice businesses during July to September. As a result, many businesses struggled to source seafood raw material. Some responded by

changing their menu offering. However compared to other foodservice outlets, Fish and Chip Shops were more restricted in terms of alternate species due to customer expectations.

Businesses were reluctant to increase their prices as consumer demand was already suppressed by the cost of living crisis. While some businesses did increase their prices, others reduced opening times or took the decision to close temporarily during the winter months ahead. However, many of those that chose to reduce operations then found it harder to recruit and retain staff. Many businesses in industry groups also called for an emergency VAT cut for the foodservice and hospitality sector during this period. Together, these consequences of the cost of living crisis highlighted the risk of permanent business closures in the foodservice sector due to the increasingly difficult operating environment.

Foodservice channels were negatively impacted by the cost of living crisis to varying degrees. The channels 'Quick Service Restaurants (QSR)', 'Fish and Chip Shops' and 'Travel & Leisure' all saw a decrease in visits during this period. Despite this drop in demand, introducing more quick, portable, and cheap seafood snacking and breakfast options is still seen as a key opportunity to expand seafood sales through foodservice channels. Meanwhile the channels 'Pubs', 'Full Service Restaurants (FSR)' and 'Workplace & Education' saw an increase in visits compared to 2021 as consumers continued to return to schools and offices.



## Exports

UK exporters continued to face specific difficulties exporting seafood to China during this period due to local Covid-19 lockdowns, although the situation seemed to be improving compared to earlier in the year. Nevertheless, some businesses began looking for alternative markets to improve their resilience.

Businesses exporting to or through the EU continued to manage frustrations with new systems. Specific issues arose in September after a series of system failures caused the online catch certificate system to crash multiple times delaying exports until the system was back online on each occasion.

Meanwhile, strikes and delays across UK transportation and border points made it riskier for those exporting fresh and live product.

By the end of September 2022, cumulative export value for the year was up 11% on 2021 levels but 8% below pre-Covid levels (2017-2019 average). Meanwhile overall export volume was down 6% compared to 2021 levels by the end of September, representing an overall increase in the average price of UK seafood exports. Shellfish exports were particularly strong during this period, with overall value up 15% during July to September compared to the same period in 2021 (Figure 3). However, overall demersal (whitefish), pelagic and salmon export values were all down on 2021 levels during July to September.

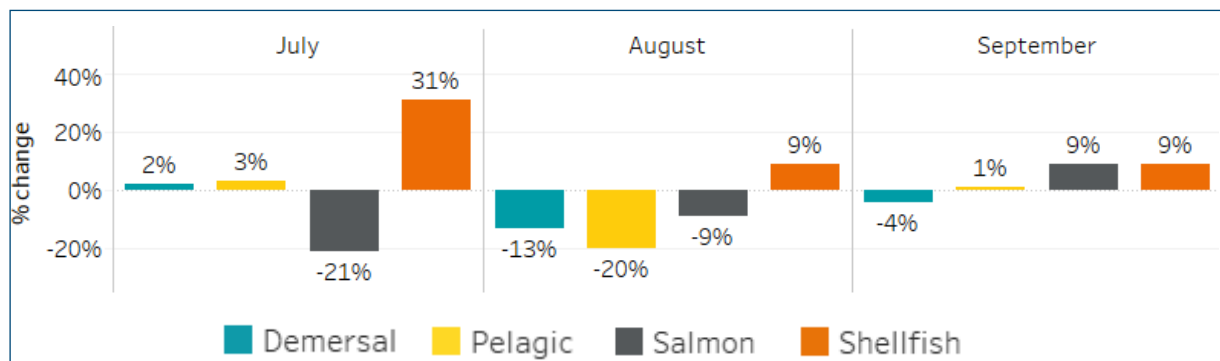


Figure 3. July to September UK export values compared to previous year, by month and species group.



## Production & Distribution

### Key points

- Seafood processors continue to face rising raw material costs and labour shortage.
- Access to labour remained a universal issue across the UK seafood supply chain, with businesses facing challenges with staff recruitment and retention as well as issues accessing non-UK labour to fill skills gaps.



### Processing, Transport & Logistics

Seafood processors continued to face rising raw material costs during July to September. Businesses reliant on whitefish imports tried to build stock where possible to stabilise prices ahead of the implementation of an added 35% tariff on Russian whitefish imports in July. As the EU did not introduce equivalent sanctions, UK businesses faced higher whitefish prices than EU competitors, adding pressure to businesses. The introduction of these tariffs also pushed more businesses into a comparatively expensive and already squeezed non-Russian fish supply base. Larger businesses were generally more able to stockpile and improve production efficiencies during this period, while many small and medium sized businesses were left in a more vulnerable position.

Businesses also faced unusually long lead times and availability issues when sourcing production materials including packaging and non-seafood ingredients. This led many businesses to over order materials needed for Christmas product lines to ensure they didn't run out. Higher fuel costs also affected transportation and logistics across the seafood supply chain, further increasing operating costs. Strikes at UK ports and French border control posts in August and September worsened trade disruption and delays.

Seafood businesses liable for the Plastic Packaging Tax (and those that were not liable but still affected by due diligence obligations) were still figuring out how to handle the challenges associated with this regulation during the summer. The first reporting deadline fell at the end of July and the HMRC supplied some additional clarification to the regulation following questions arising after implementation began.

Labour shortages remained acute across the processing sector, particularly in remote regions. Staff retention also became increasingly difficult during this period, with some staff demanding higher wages due to the cost of living crisis and others leaving to work in other sectors offering higher wages.

Businesses struggled with increasing energy costs during this period, with many signing new contracts many times higher than their expiring contracts. By the end of August industry members were calling for urgent government action on high energy costs, arguing that price rises were threatening to drive them out of business. By the end of September an announcement was expected from government on energy cost support for businesses from 01 October.

In addition to rising operating costs, processing businesses had limited scope to increase product prices due to consumers' increasingly restricted budgets during a cost of living crisis. Businesses noted an inflationary 'backlog' building for product being sold into supermarkets, with consumers yet to see production cost increases reflected in seafood prices on the shelf. With consumers already cutting back on their spending, businesses worried that people would buy less seafood less often. Indeed, shoppers reported feeling poorer during this period, with many reducing their seafood purchases all together or opting for cheaper frozen and tinned products over fresh seafood.



### Workforce

Job vacancies in hospitality and foodservice were reported as high and rising despite average monthly wages in the sector rising by over 6% since the start of 2022. A petition calling for the Government to create EU hospitality worker visas reached over 10,000 signatures by the end of August. The petition called for the two-year visa to work similarly to the Seasonal Work Visa for horticulture workers, expressing that there was a "massive shortage of qualified labour in the UK to fill vacancies that were in many cases previously filled by EU staff". As the petition reached over 10,000 signatures, the Government must respond.

Difficulty recruiting and retaining staff in the processing sector remained a limiting factor in production output.

In the catching and salmon aquaculture sectors, the introduction of new restrictions on the use of transit visas was announced by the UK Home Office during this period, raising concerns for businesses reliant on migrant workers for vessel operations.

Across the supply chain, businesses raised issues with the Skilled Worker Visa route as a solution to labour shortages. This option was seen as prohibitively expensive, especially for small businesses. Businesses also reported that the application system was slow and difficult to use. The high English language requirement for the visa was seen as prohibitive by many businesses. As a result, some industry groups began exploring avenues to recruiting workers from countries where English is an official language, such as Belize.

## Supply & Primary Production

### Key points

- An added 35% tariff on Russian whitefish imports was introduced during this period, further increasing demand (and prices) for non-Russian whitefish. This was reflected in a 39% increase in average whitefish import prices compared to July to September 2021.
- High fuel prices and concerns about access to fishing grounds, quota and the quality of certain fisheries were cited by the catching sector during this period.
- Shellfish farmers continued to face reputational issues related to poor water quality, while the Scottish salmon sector continued to face labour issues.



### Imports

In July, the UK Government introduced new sanctions against Russia, including an added 35% tariff on Russian whitefish imports. The tariff was announced in March 2022 in response to the Russian invasion of Ukraine, but its implementation was delayed to enable consultation with the seafood industry on likely impacts. The tariff affects all seafood imports of Russian origin. Russian caught product that is substantively processed in another country is not considered Russian origin. The tariff came into force on Tuesday 19 July and applies to any direct imports of Russian seafood from this date. In response, businesses reliant on imported whitefish raw material investigated alternative species and supply routes, with some already switching to Basa. Later in the summer the UK also cut import taxes from certain countries, including for seafood imports from those countries.

In September, the Cabinet Office released a new timetable for introducing full import controls for goods being imported from the EU to the UK. It was suggested that the UK government was reluctant to introduce further regulatory changes during this period due to the cost of living crisis. The government also finalised pre-consultation workshops on the new import system (Target Operating Model) in September. Some businesses were concerned about food safety considerations and the interests of small and medium sized businesses under the new model. A wider consultation phase was scheduled to follow.

Demersal (whitefish) import value remained above 2021 levels for the same period, while demersal import volume was comparable to 2021 levels (Figure 4). Overall, during July to September 2022, the average price for imported demersal species was £5.55/kg compared to £3.98/kg during the same period in 2021. This represents an increase of 39%. Meanwhile both salmon import value and volume were down on 2021 levels during July to September.

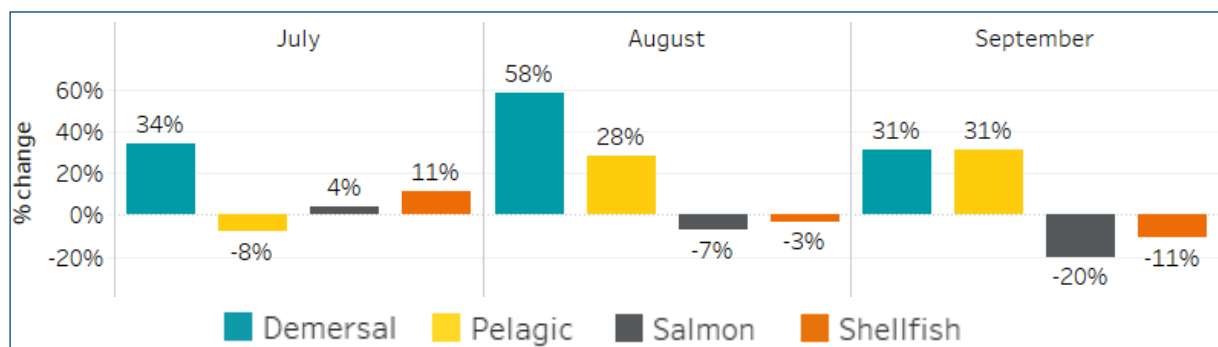


Figure 4. July to September UK import values compared to previous year, by month and species group.

By July, more whitefish volume was coming through from China after delays and other challenges caused by ongoing Covid-19 lockdowns across China throughout 2022. Also during this period, the Chinese Government took the decision to stop coronavirus testing on ‘non-cold chain’ food imports (items transported in temperatures above 10°C) from low-risk countries and regions. Mandatory requirements for testing and preventative disinfection for Covid-19 were also removed for ‘non-cold chain’ products imported from high-risk countries. However, even as trade flows through China improved with these changes in regulation, by the end of September supply to the UK was being set back by the weakening exchange rate of the pound.

Other logistics challenges arose for importers due to UK worker strikes during this period. Port strikes took place at Folkestone and Felixstowe in August. The strike at Felixstowe port, the busiest container port in the UK and the most important port for frozen seafood imports, was particularly disruptive to seafood supply chains. Meanwhile, several ports, including five in Scotland submitted bids for the government’s new freeport initiative.



## Landings

High fuel prices remained a key issue for fishing businesses during this period. The cost of other materials including fishing gear and fish boxes also increased. Some businesses reduced or altered their fishing activity in response to increasing operating costs, while others were able to continue fishing as normal due to the high fish prices they continued to see at market. There was also some concern that rising operating costs could increase risk of accidents if operators reduced focus on health and safety at sea to save money or increase catch value. As a result, the Marine and Accident Investigation Branch (MAIB) reminded vessel owners to “know your limits, operate within them and get home safe”. Meanwhile rising cost pressures and ongoing labour shortages facing processors affected their demand for certain catches.

Overall demersal and pelagic landings values were above 2021 levels during July to September, while shellfish landings value was below 2021 levels (Figure 5). Cumulatively, by the end of September, shellfish landings value in 2022 was 6% below 2021 levels, while cumulative shellfish landings volume was 9% below 2021 levels by the end of September. Overall demersal landings value for 2022 was up 22% by the end of September compared to 2021, while demersal landings volume was only up by 4% reflecting an increase in overall average price.

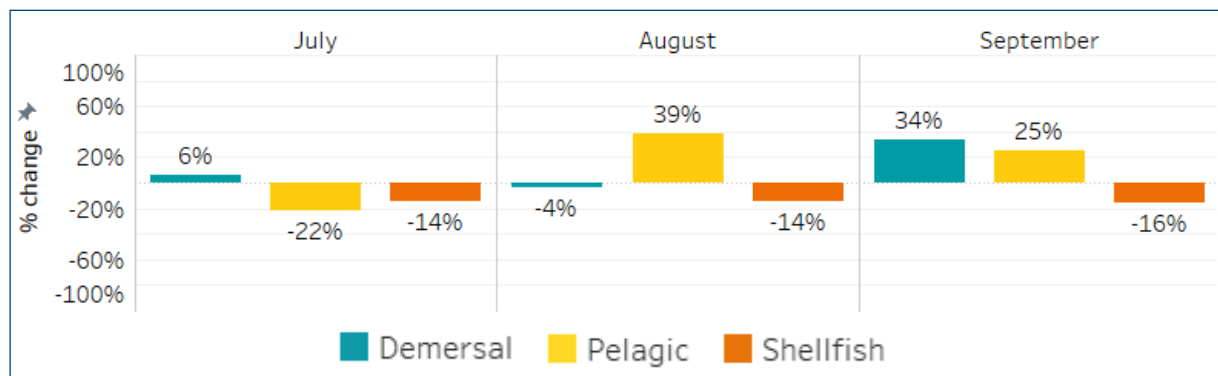


Figure 5. July to September UK landings values compared to previous year, by month and species group.

Some concerns about access to fishing grounds, quota and the quality of certain stocks and fisheries were cited during July to September. In Scotland, issues with the volume of small haddock landed to the market continued to be a problem due to the lack of market for this product. Some of the demersal fleet were also concerned about insufficient fishing quotas, in particular for Saithe which was named as a possible choke species in 2022. Fishers working in southeast England and the Thames reported poor fishing during the summer, cited issues with spider crabs in static gear fisheries, a poor cockle fishery in the Thames and sedimentation issues around the Isle of Wight adversely impacted fish stocks. In northeast England the dispute between government and industry over the cause of mass crab and lobster deaths in 2021 continued, with industry reporting that shellfish stocks remained in poor health.

Some Northern Irish Nephrops vessels benefitted from their producer organisation lifting the precautionary quota cap<sup>1</sup> for the Irish Sea in the summer to allow for good fishing during the summer before the predicted increase in economic uncertainty toward the end of the year.



## Aquaculture

Shellfish producers in England continued to be negatively affected by hot weather and sewage dumping issues leading to both product recalls and reputational issues from the negative press around the issue. Despite these challenges, shellfish export value during July to September was up 15% compared to the same period in 2021. This was mainly driven by a 31% increase in shellfish export value in July.

Salmon export value and volume were both down on 2021 levels for July to September. Housing shortages for farm workers remained an acute logistical issue for salmon producers operating in remote regions of Scotland. Some businesses with assets in both Norway and Scotland also expected to be impacted by a new 40% tax on Norwegian businesses proposed during this period. It is expected that these Norwegian owned salmon companies operating in Scotland will mitigate this tax increase across their whole business, including Scottish operations, making cuts or streamlining processes where necessary to reduce costs.

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<sup>1</sup> Note that the Irish Sea Nephrops quota is never fully fished.

## References and Data Sources

### Retail

Data Source: Nielsen Scantrack UK.

Reference:

Seafood in retail factsheets:

<https://www.seafish.org/insight-and-research/retail-data-and-insight/>

### Foodservice

Data Source: The NPD Group. Foodservice data are only available at the level of Great Britain, rather than United Kingdom.

Reference:

Seafood in foodservice factsheets:

<https://www.seafish.org/insight-and-research/foodservice-data-and-insight/>

### Trade (Imports and Exports)

Data Source: HMRC monthly data via Business Trade Statistics (BTS), processed by Seafish.

Species groups are defined as follows:

- Pelagic includes: Anchovy, Blue Whiting, Herring, Horse mackerel, Mackerel, Misc. pelagic, Sardine, Sprat, Swordfish, Tuna
- Demersal includes: Alaska pollack, Cod, Coley, Dogfish, Grenadier, Haddock, Hake, Halibut, Ling, Megrim, Monkfish, Other flatfish, Other groundfish, Plaice, Pollack, Ray, Redfish, Seabass, Seabream, Shark, Sole, Toothfish, Turbot, Whiting
- Shellfish includes: Clam, Cold Water Shrimps & Prawns, Crabs, Crayfish, Cuttlefish, Lobster, Mussels, Nephrops, Octopus, Other cephalopods, Other crustaceans, Other molluscs and aquatic invertebrates, Oyster, Prepared and preserved shrimps & prawns, Rock lobster and sea crawfish, Scallops, Sea cucumber, Squid, Warm Water Shrimps & Prawns
- All Others includes: Carp, Catfish, Caviar, livers and roes, Cobia, Eels, Nile Perch, Other freshwater fish, Other marine fish, Other products, Other salmonids, Pink cusk-eel, Ray's Bream, Salmon, Surimi, Tilapia, Trout
- Overall excludes: Non-food

Reference:

Seafish Trade and Tariff Tool:

<https://public.tableau.com/profile/seafish#!/vizhome/SeafishTradeandTariffTool/Overview>

### Landings

Data Source: Marine Management Organisation.

Reference:

MMO monthly landings statistics:

<https://www.gov.uk/government/collections/monthly-uk-sea-fisheries-statistics>

### Real-time industry data

Data source: Seafish horizon intelligence. Real time intelligence on notable changes affecting the seafood industry sourced from the general media (media, newspaper articles and social media) and from industry and other stakeholder debates and conversations. [www.seafish.org/insight-and-research/current-and-future-trends/](http://www.seafish.org/insight-and-research/current-and-future-trends/) .



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Here to give the UK seafood sector  
**the support it needs to thrive.**

The Seafish logo features the word "seafish" in a white, lowercase, sans-serif font. Above the letter "i" in "fish", there is a stylized graphic of a fish's head and scales, composed of several small, white, diamond-shaped elements arranged in a curved pattern.

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