

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



UK Seafood Supply Chain Overview:

July-September 2021

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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 2021.

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.

Industry Impacts Overview

Businesses continued to adjust to the new EU-UK Trade and Cooperation Agreement (TCA) during this period. Export demand stabilised but remained subdued through the summer. Export delays and higher costs for transportation continued to cause problems for some exporters. A critical shortage of HGV drivers further hampered trade. Fishermen also continued to struggle with access to quota and fishing grounds which had knock on effects for processors and markets, driving up raw material prices for some key demersal species.

Covid-19 outbreaks in China and southeast Asia during this period reduced their farm and factory production capabilities, impacting on UK seafood import supply and price. Shipping imbalances, which have challenged global supply chains since the start of the pandemic, continued during this period with prices spiking for containers sent between Europe and Asia.

Retail sales returned to pre-Covid levels as more workers return to offices and restrictions on foodservice continued to ease. Some foodservice businesses reported serious issues with staffing and “no show” bookings during this period. Government self-isolation requirements also aggravated existing staff shortages as people returned to work. Sales from quick service restaurants including Fish and Chip shops helped seafood sales in foodservice to recover more quickly than total foodservice.

Markets

Key points

- The retail market continued to revert to pre-Covid trading patterns during this period.
- Foodservice continued to recover during this period as restrictions eased throughout the summer, with seafood servings sold in July-September 2021 returning to 95% of pre-pandemic (2019) levels for the same period.
- Export demand stabilised but remained subdued during this period. A critical shortage of HGV drivers further hampered trade.

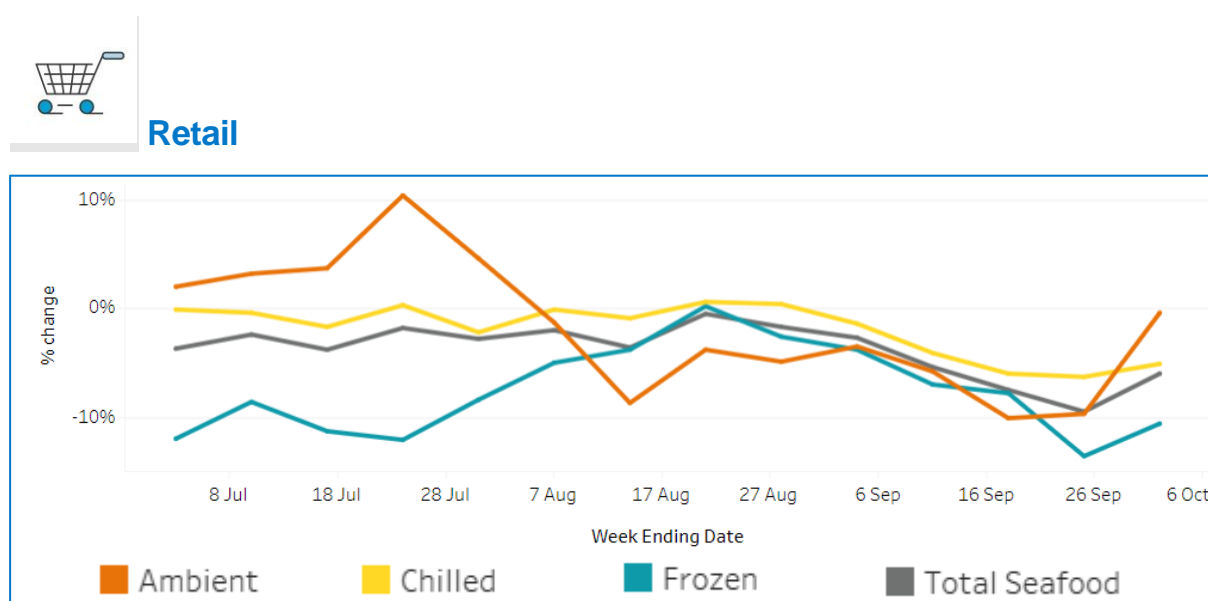


Figure 1. July-September 2021 weekly seafood volume sales in retail compared to previous year.

The double-digit growth in UK seafood retail sales seen in 2020 and early 2021 continued to slow (Figure 1). However, in the 12 months to the end of September 2021, value and volume were still up by four percent and three percent, respectively, compared to the 12 months to the end of September 2020.

The decline in sales growth, compared to the same period in 2020, was driven by a reduction in meals eaten at home as people returned to the workplace and restrictions on foodservice were lifted. However, as a proportion of the UK workforce had not fully returned to full-time office working and foodservice was relatively slow to reopen, in home meal occasions remained above pre-Covid levels during this period. It is unclear how permanent these changes in working patterns will be.

Despite the slowdown, chilled seafood continued to perform strongly. In contrast frozen sales plateaued, and ambient sales remained in decline. Looking ahead, it is expected that chilled seafood sales will continue to drive the category, frozen seafood sales will remain plateaued, and ambient seafood sales will continue to decline.

Sushi showed the strongest volume growth during this period driven by a partial return to the office. Perceived by shoppers as good value for money, farmed species like salmon, sea bass and basa also continued to perform strongly through this period.



Foodservice

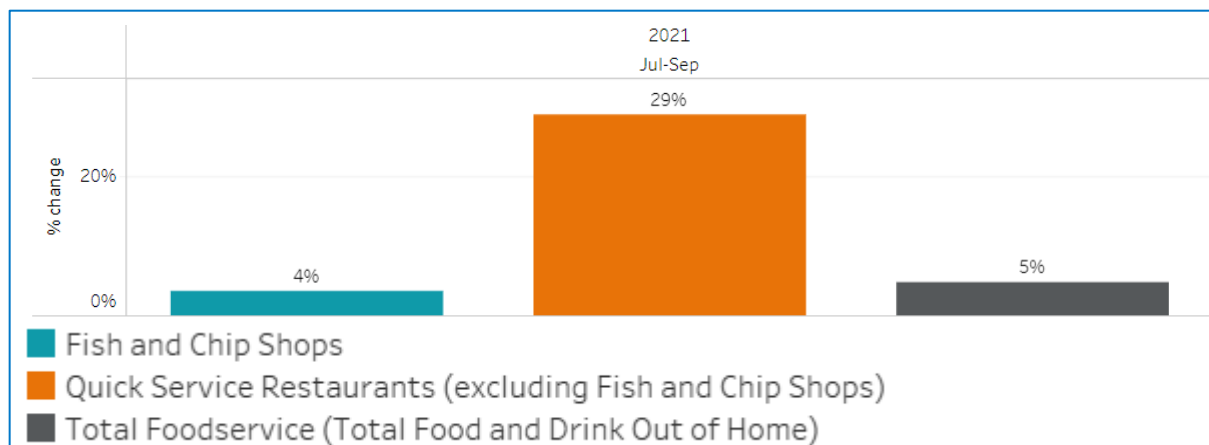


Figure 2. July-September 2021 foodservice visits compared to previous year.

Covid-19 restrictions continued to lift during the summer with almost all restrictions affecting the foodservice industry removed by the end of July. Summer staycations remained popular in 2021 with seafood in foodservice proving popular. As a result, in July-September 2021 total seafood in foodservice was up 45% compared to the same period in 2020, returning servings sold to 95% of pre-pandemic (2019) levels for the same period. Though seafood servings only represent five percent of the total foodservice market, seafood sales in foodservice recovered more quickly than total foodservice which, in July-September 2021, was still down 21% compared to pre-pandemic (2019) levels for the same period.

Takeaway and delivery options from quick service restaurants continued to be popular amongst consumers during this period. Fish and Chip shop visits also helped boost seafood sales in foodservice. Though recovery in Fish and Chip shop visits slowed during this period, compared to the start of 2021, sales remained strong through the summer with visits up four percent in July-September 2021 compared to the same period in 2020. In contrast, travel and leisure, including meals served in hotel restaurants, made the slowest recovery of all foodservice channels due to low levels of international tourism during the summer.

Visits to full-service restaurants continued to increase during this period with visits up 57% in July-September 2021 compared to the same time in 2020 (Figure 2). However, these businesses also reported serious issues with staffing and “no show” bookings during this period. Supply issues for some whitefish and shellfish species also increased costs for foodservice businesses. Together these issues forced some businesses to increase prices to cover rising operating costs.



Exports

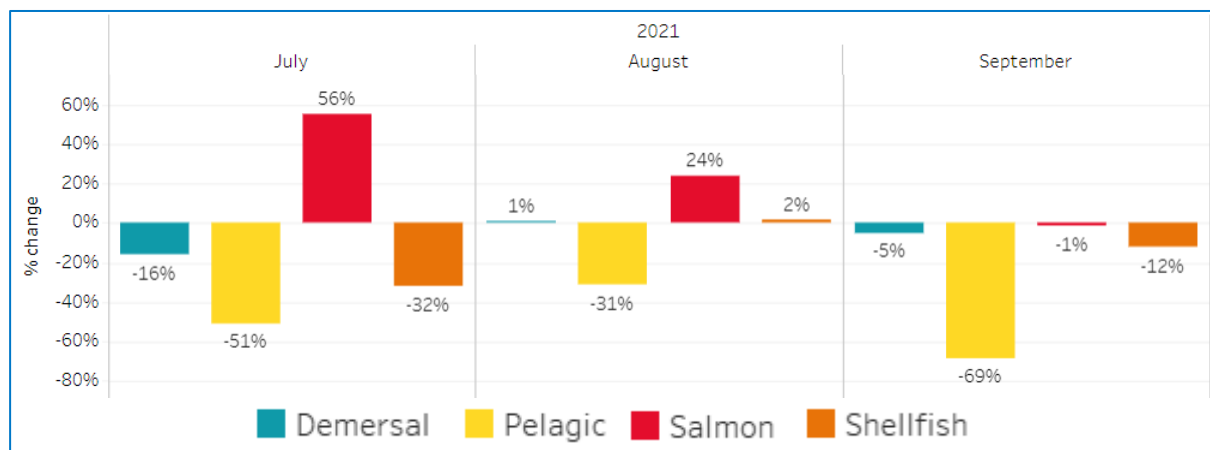


Figure 3. July-September 2021 seafood export value compared to previous year, by month.

Export delays and higher costs for transportation continued to cause problems for some exporters. To address some of these issues, trials for a new digitalised export documentation system began, with the aim of minimising the manual data entry errors that held up exports at the start of the year. Some businesses switched from selling fresh/live product to quick frozen products to avoid quality degradation over export delays. Other businesses explored switching from live to pre-cooked mussels to get around ongoing live-bivalve mollusc export restrictions.

Businesses trading with or through Northern Ireland also benefitted from an extension to the Scheme for Authorised Movements to Northern Ireland (STAMNI) arrangements announced in September which allows trade to continue between Great Britain and Northern Ireland without export health certificates or a requirement for goods to enter through a border control post.

Cumulative demersal export value was still 19% below pre-Covid levels (2017-2019 average) and cumulative demersal export volume was 11% down on pre-Covid levels by the end of September, with low domestic landings remaining a limiting factor for some exporters (Figure 3). By the end of September, cumulative pelagic export value was down 39% and cumulative export volume was down 48% compared to pre-Covid levels. After ongoing disruption to shellfish exports, cumulative value was still 29% below pre-Covid levels by the end of September, while cumulative export volume was 35% below pre-Covid levels. Meanwhile, by the end of September, cumulative salmon export value and volume were slightly above pre-Covid levels, with value up 3% and volume up 6%.

Production & Distribution

Key points

- **Many processing businesses continued to face supply and demand constraints during July-September. Production was also limited by labour shortages.**
- **Many businesses across the supply chain continued to struggle with staff recruitment and retention.**



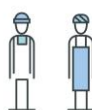
Processing, Transportation & Logistics

Processing businesses faced a number of challenges during July to September.

Transportation costs remained high during this period due to a combination of Covid-19 and EU Exit factors, impacting operating costs for those sourcing raw materials or selling products internationally.

Labour shortages in the processing industry became more acute during the summer. Businesses reliant on securing additional staff during the summer to help meet additional seasonal orders faced particular challenges. Track and trace self-isolation rules exacerbated ongoing labour shortages for some businesses, especially those operating with a small number of core staff.

Some businesses continued to face challenges sourcing raw materials to meet their orders. Despite reduced domestic and international foodservice demand during this period, demand for whitefish species continued to outstrip supply, driving up raw material prices for domestically sourced- and imported material. Some businesses also continued to struggle with sourcing non-seafood production materials, including packaging products, during this period due to shipping and haulage delays.



Workforce

Throughout this period, staffing shortages were felt across factory floors, fishing vessels, foodservice businesses and supply chain logistics. Businesses had partial success from offering pay rises to secure staff, but this was not seen as a long-term solution. Government self-isolation requirements also aggravated existing staff shortages in some sectors as most sectors returned to work.

The lorry driver shortage, caused in large part by the loss of EU lorry drivers under the new UK immigration legislation, was exacerbated by the backlog of driver training and testing that developed during the pandemic.

As expected in the spring, some processing businesses that rely on additional seasonal staff during the summer faced a more severe shortage during this period than earlier in the year. Many driving factors for staff shortages in factories pre-date Covid-19, including the reduced

labour pool caused by new immigration controls and strong competition from other sectors, but during this period these issues were exacerbated by Covid-19 self-isolation requirements. As a result, some businesses were forced to make raw material purchasing decisions based on what could be processed most efficiently with the staff available, regardless of the orders they held. Such decisions resulted in lost orders with customers turning elsewhere. There were further concerns about how an ongoing labour shortage could impact pre-Christmas trade.

Vessel owners faced issues finding deckhands as a result of skilled worker visa requirements. The main issues were around the English language requirement, minimum salary requirement and maximum working hour requirement. To help tackle labour shortages and the aging workforce in the catching sector, the Cornish Fish Producers' Organisation announced a new 18-month level two fisher apprenticeship in September which will launch in 2022 out of the South Devon College Marine Academy.

Onshore, work on the Sea a Bright Future pilot campaign continued in Scotland. This campaign aims to increase awareness of the variety and availability of roles and opportunities in the seafood processing sector and improve perceptions of the sector more widely. A second pilot campaign in Northeast Scotland is planned for November 2021 with ambitions to expand the campaign more widely across the UK in 2022.

Supply & Primary Production

Key points

- Covid-19 outbreaks and restrictions around the world continued to hamper import trade to the UK. Imports from the EU were not yet subject to the full suite of new import regulations following the end of the transition period.
- Demersal, shellfish and pelagic landings were comparable to 2020 levels during this period. Landings remained below pre-Covid levels (2017-2019 average) across all species groups during July to September.
- Aquaculture businesses continued to manage challenges arising in the post-EU Exit landscape.

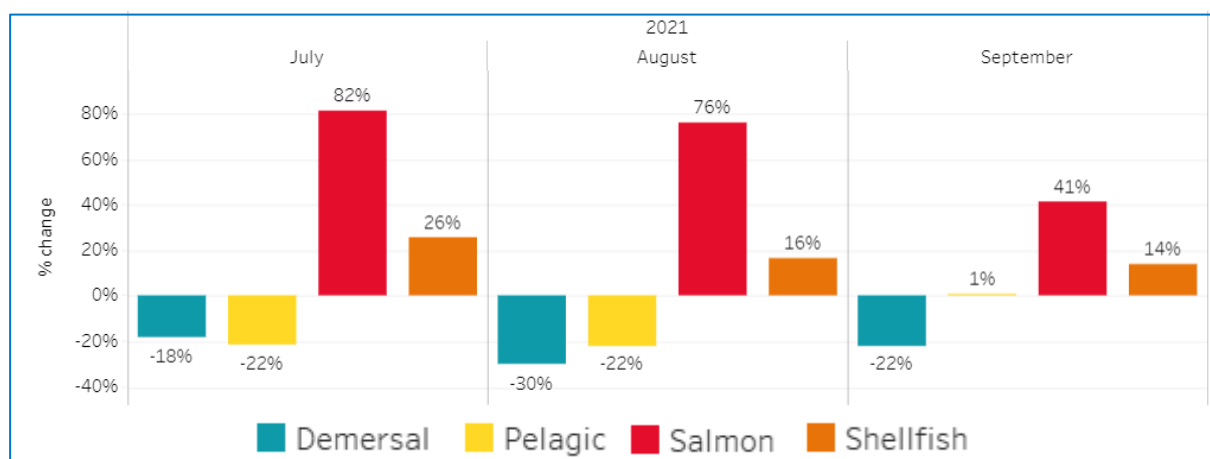


Figure 4. July-September 2021 seafood import value compared to previous year, by month.

Covid-19 outbreaks in China and southeast Asia during this period reduced their farm and factory production capabilities, impacting on seafood imports to the UK. Shipping imbalances, which have challenged global supply chains since the start of the pandemic, continued during this period with prices spiking for containers sent between Europe and Asia.

During this period, the UK Government announced further delays to the introduction of new sanitary and phytosanitary requirements for seafood arriving in Great Britain from the EU in order to give business more time to adjust to the new processes. As a result, the requirements will be gradually introduced between January and October 2022 instead of July to October 2021. This delay will allow port operators and port health authorities more time to accurately identify their resource needs.

Overall, compared to the 2017-2019 average, demersal import value was down 13% in July-September 2021 (Figure 4). Cumulative demersal import value lagged behind 2020 at the end of September (-17%), with cumulative volume still 10% below 2020 levels. Compared to pre-Covid import levels, cumulative value was still down 15% and volume down 16% at the end of September.

The total value of pelagic imports during July-September was 6% below pre-Covid levels and 7% below 2020 levels. Pelagic import volume was 7% below 2020 levels in July-September and down 11% compared to pre-Covid levels for the same quarter. Cumulative value was 13% below pre-Covid levels and 12% below 2020 levels by the end of September. Cumulative pelagic import volume was 10% below 2020 levels and 13% below pre-Covid levels by end of September.

In July-September, shellfish import value (+18%) and volume (+19%) were both above 2020 levels. Cumulatively, since January, shellfish import value (+2%) and volume (+7%) had surpassed 2020 levels by the end of September. However, compared to pre-Covid levels (2017-2019 average), cumulative value and volume were both still down 9% by the end of September.

The total value of salmon imports during July-September was 63% above 2020 levels and 37% above pre-Covid levels. Salmon import volume was 78% above 2020 levels in July-September and 64% above pre-Covid levels for the same period. Cumulative value was 22% above pre-Covid levels and 23% above 2020 levels by the end of September, while cumulative import volume was 35% above 2020 levels and 40% above pre-Covid levels by the end of September.



Landings

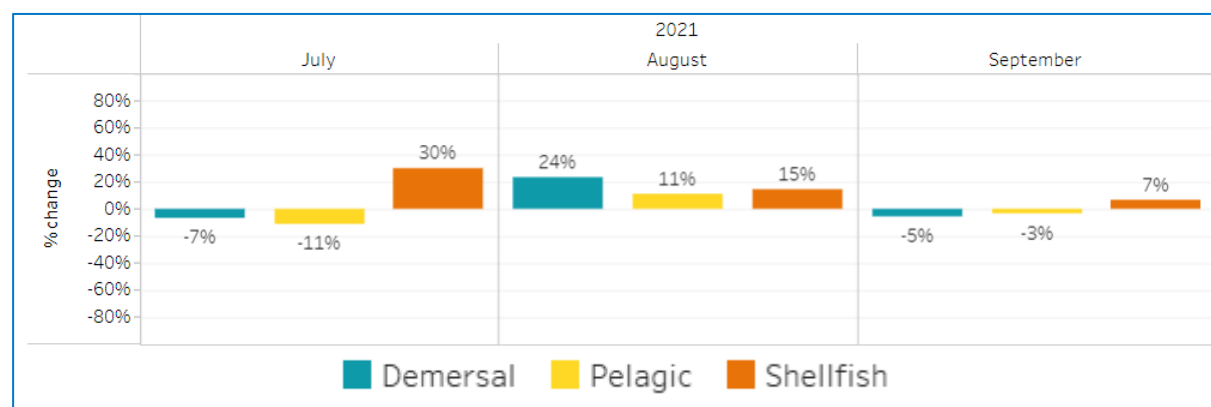


Figure 5. July-September 2021 UK vessel landings first sale value compared to previous year, by month.

Ongoing access issues continued to plague the demersal sector during July-September (Figure 5). Whitefish landings from the Scottish sector remained limited during this period due to ongoing quota limitations and third country access restrictions. An interim industry system for swaps between Producer Organisations was agreed during this period to handle international quota swaps until the new Specialised Committee for Fisheries is fully up and running.

Supply issues were exacerbated by increasing demand as European economies re-set following the easing of heightened lockdown restrictions that were in place during the first half of the year. However, this increase in demand did not translate to increased exports due to supply constraints. Demand for domestically consumed species (cod, haddock, hake) was strong during the summer and prices for these and other species destined for high-end restaurants remained high.

While access issues related to quota and fishing grounds continued to challenge many operators, the reduction in supply supported improved prices for some species. However, other factors led to depressed prices in other areas. Labour shortages in the demersal processing sector for example pushed prices down for smaller fish sizes as businesses stopped buying smaller fish that were more labour intensive to process.

Pelagic operators remained largely insulated from adverse effects of both Covid-19 and EU Exit during this period. However, lack of seasonal labour at UK pelagic processing sites may have adversely impacted the pelagic catching sector throughout the summer season and driven vessels to land more catches abroad.

Shellfish demand continued to improve through the summer, from both domestic and European foodservice markets. With increased demand from both key markets, prices were driven up for some species.

Licencing delays for Northern Irish inshore vessels that blocked access to Irish waters earlier in the year were resolved in July.



Aquaculture

By July-September, exporting aquaculture producers were learning to manage export paperwork more efficiently. However, from July, export paperwork issues were displaced by production issues caused by a shortage of labour for many aquaculture businesses. A change in labour laws came into force on 01 July, requiring special permits for workers from inside the European Free Trade Area. This impacted both onshore and offshore roles in the salmon industry in particular.

Live bivalve mollusc (LBM) producers operating in class B and C waters continued to face export restrictions. In response, some businesses explored switching from live to pre-cooked mussels to get around ongoing LBM export restrictions.

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. <https://www.seafish.org/insight-and-research/current-and-future-trends/> .

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