CLG bite-size meeting. 16 July 2020. Brexit, COVID-19 and the UK seafood landscape.

With the UK seafood industry currently facing a number of significant challenges joined-up thinking and communication across all industry sectors is crucial. This Common Language Group bite-size meeting provided an opportunity to hear more about current and future fisheries policy, as well as the trade implications of what has happened/is likely to happen over the next few months. We are living through unprecedented times (Brexit and COVID-19 currently dominating the industry) with the industry already facing some challenging, big ticket items.

Matt Whittles, Head of Marine and Fisheries Trade Team, Department for Environment, Food and Rural Affairs (Defra). Key points:

Future fisheries agreement with the EU

- The UK automatically takes back control of our waters, and others' right to fish in them, at the end of 2020.
- Fisheries negotiations are ongoing, with discussions taking place in London and Brussels. The fishing sector has been identified as a priority area and specialised technical sessions are scheduled.
- Formal negotiating rounds will be taking place between over July and August.

International negotiations

- Fishery and trade negotiations have begun with a range of partner countries.
- These cover Free Trade Agreements and, with Norway and Faroes, on fishery agreements with positive and collaborative discussions. Specific countries were highlighted including the United States, Japan, Australia and New Zealand.
- The priority countries for FTA negotiations are all important fish markets, for both exports and imports. Export opportunities – Japan and US are already important export markets, Norway and Iceland buy a lot of fish and we can further liberalise market access.

The new Fisheries Bill is progressing – a lot of the detail has still to come

- An independent Coastal State means: EU vessels' automatic access right to fish removed; foreign boats required to be licensed to fish in UK waters and will follow the UK's rules; new powers for the UK to set catch limits; and revoking the EU's powers to set UK quotas. This is our new bedrock to build our own fisheries management framework.
- This is underpinned by a commitment to sustainable fishing and the marine environment: sustainable fisheries objectives enshrined in UK law, with a new approach to developing Fisheries Management Plans; and new powers to protect the marine environment. It also mentions clauses covering discards and climate change and provides greater Devolved Administration responsibility.
- These issues are all important at a global level re sustainability initiatives and commitments.

The trading relationship between UK and other countries from 1 January 2021.

- No extension to transition period. Around imports there will be three clear stages (from 1 January, 1 April and 1 July 2020) covering different aspects.
- With exports it is less clear and this is dependent on Free Trade Agreements.

Impact of COVID-19

- Fishing activity dropped significantly due to loss of export markets (particularly the EU) and the hospitality industry.
- Impact all down the supply chain affecting processors, ports, auction houses, fish and chip shops etc.
- Value of fish landings fell 54% in April 2020 compared to 2019. May figures showed minimal improvement (i.e. down 42% compared to 2019).
- An increase in direct selling however, with suppliers finding new ways to sell over the lockdown period.
- There have been a number of Government support measures which the seafood industry has been able to apply for. There has been a focus on building infrastructure and increasing

domestic sales. Also highlighted the NFFO guidance on COVID-19 safe practice on fishing vessels.

Migrant workers change in rules

- From 1 January 2021 free movement ends and a points-based system will only allow skilled workers from any country in. EEA workers already employed before 1 January 2021 can stay.
- There will not be a general low-skilled or temporary work route. The points-based system will include a route for skilled workers, both EU and non-EU citizens, who meet the requirements namely: a job offer from an approved sponsor; a job offer at the appropriate skills level (RQF3 or above); English language skills; and a criminality check. There will also be a salary requirement.

Discussion

- **Q. When are we going to see a meaningful number of international trade agreements? Or will it all be December?**
- **A.** There is a real push across a number of key countries. A big bang by the end of the year hopefully.
- **Q. In relation to negotiating quota shares with the EU - is there an intention/aim to agree them all for 1 Jan 2021, or a proportion of them, and if the latter then on what basis will remainder be set? Will they be fixed in stone like Relative Stability, or will there be a mechanism/process to revisit and adjust them?**
- **A.** There are the annual negotiations to split and allocate quotas, and then there is the overarching system place that dictates that quota (relative stability) and creates the UK basis for negotiation. We want to be a constructive coastal partner but those negotiations could be a two or three year process and is unlikely to all be resolved on day one.
- **Q. One option for increasing domestic sales is to allow the stocks of the very popular UK species (cod, plaice, scallops etc) to recover. Could the government pay fishers (that want to) to cut catches in the short term while stocks (and also demand) recover? Other industries have been supported much more through COVID than ours. Doing so would be a win-win. We also pay farmers for environmental goods - it's part of a 'public money for public goods' approach.**
- **A.** There are examples of this happening in the EU. Value for money question there. Scallops aside, with cod and haddock there would not be enough quantity in our seas se we would still have to import. This is an interesting concept but not necessarily a deliverable in terms of value for money and long-term sustainability.

Further information

- **Fisheries Bill 2019-2021**

Elspeth Macdonald, Chief Executive Officer, Scottish Fishermen's Federation.

This explained the role and responsibilities of the Scottish Fishermen's Federation and the many challenges and opportunities the industry has faced in the last year.

COVID-19

- Seafood industry felt the early impact of lockdowns – loss of hospitality and foodservice markets.
- Variable impacts across the fleet – shellfish hit the hardest (most reliant on the foodservice and hospitality sectors). The whitefish sector managed to keep fishing, but at a significantly reduced level of activity to reflect the volatility of the market and the real challenges.
- Timing was crucial especially after a difficult winter for many vessels.
- Market volatility remains. Industry has had to work collaboratively to manage fish landings to keep some of the fleet at sea and manage market demand. During May effort limitations were imposed on the demersal fleet to manage the situation. This all needed good collaborative working and good communication.

- Government support to help and support businesses needs to be recognised. There was a quick recognition by Government of the impact on the fishing sector.
- Recovery – 'small steps along a long path'. As the impacts have been variable, recovery will be variable too, with probably the longest impact felt by the shellfish sector. Linked to consumer confidence in eating out again. This will not be a V-shaped recovery.

Brexit – our strapline is the 'sea of opportunity'.

- What a valuable resource the UK EEZ actually is. Less than 40% of the fish and shellfish landed from the UK EEZ caught by UK boats UK EEZ – a valuable resource.

The SFF has been clear this presents opportunities. We must ensure:

- UK is an independent coastal state with sovereignty over our waters
- We need control of access to the EEZ and to be able to negotiate as a coastal state
- Need a fairer method of quota shares – based not on relative stability but on zonal attachment
- We should undertake annual negotiations with others – there is a heavy reliance by other countries on fishing in the UK EEZ.

UK as an Independent Coastal State –becomes legal default at the end of transition period.

- UK national renewable resource, available in perpetuity, which we need to fully utilise.
- Sovereignty over our EEZ – controlling access. The scale of the opportunity. The way by which we can derive the greatest benefit. Ours, unless active decision taken to give it away.

Where are we?

- UK-EU negotiations ongoing – fisheries agreement
- Negotiations with Norway and Faroe – specific arrangements.
- UK Fisheries Bill – passage through Parliament. It has complete progress in House of Lords. The second reading in the House of Commons is due. This provides a framework – the detail will sit in secondary legislation.
- Domestic fisheries management for the future. A lot of discussion sill to come.
- Negotiations for 2021 fishing opportunities will start in September.

<u>Discussion</u>

- **Q. What is the estimated percentage of fish not taken over the last four months because of the almost shutdown of UK hospitality and commercial catering in offices across the country? What is the impact of COVID-19 on landings – more sever is some sectors than others) – there is no point catching it if you can't sell it? What amount of quota has been left in the sea? How do you foresee markets are going to open up for those more problematic sectors?**
- **A.** The Producer Organisations and Marine Scotland should have exact figures. Nephrops is the species likely to have felt the most impact as the sector has been inactive since mid-March. The whitefish fleet has been operating at a reduced level. The pelagic sector will have fleet the least impact. The mackerel season was finished before lockdown started the herring season is due to start in September, so the effect will be minimal. In terms of re-opening for shellfish consumer confidence to go out to eat again is key (home and abroad), and being able to afford to eat out. That will help the sector start to recover, along with unfettered access to European markets.
- We are unusual in relying so much on hospitality. Would be great to see some supermarkets committing to more UK fish (and paying a good price of course!).
- In April / May, there was a downturn of 83% in visits to foodservice outlets (involving seafood purchases). Seafish is trying to quantify that in terms of volume and value. This relates to all species/from all origins. This is based on data available from Seafish.

Andrew Kuyk, Director General, Provision Trade Federation/UK Seafood Industry Alliance.

COVID-19

- Fish is one of the most globally traded of all foods – and China is one of the centres of that trade. Fish has been v central to global effect of COVID-19. The early Chinese lockdown affected ports and container traffic and created an early disruption to trade flows.
- There was an early impact on container traffic – and hence supply chains (not just for fish), and the big trading events all got cancelled.
- Global trade is resilient and there are attempts to get global trade back to normal. Globally we are not through COVID-19, but some second stage concerns over traces of virus on imports (e.g. Ecuadorian shrimp to China) with certification and inspection of factories needed, and were issues on the salmon market (Beijing outbreak) which affected sales.
- UK market a game of two halves, reflecting supply paradox (import most of what we eat and export most of what we catch). Imports (outside EU) mainly go into retail market – which boomed, especially for frozen and canned product. For UK caught fish (not exported) foodservice probably represents 80-90% of that market. The closure of foodservice (here and in the EU) led to the fresh (UK caught) market falling off a cliff. A revised, very streamlined retail model has kept sales very strong. Fish has played an important role in this, with mostly frozen products (generally imports).
- Not clear how far or how fast the market will recover. It is not clear whether there will be a fundamental change in the way people shop, purchasing power, a move to 'value' products etc. Will online remain strong? Sales have held up but returns are probably down due to increased costs. Some of the value may have been taken out of the market.

Brexit – future relation with the EU/new beginning for the UK

- Will we face tariffs? Same supply paradox applies – but most imports are from outside the EU and most exports are to the EU. A failure to agree Free Trade Deal will impact hugely on UK catchers. But irrespective of how 'tariff-free' future trade may be, it will certainly not be "frictionless" (with border controls etc), irrespective of the outcome of the current talks.
- A new border operation model has been published. It is clear there will be more friction even if it tariff free. We will be a third country and new border controls will come in irrespective of the free trade aspect.
- There are interesting issues around Northern Ireland as these controls do not apply to NI. A treaty with NI is already in place and we need to decide how it will be implemented. There are issues over the single market and Customs Union. This could lead to some practical difficulties.
- There was an undertaking to have a fisheries agreement in place by 1 July. This has not happened but fisheries issues are still in play. There is a commitment on both sides to intensive negotiation which is underway. Both sides are still camped on 'maximalist' positions ie UK is a full coastal state. But this is a negotiation where leverage is the more important question. UK needs market access from EU – and EU needs fishing access from us. These are completely separate issues, the EU is linking them, so de facto they are linked.
- Both sides have so far retreated from making fish a breaking point in the talks, but that just kicks it into the longer grass. It is far from clear where we will end up. Probably only 50/50 as to whether we get a deal (of which fish would have to be part).

Discussion

- **Q. Are there any thoughts on the friction element of trade?**
- **A.** We will have export health certificates and catch certification so regardless there will be friction there, which is not there now. There will be new checks, tests and sampling required, but it is not clear how challenging this will prove to be.