2000
Survey of the
UK SEA FISH PROCESSING INDUSTRY

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SEAFISH

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Executive Summary

A survey of the UK sea fish processing industry was carried out by The Sea Fish Industry Authority between May and September 2000 to produce the figures on which this report is based. The survey was similar in many respects to one carried out in 1995/1996 on behalf of Seafish. The survey included a telephone survey of the whole industry, and face-to-face interviews and postal questionnaires directed at those firms engaged in primary of a mix of primary and secondary processing. Firms engaged solely in secondary processing were not included in the detailed part of the survey. Published financial data was used to augment questionnaire responses.

1. Structure and Employment

Whilst the processing industry has seen a 25% reduction in the number of fish processing units since the survey in 1995, total employment in the industry had increased by 15% at the time of the survey in May 2000. The average size of processing units had also increased therefore, by 50% since 1995 and has more than doubled since 1986.

In contrast to the overall picture, the primary processing sector has seen a 30% reduction in the number of processing units and a 42% decrease in employment as firms either cease trading, merge or take on some secondary processes, which would re-classify them as mixed processors.

Almost 50% of processing units are engaged in a mix of primary and secondary processes. These units employ 52% of the workforce and purely secondary units account for 36% of employment.

The previously identified trend of employment moving away from traditional port areas has continued, with Grampian witnessing a 5% decline and Humberside a 19% decline in number of employees. Combined, they now represent 43% of all employment in the industry. In contrast, the North of England has seen a doubling in the number of employees since 1995. Scotland now represents 35% of the total industry employment, a small decline in proportion from 38% in 1995, but a small increase in actual numbers (as at May 2000).

The ageing of the workforce identified in the report published in 1996 has not continued, with an increase in proportion of younger workers.

There was an increase in the proportion of firms noting difficulty in recruiting trained staff, but with wide regional variations. South West England experienced the greatest difficulties recruiting enough skilled staff.

2. Supply

UK landings declined by 31% from 1994 to 1999 and although imports increased by 15%, the net effect was a decrease of 11% in fish available. Due to their greater reliance on readily available fish via local markets, the decline in landings has had particular impact on primary processors. It is clear that supplies available via UK auction markets in 2000 have decreased further. Year-to-date data available from Peterhead and Grimsby markets show a decrease since last year in the region of 14% - 15%.

Grampian remains the most important supply of fish to the primary and mixed processing sectors, although the proportion of fish it supplies to the primary sector has declined. Highlands and Islands remains an important source of supply to the primary sector.

Auction markets were the main route of supply to an increased proportion of primary processors in 1999. Mixed processors rely more heavily on direct contracts and direct imports than on auction sales.

Processors' major concern about supplies is with the decline in readily available fish, with concerns over quality, price and consistency of supply also frequently mentioned.

3. Sales

Total sales of fish and fish products from the primary and mixed sectors of the UK fish processing industry in 1999 are estimated at around £1.48 billion (including sales to other processors), with approximately £330 million from the primary sector and £1,150 million from the mixed sector. Primary sector sales represent a 16% increase in value in real terms (adjusted for inflation).

Among primary and mixed processors, Grampian is the region with the highest sales, representing 32% of UK sales from these sectors. Humberside and Grampian combined generate 58% of primary and mixed sector sales, some of which will be to secondary processors, especially in Humberside.

The majority of primary sector sales still come from firms with 25 or fewer employees, although the proportion coming from firms with 26-50 employees has increased sharply. The proportion of sales generated from the smallest primary firms has decreased since 1995.

The proportion of sales generated by mixed processors of different sizes is very similar to the pattern for secondary processors in 1995.

Primary sector sales direct to the retail sector have decreased markedly but there has been an increase in sales to pubs, hotels and restaurants. In the mixed sector, retail is still the biggest single customer group with supermarkets accounting for 24% of mixed sector sales.

4. Financial Performance

Although sales have increased in value in real terms since 1995, so have costs, and margins have decreased further for the primary sector. Fish purchases continue to make up around 75% of the value of sales. Operating profits have decreased and this survey suggests that the primary sector was hovering around the break even point for 1999, with some firms operating at a loss.

The mixed sector also suffered from low margins and operating profits in 1999, with much smaller margins than the secondary sector made in 1994, similar instead to the 3% made by the secondary sector in 1985/86.

For mixed processors, the proportion of sales made up by fish purchases is higher than it was for secondary processors in 1994, but similar to the position for secondary processors in 1986, namely about two thirds of sales.

Many primary businesses were struggling to make a profit at tight margins and on decreased volumes of sales. With very tight margins, it is necessary to maintain a certain minimum volume of throughput to enable fixed costs to be covered, and it seems that this is becoming increasingly difficult for many firms.

Value added for the primary and mixed sectors for 1999 was estimated at just under £260 million, with Grampian the largest single contributing region.

5. State of the Industry

This research has clearly indicated the financial pressure that many primary processors were under in 1999. There is evidence from major markets that one of the prime contributing factors to the difficulties, shortage of fish available via auction, is more acute in 2000.

The report published in 1996 suggested that the margins being achieved by primary processors in 1994 were clearly inadequate and the decline in both numbers of units and numbers of employees in primary processing would appear to confirm the accuracy of that statement.

Structural changes to the industry have continued apace, with increases in employment in industrialised areas, provided by firms carrying out secondary processes which add more value to the end product.

The factors inhibiting growth and threatening the financial stability of the primary and mixed sectors are similar to the three main factors mentioned in 1996, which were: lack of continuous supply, pressure on margins, cash flow.

Shortage of Fish

Rather than finding the variability in supply levels the main problem, processors reported that overall shortage of supplies was their major difficulty. Shortage of customers was not a problem, indicating that for the primary sector, demand was outstripping supply at current prices and that some companies are failing to obtain sufficient raw materials to make their operations economically viable. Processors of pelagic fish and shellfish have not experienced the same difficulties obtaining supplies.

Primary processors were no more able to predict their expected supplies ahead than they were in 1994. Uncertainty of supply levels prevents investment and makes it hard to borrow money to invest.

Current, highly publicised failings of the quota system to conserve fish stocks in the North Sea were seen as one of the main causes of shortages and one of the main areas that must be remedied in order to secure the future of the primary processing sector.

Pressure on margins

Increased fixed costs and overheads, such as water and waste charges, have put further pressure on already tight margins, particularly in the primary sector. In 1994 primary processors found that they were unable to pass on price increases to their customers, particularly in retail. Since then, their customer base has shifted to the growing catering sector. Some large primary firms or mixed firms engaged mostly in primary processing, were still trying to cope with the pressure on retail prices as they continue to supply supermarkets and other large retailers. Their survival strategy must be to diversify into a larger proportion of sales from more value-added processes in order to achieve sustainable margins.

For many smaller primary firms, their chances of survival may hinge on diversification and/or being able to merge to form bigger firms, with greater power to buy fish on direct contracts from boats or through importing.

Cash flow

The situation of cash flow described in the report published in 1996 has not improved. Primary and mixed processors continue to extend much longer credit to their customers than they are afforded by their fish suppliers. Competition between processors can be on credit terms, so that firms are unable to demand shorter terms from their customers for fear that they would simply transfer their business to another processor who would offer them longer.

Future Prospects

The fears of processors expressed in the previous survey are coming true in terms of availability and conservation of fish stocks. No industry can continue unchanged while it's major raw materials become less readily available. Decreasing availability of raw materials is the major ongoing threat to primary and mixed processors, and will be the catalyst for further change in the structure of the industry.

The answer in the previous report was for secondary processors to invest in developing value-added products and marketing the hitherto less well known and less popular species. Primary processors were encouraged to support these activities. Many firms have taken these steps and are refocusing their activities to develop new products and meet changing customer demands.

It would now seem that those firms engaged in some secondary processes or prepared and able to invest in secondary processing or other diversification, are best placed to achieve a degree of financial stability in the near future.

In the face of rising overheads and an increased burden of regulations, small primary processors are likely to have to change the way they operate their business. The minimum economic scale of operation has increased and will mean that many firms must merge, diversify or cease trading. It seems likely that many of the smaller sole traders who are approaching retirement age will cease to trade in the near future, rather than pass on their businesses as going concerns. Even larger firms must ensure however that their operations continue to add increasingly more value to their products, and are not immune from financial pressures.

Once this process of rationalisation has slowed down, the remaining firms are likely to be bigger and are more likely to be geared up for obtaining supplies via direct routes and from overseas. The remaining firms will be the most economically efficient of the firms currently trading, and after a market readjustment, will be able to trade profitably in fish processing.

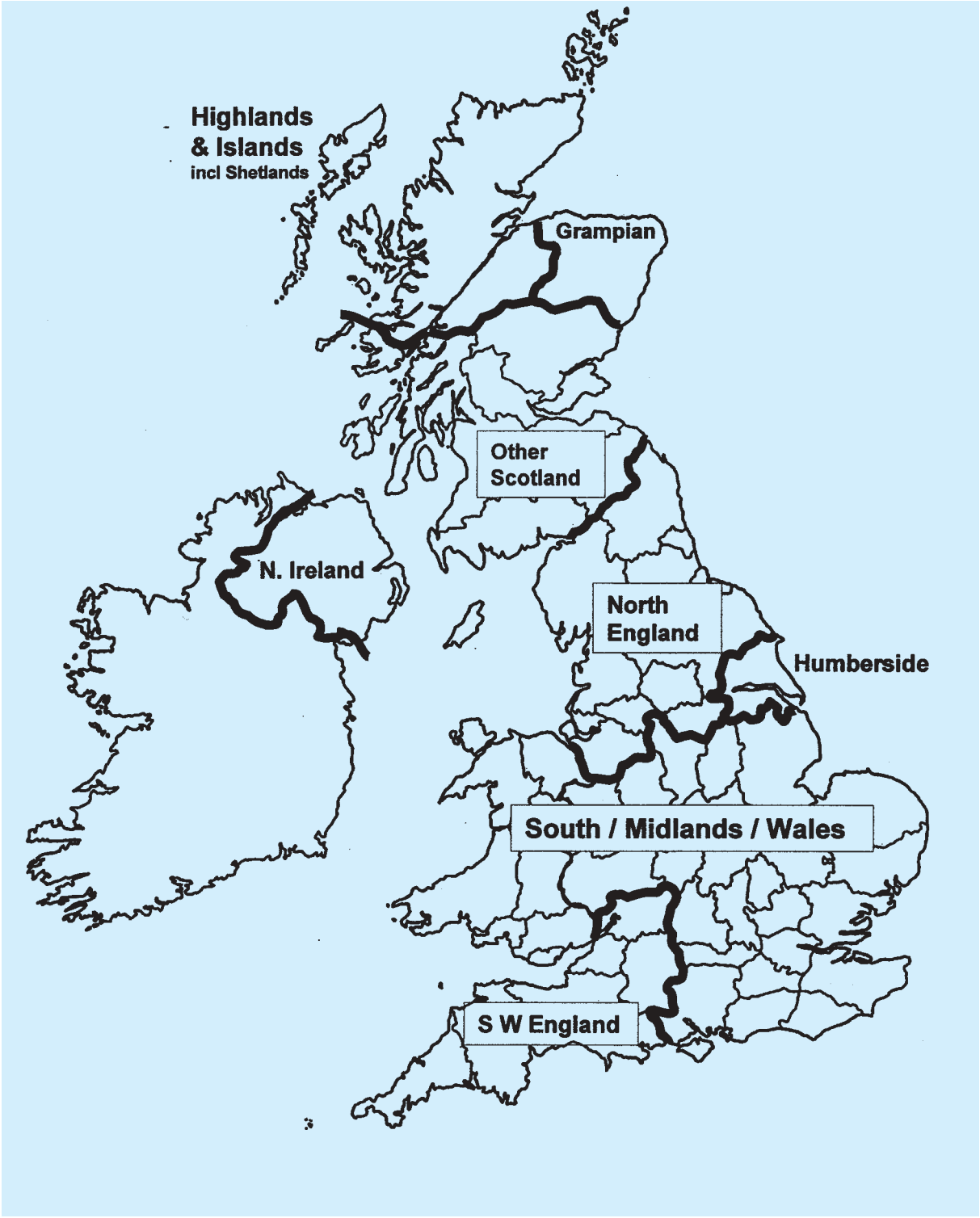


Figure 1 Seafish Processing Survey 2000 Data Collection Regions

Introduction

The first thorough characterisation of the UK fish processing industry was published by Seafish in 1988. In 1995 Seafish commissioned a survey of the processing industry, publishing a widely respected report covering every aspect of the industry in 1996.

Amid a climate of decreasing fish supplies and increasing economic difficulties among the smaller processing firms in particular, requests were made in 1999 for another detailed survey of the industry. Seafish agreed in early 2000 to carry out a smaller scale "in-house" survey of companies engaged in primary processing. With limited time and resources available, some of the detail included in the 1995 report was not achievable in this piece of work.

The project began in April 2000, managed by the Seafish Industry Analyst in the Economics Department with the aid of a Steering Group composed of fish processing industry representatives and an independent member. Two members of this group were involved in the previous survey.

Objectives

The project had the following objectives:

1. Characterise the current UK primary fish processing industry.

2. Identify trends and changes in the structure and financial health of the industry since 1995.

3. Benchmark the UK primary fish processing industry.

4. Provide information to survey participants that can be used to improve efficiency.

Scope

The scope of the survey covered all processors initially to establish an industry population and to define industry structure. For detailed analysis, the survey was restricted to those firms engaged in primary processing either solely or in addition to secondary processing. In contrast to the previous survey, companies carrying out only secondary processes were not included in the detailed analysis.

Resources

The 2000 survey was conducted by Seafish in a shorter time period than previous surveys and aimed to deliver a report similar to the one published in 1996. These restrictions meant that the collection of detailed data from the purely secondary processors was excluded and that there were some weaknesses in sampling. Nevertheless, this report gives detailed data and valuable insight to the current conditions in the industry.

Definitions

Primary processes include: cutting, filleting, picking, peeling, washing, chilling, packing, heading and gutting. Secondary processes include brining, smoking, cooking, freezing, canning, deboning, breading, battering, vacuum & controlled packaging, production of ready meals.

It is important to remember these strict definitions when considering the figures presented in this report, since there is often a general idea that a primary processor is a smaller firm filleting fresh fish and a secondary processor is a large firm producing ready packaged fish products. For the purpose of this survey however, if large companies also do primary processes to provide material for their finished products, they have been classed as “mixed” primary and secondary.

Fish types included have been defined as follows:

Demersal includes: cod, haddock, plaice, whiting, pollack, saithe (coley), hake, monk / anglerfish, soles, lemons, megrim, witches, brill, turbot, halibut, dogfish, sharks, skates, rays, John Dory, bass, ling, catfish, redfish, etc.

Pelagic includes: herring, mackerel, pilchard, sprat, horse mackerel, whitebait, tuna, etc.

Shellfish includes: nephrops (scampi, langoustines), scallops, crabs, oysters, cockles, mussels, winkles, lobster, crawfish, shrimps, squid, cuttle fish, octopus, etc.

Companies engaged only in processing salmon and/or trout, were not included as the remit of Seafish does not extend to these species.

Methods

The first task was to establish the population, which was done by creating a database of possible processors from Seafish databases, The Fish Industry Yearbook 2000, membership lists from trade associations, Yellow Pages on the web, other sources and other web sources.

Telephone survey

Over 800 organisations were telephoned to establish which were sea fish processors. Each of the 541 processors identified was asked about the species they processed, the type of processing they did, their employees, the ownership of the firm and the age of the firm. These data provided information to identify representative samples of each regional, size and processing type sector for detailed data collection.

Postal Survey

A questionnaire was devised and piloted to provide data on labour, supply, operations, marketing and financial performance, much of which could be compared with data obtained during the 1995 survey.

Questionnaires were mailed to 246 companies to complete and return them, and to a further 122 companies to complete them and await an interview.

During August 2000, companies not selected for interview and those which had not returned their forms were telephoned and asked to complete and return their forms. To assist this, 100 duplicate questionnaires were mailed out. In all, 86 completed questionnaires were received.

Interviews

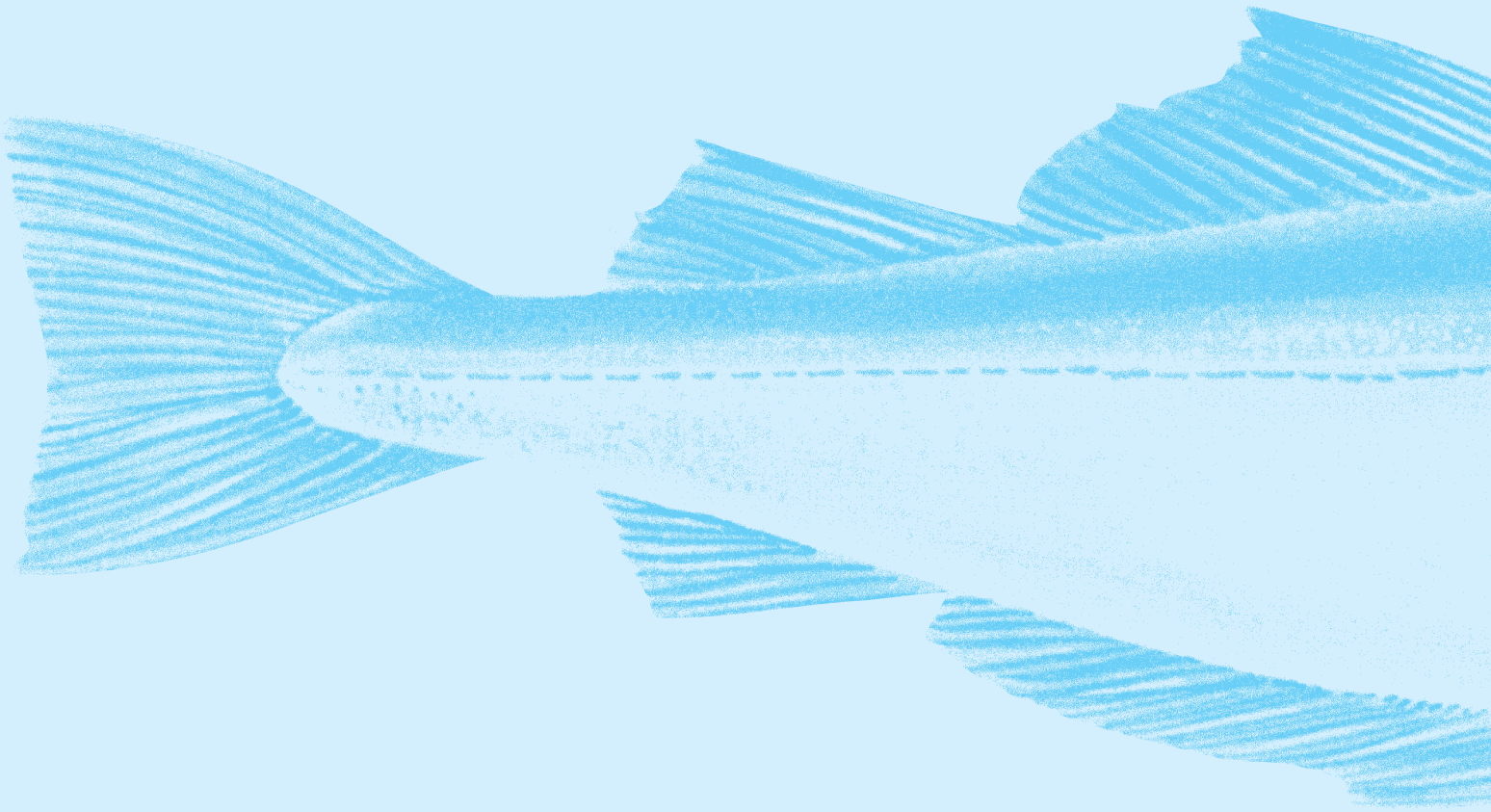
In-depth interviews of 22 primary and 23 mixed processors were carried out throughout the UK by Seafish staff, and by staff from Northern Ireland Seafood, during the period June to September. These interviews add valuable insight to the experience of people currently managing fish processing businesses.

Published Financial Data

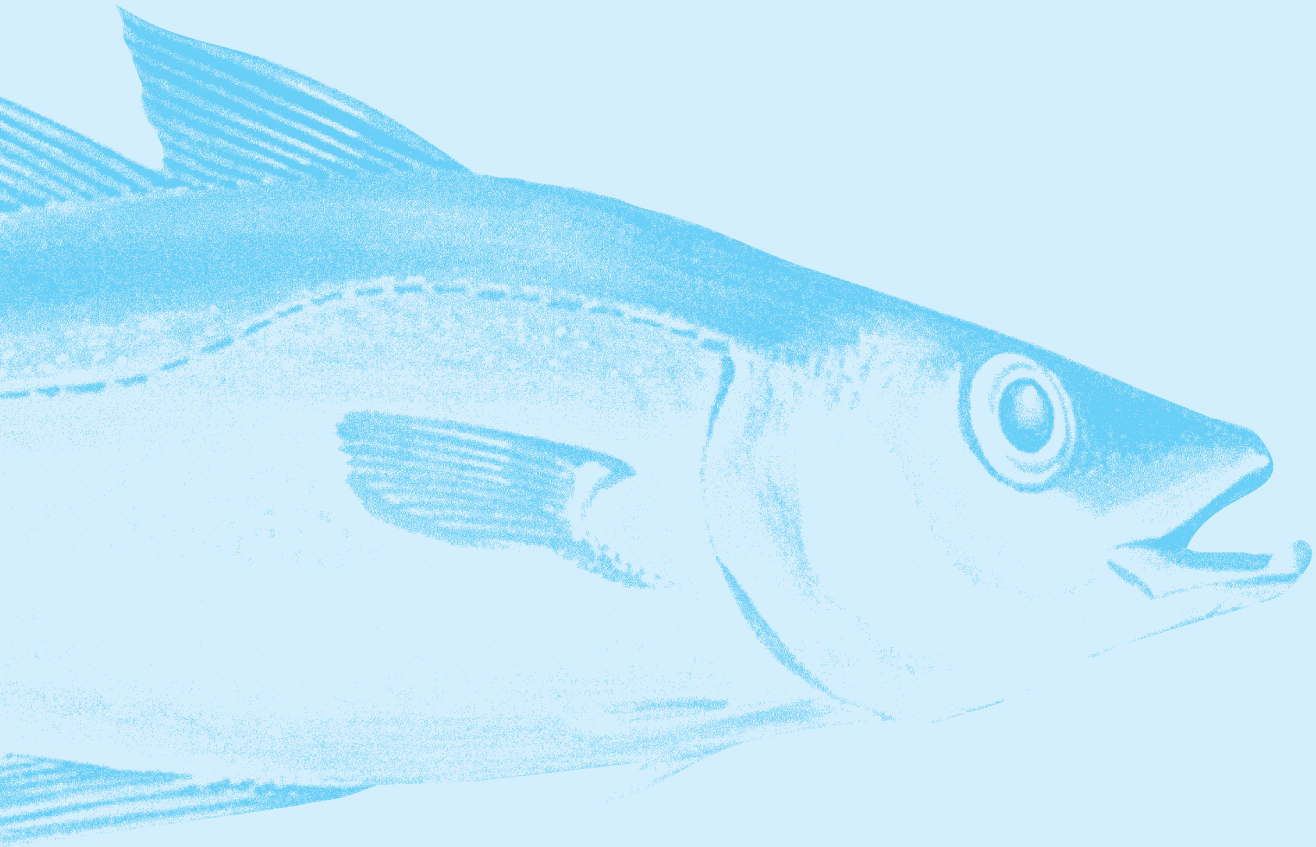
To supplement and verify financial data collected in the questionnaires, published accounts of limited companies were collected via Companies House Direct and the Merlin Scott Fish Processing Industry Report. Resource restrictions prevented the gathering of published accounts on all limited companies, but in total, financial data on 122 companies was included in the analysis.

Data were analysed according to the same company size categories and the same geographical regions used in the 1995 report (see figure 1). Analysis is also based on whether processors are primary or mixed.

Further details of the methods used in the survey and analysis are given in the chapter on Methods.



Industry Structure and Employment



This chapter looks at the distribution of different types of firm in the UK industry and then examines the spread of employment by region and processor type.

Industry Structure and Employment

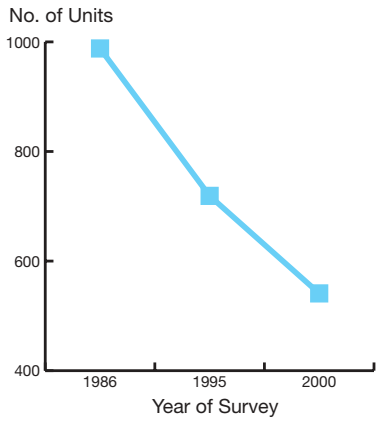


Fig 1.1 No. of UK fish processing units 1986 - 2000

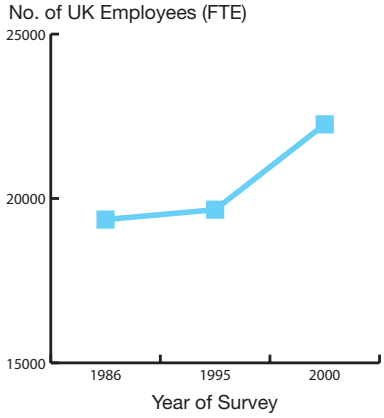


Fig 1.2 No. of employees (FTE) in the UK fish processing industry 1986 - 2000

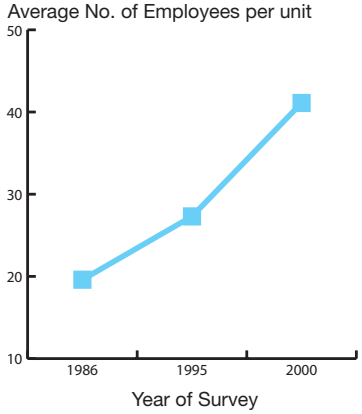


Fig 1.3 Average size of processing unit 1986 - 2000

This chapter looks at the distribution of different types of firm in the UK industry and then examines the spread of employment by region and processor type.

1.1 Industry Structure

The survey of the fish processor population revealed that the total number of units operating has declined further from 719 in 1995 to 541 in 2000, continuing the trend then identified. The number of people in regular employment in the industry has increased, so the average size of processing units continues to increase, from 19.6 in 1986, 27.3 in 1995 to 41.1 employees per firm in 2000 (in full-time equivalent (FTE) terms). Processing activity therefore is not declining but is increasingly being concentrated in fewer operating units (Figs 1.1, 1.2 and 1.3).

This overall picture contrasts with trends in the purely primary processing sector however, which has seen a 42% decrease in number of full time equivalent employees and a 30% reduction in the number of units operating since 1995 (Figs 1.4 and 1.5). Some of this reduction is explained by primary processing businesses having merged to form fewer larger, units or having taken on secondary processes during the last five years, meaning that in this survey they are now categorised as “mixed” processors (processors classed as mixed in this survey would have been classed as secondary in the 1995 survey). Many of the companies however have ceased trading.

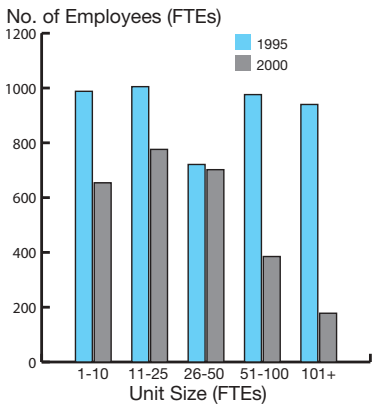


Fig 1.4 No. of employees (FTE) in Primary processing units in 1995 and 2000

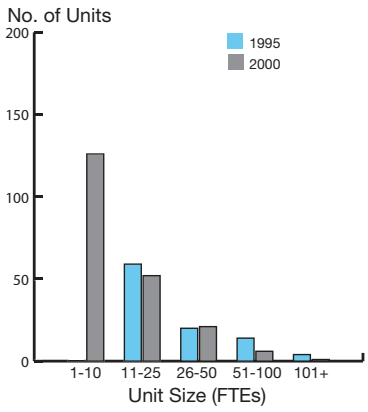


Fig 1.5 No. of Primary processing units in 1995 and 2000

The number of units with 10 or fewer employees has decreased from 728 (74%) in 1988, to 399 in 1995 to 275 (51% of units) in 2000 (Fig 1.6). In contrast there is an increase in numbers of larger sized processing units, and, since 1995 in particular, an increase in the proportion of employees in units of 101+ employees to 62% of all employees.

Of the 541 units identified, 263 (49%) are engaged in both primary and secondary processes, with 206 (38%) carrying out only primary processes and 72 units (13%) carrying out only secondary processes (Fig 1.7). In 1995 it was noted that secondary processors accounted for 75% of total employment. If the same definition of secondary processors is applied to 2000 survey results, the figure would be 88%, with only 12% of employment being provided by companies engaged only in primary processing. This indicates a shift away from businesses relying purely on primary processing and an increase in the number of companies seeking to increase value added by engaging in secondary processes (Fig 1.8).

Companies carrying out a mix of both types of process reported that they vary the proportions of primary to secondary processes over time depending on the supplies available and on customer demand for products.

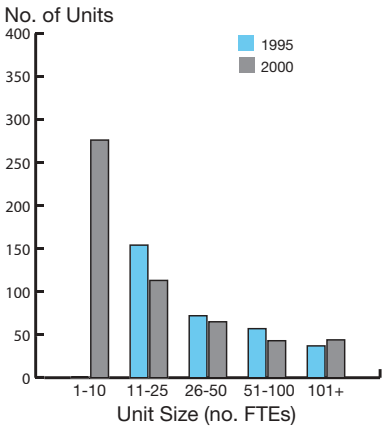


Fig 1.6 No. of units of all types in 1995 and 2000

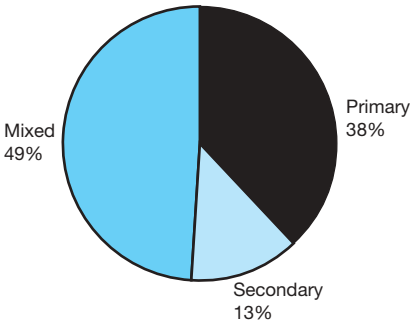


Fig 1.7 Proportion of units in each processing sector

1.2 Company ownership

The trend identified in 1995 of increasing numbers of companies adopting private limited status has continued but slowed, with an increase from 46% of all units to 51%. Partnerships and sole traders still make up 44% of processing units, no change since 1995. Units which are subsidiaries of other companies have decreased to only 1% while public limited companies have increased from 1% in 1995 to 4% in 2000 (Fig 1.9).

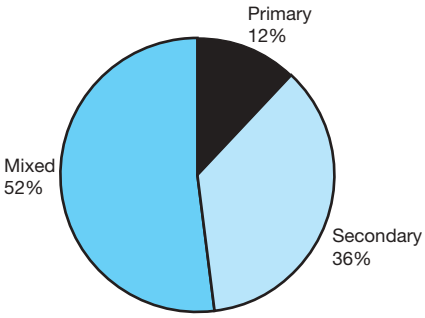


Fig 1.8 Distribution of employment by processing sector

1.3 Age of Firms

The age structure of UK fish processing firms in 1995 and 2000 is summarised in Fig 1.10 and Table 1.6.

This comparison shows that although there are 178 fewer companies in 2000 than in 1995, since 62 companies have started in the last 5 years, the number that have ceased trading over the period would be 240 companies, almost 1 per week on average. The comparison also illustrates that the rate of new company start ups has further declined since 1995, continuing the trend since 1986.

Regional differences are found in Highlands & Islands, where 15% of companies were aged 5 years or less, and in South West England where 18% were new starts.

Of new firms since 1995, 42% were found to be primary

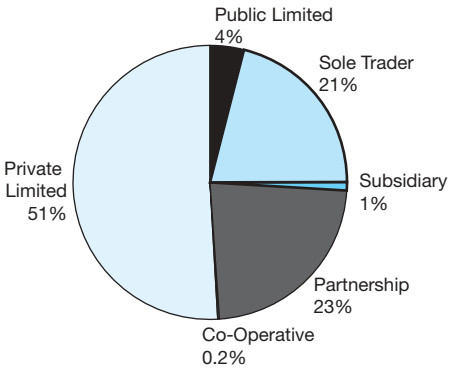


Fig 1.9 Distribution of processing units by type of ownership

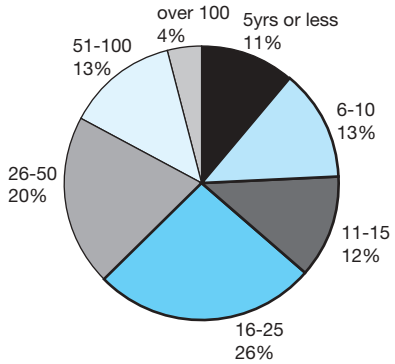


Fig 1.10 Age of processing units in 2000

COMPANY AGE	% in 2000	% in 1995	No. of units in 2000
5 yrs or less	11	14	62
6 - 10	13	15	69
11 - 15	12	15	67
16 - 25	26	17	140
26 - 50	20	22	110
51 - 100	13	14	69
over 100	4	3	24
Total	100	100	541

Table 1.6 Age structure of processing units in 1995 and 2000

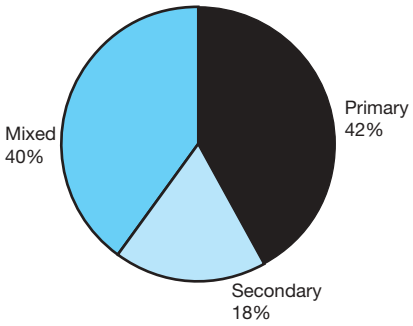


Fig 1.11 Process types of firms aged 5 years or less

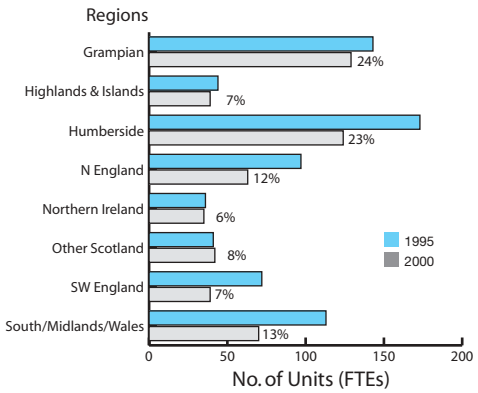


Fig 1.12 No. and percentage of processing units by region in 1995 and 2000

processors, 18% were secondary and 40% were mixed primary and secondary (Fig 1.11).

1.4 Geographical Distribution of Processing Units

Grampian and Humberside remain the regions with the highest proportions of UK fish processing units, although since 1995, Grampian has increased it's proportion from 20% to 24%, now ahead of Humberside, which has reduced slightly from 24% to 23% in 2000 (Fig 1.12, table 1.8). Since 1995 Grampian has experienced a 10% decline in the number of units, whereas Humberside has experienced a 28% decline. In Grampian the decline has been principally in companies with 25 or fewer employees. In Humberside there has been a 30% reduction in the number of companies with 10 or fewer employees (Tables 1.9, 1.10, 1.11).

The South / Midlands / Wales and S W England areas now represent only 20% of units, compared with 26% in 1995. This represents a 38% decline in numbers for the region designated South / Midlands / Wales, and a 46% decline in the number of processing units located in South West England. This decline is principally concentrated in a 50% reduction in the number of units employing 1-10 people.

The proportion of units based in other regions has not changed significantly in the last five years. The region designated Other Scotland is the only region to have increased its total number of units, by 2% from 41 to 42 units.

1.5 Employment Structure and Geographical Distribution

Between 1986 and 1995 there was found to be a very small increase in the number of full time equivalent employees, however since 1995 there has been a 13% increase from 19,659 to 22,255 FTEs in 2000 (Table 1.12). Since the figure for this survey was obtained by asking every processing company identified for their numbers of part time and full time employees, there can be a high degree of confidence in its accuracy. An element of estimation existed for some large companies unable to supply a break down of full time and part time employees, giving instead a total figure. These figures were adjusted to reflect the proportion of part time to full time employees found in the rest of the industry.

The overall increase in employment, taken with the decline in the number of processing units, means that the average number of employees per unit has increased sharply in the last five years. In the North of England in particular[1], there has been a large increase in average unit size from 19 to 60 employees per unit, associated with a 35% reduction in the number of units while the number of FTEs rose from 1,866 to 3,764 (Table 1.8).

The proportion of all employees in units of 10 or fewer people has decreased from 18% in 1988, to 10% in 1995 to only 7% in 2000.

The geographical spread of employment has tended to move away from traditional port areas in the last five years, with Grampian experiencing a 5% decline, Humberside a 19% decline and the South West of England a 42% decline in FTEs. Whereas in 1995 Grampian and Humberside represented 55% of the UK workforce, they now account for 43% (Fig 1.13).

The regions that have increased their numbers employed are North England, with a 102% increase, Northern Ireland with a 27% increase, Other Scotland with a 38% increase and South / Midlands / Wales with a 83% increase in FTEs. This would suggest that the larger employers are increasingly established in industrial centres rather than in the traditional port areas. In these areas of increase there is also an increase in the number of units employing over 100 people.

In total, Scotland represents 35% of the UK workforce in the fish processing industry, a small decline from 38% of the UK total in 1995 (Table 1.13).

The gender balance of the total workforce (not adjusted for full-time equivalent employees) appears to have shifted back to a

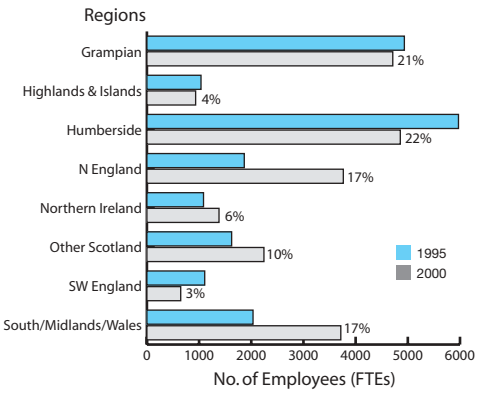


Fig 1.13 No. and percentage of employees (FTE) by region in 1995 and 2000

[1] When considering results for North England, it should be noted that this region includes an area to the north of Humberside which is considered by many people to be culturally part of the Humberside community. It is however, the same regional boundary as was used in the 1995 survey

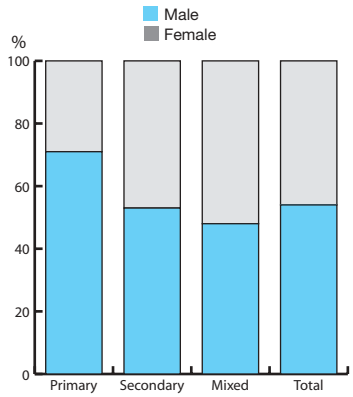


Fig 1.14 Proportion of employees by gender and process type

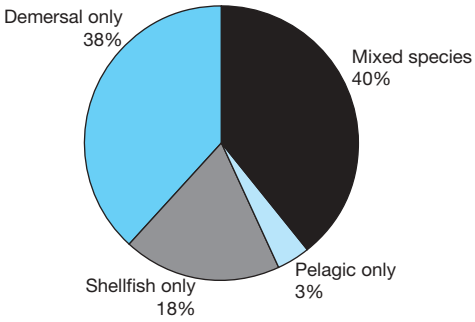


Fig 1.15 Proportion of employment by type of fish processed

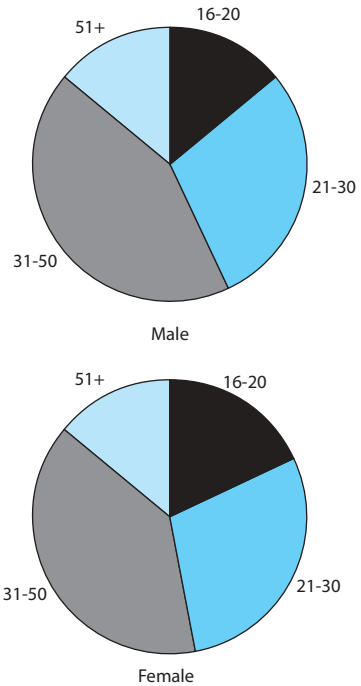


Fig 1.16 Age distribution of manual workforce by gender

slight majority of men (54%), and females have also reduced slightly to 70% from 78% of part time workers in the UK as a whole (Table 1.14). Among full-time workers, the only region in which women now form the majority is Northern Ireland. Around 70% of part-time women employees work in units of over 100 FTEs.

1.6 Sectoral Employment Structure

In processing units classed as secondary or mixed, the proportions of male and female workers are approximately equal, however in primary processing, the proportion of male workers is around 71%, slightly higher than the proportion found in 1995 (Figure 1.14, table 1.15).

The proportions of employment provided in firms processing the various fish types has remained similar to that in 1995, with slight increases in the proportion of firms processing demersal fish only, from 37% to 38% and in firms processing a mix of types, from 37% to 40% (Figure 1.15). Firms processing only pelagic fish now account for 3% of total employment, little change from 5% in 1995. Shellfish-only firms now also employ a slightly smaller proportion of the total, at 18%.

1.7 Age of manual workers

The ageing of the processing workforce identified in 1995 has not continued in the last five years. The proportion of 16 – 20 year olds has increased from 13% to 16%, while the proportion of workers aged between 21 and 50 has fallen from 74% to 71%. The proportion of total workers aged 51 and over has remained the same (Figure 1.16).

Among female manual workers, there is a higher proportion of 16-20 year olds (18%) than there is among male manual workers (14%).

1.8 Employment and Training Issues

Of the businesses which completed the questionnaire (all of which were primary or mixed processors), 33% stated that they were not able to recruit enough staff of the required skill levels (Table 1.18). This shows a slightly worsening situation since 1995 when 29% reported that they were unable to recruit and retain enough staff. The figure varied regionally with 100% of companies in Highlands & Islands and 62% in South West England stating that they were not able to recruit, compared to 93% in Humberside stating they were are able to recruit enough staff. Many firms with no problem said that it was because they are not expanding and have no need to hire new staff.

As was found in 1995, smaller companies are more inclined to

Table 1.18 Is your company able to recruit enough staff of the required skill levels?

REGION	No %	Yes %
Grampian	24	76
Highlands & Islands	100	0
Humberside	7	93
N England	38	62
Northern Ireland	25	75
Other Scotland	38	62
SW England	62	38
South/Midlands/Wales	50	50
UK	33	67

Table 1.19 Is your company able to retain enough staff of the required skill levels?

REGION	No %	Yes %
Grampian	18	82
Highlands & Islands	50	50
Humberside	21	79
N England	0	100
Northern Ireland	0	100
Other Scotland	0	100
SW England	13	88
South/Midlands/Wales	14	86
UK	15	85

Table 1.20 Does your company have any particular skill shortages in your workforce?

REGION	No %	Yes %
Grampian	82	18
Highlands & Islands	25	75
Humberside	93	7
N England	86	14
Northern Ireland	75	25
Other Scotland	88	13
SW England	63	38
South/Midlands/Wales	86	14
UK	80	20

state that they are able to recruit enough staff than the larger companies, which will be partly because the numbers they require are naturally fewer.

With regard to retaining staff already hired, the picture is better, with 85% of companies overall stating that they are able to retain enough staff (Table 1.19). Again, Highlands & Islands appears to be worst off with only 50% saying that they were able to retain enough staff.

Highlands & Islands also presented a poor picture for skill shortages, with 75% of companies stating that they did have particular skill shortages, compared to a national figure of only 20% (Table 1.20). Particular shortages mentioned were mainly of skilled filleters but also a substantial number of processors reporting a shortage of supervisory skills.

For those companies stating that they had difficulty in recruiting and retaining staff, the most common reasons given related to a shortage of available labour or low unemployment in their area, followed by references to lack of industry skills in their area, followed by the poor perception that potential employees have of fish processing, in terms of pay and conditions of employment. There was also reference in many cases to easier employment opportunities in the area.

The companies with no problems retaining staff pointed to the efforts they had made in staff training, pay and conditions.

Supply

This chapter examines issues relating to obtaining supplies in the fish processing industry. For all the analyses in this chapter, the figures were obtained from questionnaires and interviews and refer to Primary processors and Mixed processors only.

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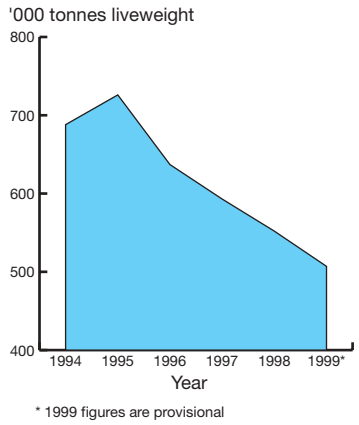


Fig 2.1 Landings by UK vessels into UK

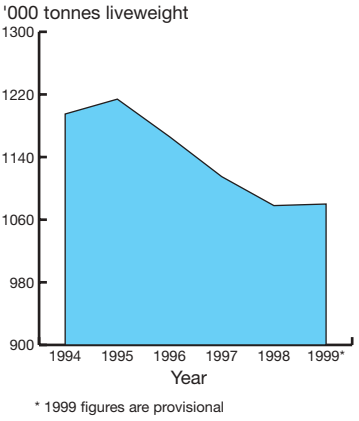


Fig 2.2 Total fish supplies available to the UK

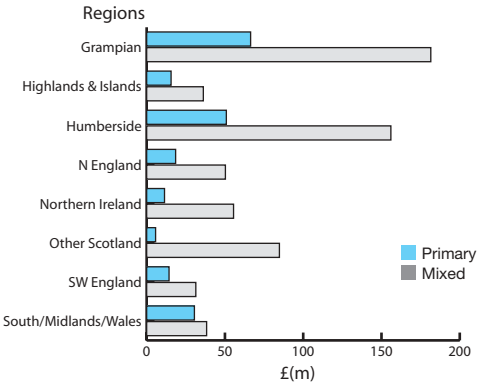


Fig 2.3 Value of raw materials processed by region

2.1 Sources of Supply

From 1994 to 1999 there was a decrease of around 31% in the quantity of UK landings of fish by UK vessels from around 688,000 tonnes (liveweight) to 499,000 tonnes (Figure 2.1, Table 2.1, source: MAFF). Evidence from markets suggests that the landings for 2000 will be lower than in 1999. High profile reports in the national press have recently highlighted the serious decline in the availability of cod stocks in the North Sea. This suggests that the decline in landings is likely to continue for the next few years at least.

Over the same period, imports of fresh and frozen fish (including fish landed in the UK by foreign vessels) increased by 15% . The net effect of the decrease in landings and increase in imports means that the total fish supplied to the industry fell over the period by 11%. (Figure 2.2, table 2.2)

The situation in 1999 was that fish processors were competing with each other for fewer available supplies.[1]

These figures suggest that firms which are largely dependent on UK landings for their fish inputs will have suffered greatest difficulty in obtaining sufficient supplies, whether they continued to source from UK markets or took steps to find supplies of imported fish. Finding an alternative source of supply would require an investment of time and money, which might not be readily available to smaller processors trying to remain viable on reduced supplies.

Firms relying on UK landings tend to be small primary firms and this is the sector that has seen the greatest decline in processing units and in employees since 1995.

2.1.1 Primary Sector

Supplies of fish to the Primary sector for 1999 are estimated at around £213 million in value. This would equate to £187 million in 1994 terms, (adjusted for inflation) a small increase on the figure of £177 million in 1994. (Figure 2.3, Table 2.3)

[1] Sea fish processors continue to process salmon and trout but figures for these species were not analysed as they are outwith the scope of this survey.

Fish type	('000 tonnes liveweight) 1994	1995	1996	1997	1998	1999*
Demersal	315	325	335	328	319	283
Pelagic	262	276	170	139	109	107
Shellfish	111	125	132	126	124	117
Total	688	726	637	593	552	507

*1999 figures are provisional Source: MAFF

Table 2.1 Landings by UK vessels into UK from 1994 to 1999

Source of supply	('000 tonnes liveweight) 1994	1995	1996	1997	1998	1999*
UK landings by UK vessels	688	726	636	593	553	506
Imports (Fresh/Chilled)	95	90	96	103	94	99
Imports (Frozen)	412	398	434	419	431	476
Total	1,195	1,214	1,166	1,115	1,078	1,080

*1999 figures are provisional Source: MAFF

Table 2.2 Total fish available in the UK

Raw material supplied to the primary processing in 1999 was estimated at 142,000 tonnes. This has not been adjusted for live weight equivalents, so cannot be accurately compared to 150,000 tonnes estimated as the 1994 volume. Several primary processors were asked how many tonnes of fish they would estimate each employee was likely to have processed during 1999 and the consensus was around 50 tonnes each per year. This corresponds well with the estimate made from the postal survey, which put the figure at 53 tonnes per year for each primary processing employee.

On average the cost of fish inputs as a proportion of sales was about 74% for respondents to the survey, which is very similar to the figure for primary processors in 1995.

The Grampian and Highlands and Islands regions supplied around 56% (by value) of fish inputs to the primary processing sector, (Figure 2.4, table 2.4) compared to 67% in 1994. Grampian supplied 35% in 1994 compared to 32% in 1999 and Highlands and Islands fell from supplying 32% in 1994 to an estimated 24% in 1999. These results suggest a continuation of the reduction in relative importance of Grampian and Highlands and Islands as a supply source to the primary sector.

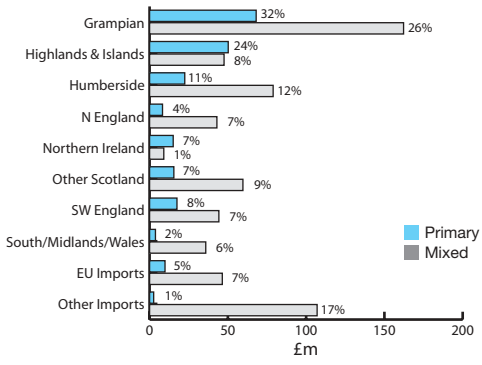


Fig 2.4 Sources of supply to UK primary and mixed processors.

nb. Other imports includes fish from Norway, Iceland, Faroes and other non-EU countries.

The proportion of fish purchases supplied to primary processors from imports is lower than estimated in 1994, at 6% for 1999 compared to 9% for 1994. If there is an underestimated of imports due to processors not realising that fish from auction is often imported, then this is likely to have occurred during both surveys, so the decrease is likely to be genuine.

Table 2.3 shows the estimated quantity and value of supplies processed in the primary sector by region of processing unit in 1999.[2] Primary processors in Grampian are estimated to have processed 59,000 tonnes, 41% of raw material by quantity in the primary sector, an increase over the 1994 proportion of 36%. Despite its decline in relative importance, Grampian nevertheless continues to be the main area of primary processing in the UK. Humberside primary processors however processed 30,000 tonnes, 21% of the total volume of supplies, compared to 40,000 tonnes, 27% in 1994. These changes are in line with the changes in the number of processing units and employees in these regions, where Humberside has seen greater declines than Grampian since 1995.

In value terms however, Humberside processes 24% of the supplies and Grampian 31%. This suggests that Humberside processors are buying more expensive raw materials than Grampian processors, and this is supported by anecdotal evidence from processors.

The South / Midlands / Wales region has seen an increase from 3% to around 14% of fish volumes processed by primary processors, while Highlands and Islands has seen a decrease from 12% to 4%. These figures support the picture of a move away from traditional areas of processing to industrial regions.

2.1.2 Mixed (Primary and Secondary) Sector

Supplies in 1999 to processors engaged in both primary and secondary processes are estimated to be 595,000 tonnes of raw material, valued at around £634 million. On average, cost of fish purchases for survey respondents was found to be about 65% of sales, a figure lying between the proportions for primary processors and the figure of 45% found for the “secondary” sector (which included mixed processors) in the 1995 report.

As expected, imported fish make up a larger proportion of supplies for mixed processors than for primary processors (Table 2.4). This survey estimates the proportion to be 24% of supplies in value terms. As expected, this figure lies between the proportions estimated for secondary only processors in 1994

2 When considering these figures, it is important to remember the definitions used for primary and for mixed processors in this survey. Some processors that are generally thought of as being primary, may be classed as mixed for this survey if they carry out some secondary processes.

(34%) and for primary processors in 1999. The regional picture for primary and mixed processors combined is illustrated in Table 2.5, showing that Grampian and Humberside have a large reliance on imports compared to other regions. Grampian in particular appears to be relying on imports to a considerably greater extent than in 1994. Imports to Northern Ireland came predominantly from the Republic of Ireland.

MAFF figures suggest that imports made up 53% of fish available to UK processors in 1999 (table 2.2). It would be expected that secondary only processors would on average obtain a higher proportion than mixed processors of their supplies from imported sources, but it is also likely that this survey has underestimated the reliance on imports, as was suggested in the 1995 report. Again, this is likely to be due to processors recording purchases at auction as non-imported, when in fact some fish at auction does come from imports.

Fish processed by mixed processors in Grampian is estimated to be 35% of fish processed by this sector, compared to mixed processors in Humberside which processed 28%. Grampian employs 29% of all mixed processing full time equivalent employees, and Humberside employs 22%, which suggests that on average, these regions have higher throughput of volume per employee than other regions.

The percentage value of supplies to mixed processors for each region corresponds quite closely with the percentage value of sales from mixed processors per region (Table 2.3 and table 3.1). This indicates that no particular region is significantly out performing any other. For Humberside and Grampian, there is a slightly higher average sales per employee than in other regions for mixed processors, but it is not a large difference.

2.2 Method of Obtaining Supplies

Fish supplies can be obtained from a range of different sources, and this survey aimed to identify what changes had occurred in purchasing habits since the previous survey.

Figure 2.5 shows that for primary processors, auction markets continue to be the main source of supply. Survey responses indicated that about 71% of supplies (by volume) to primary processors came via auctions. This compares to 58% (by value) in the 1995 survey, suggesting an increase, with the change coming from a decrease in supplies obtained via direct contract with a UK vessel, previously 19% and in 1999, estimated to be 11%. This may be because those processors which have remained as primary only, and have not diversified into any secondary processes, are the more traditional firms, continuing to use the traditional auction markets for the bulk of their supply.

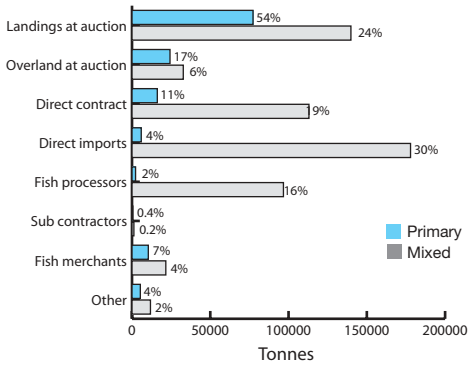


Fig 2.5 Methods of obtaining supplies

Mixed processors still purchased a significant proportion of their fish (30%) via auction, but rely more heavily on direct contracts (19% of supplies) and direct imports (30%). They also purchase 16% of their fish from other processors, since some of these companies will be buying some of their supplies for their secondary processes already filleted by primary processors.

There are some regional differences in purchasing preferences. Table 2.7 illustrates methods of obtaining supplies for primary and mixed processors combined. As expected, Humberside processors reported that a higher proportion of their auction purchases came overland rather than being locally landed. For Grampian primary and mixed processors, it is estimated that 45% of supplies came via auctions, indicating that their reliance on auction supplies has not changed significantly from the estimate for all processors in 1994, which put the figure at 49%. Direct imports for Grampian have increased markedly since the last survey however, at the expense of sub-contractors, and as would be expected as landings have declined.

In Northern England, the high reliance on other fish processors as a source of supply (68%) suggests that the survey respondents included some large mixed processors carrying out secondary processes for which they were purchasing some of their supplies from primary processors.

The overall UK pattern of purchasing identified in this survey does not differ markedly from the picture shown in the previous survey, although it should be noted that the previous survey included secondary only processors and the question asked in the survey referred to the value of purchases rather than the proportion of fish purchased. The most noticeable differences are that in this survey, the proportion of fish purchased via direct contract is higher at 18% compared to 13% previously, and the proportion coming via subcontractors is less than 0.5% in 1999, compared to 6% in 1994.

2.3 Changes in Supply of Fish

Processors were asked whether the supply of fish had changed over the last 5 years, with the choice to answer yes or no. Among primary processors, 95% of respondents said the supply of sea fish had changed and among mixed processors, 83% said the supply of fish had changed.

The next part of that question was “If yes, in what way?”, and processors were free to answer in any way they wanted to, without guidance. The responses were categorised and analysed to show that of primary processors answering, 67% first mentioned worse availability / shortage of supplies and for mixed processors 77% gave that type of answer first. Other answers given referred to decline in quality and size of fish, worse choice of species, seasonality of supply and price.

Overwhelmingly however, processors first response referred to the decline in availability of fish supplies.

2.4 Factors affecting purchasing decisions

The postal survey asked processors what factors affect your company's purchase of fish? They were offered 8 possible factors and asked to rank the three most important. Results are shown in Table 2.8, where answers have been weighted according to whether they were ranked first, second or third most important factor. Quality of fish was most often ranked first and also has the highest weighted total, indicating that many processors have a minimum acceptable quality that they will purchase. Price was ranked second overall, not far behind quality in terms of its importance in purchasing decisions.

Purchase Factors	1st	2nd	3rd	Weighted Total
Quality of fish	39	25	6	29
Price	20	30	16	23
Species available	7	7	13	8
Consistency of supply	4	5	19	7
Location of market	1	1	9	2
Credit terms available	0	0	5	1
Style of auction*	0	0	0	0

Number of companies ranking each factor 1st, 2nd and 3rd.

* eg. traditional or electronic style of auction

Table 2.8 Factors affecting purchase decisions for UK processors

Processors were asked whether their company had any problems with the supply / purchase of fish. Figure 2.6 shows that 83% of primary processors and 77% of mixed processors considered that they had problems with their supply of fish. The problems listed by processors were unprompted and were dominated by availability (volume and consistency), quality and price. This means that on a practical level, processors are finding it difficult to fulfil their supply needs on a daily basis.

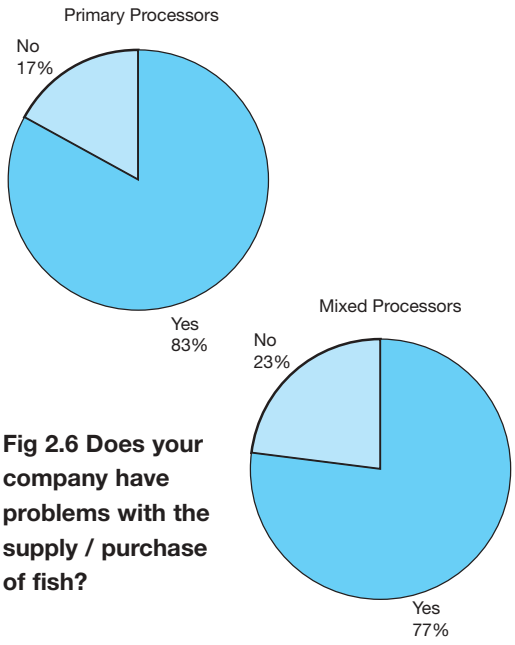


Fig 2.6 Does your company have problems with the supply / purchase of fish?

2.4.1 Availability

Processors are devoting more time and money than previously to tracking down enough supplies of the right quality and the right species to fulfil their customers' orders. In interview, many processors, primary and mixed, stated that they were constantly on the look out for new suppliers either in the UK or abroad. Some rely on word of mouth recommendations, others use trade directories, trade fairs etc to try to locate reliable suppliers.

2.4.2 Quality and size of fish

Of processors who were interviewed, nearly all said that quality of fish was a major issue. One Humberside processor stated *"We have spent three or four years developing supplies of good quality and that takes all our effort. We don't have to try hard to sell the end product".*

Processors based near an auction which was supplied by local landings stated that they were able to get to know which particular boats were likely to land better quality fish. One Grampian processor said *"You know which boats to avoid and which are OK".* There was a general feeling that the handling of fish on board boats was a major influence on the quality of the fish once it was for sale at auction. Another English processor said *"we buy from a local agent with several boats and we are currently unhappy with the quality of fish from one particular boat. We would not buy from that boat."*

A common complaint was about the reduction in average size of fish available or the ability to find fish of the required size. A Grampian processor commented *"all the big fish have been caught and it's only the smaller ones left. Even these are not allowed to grow up".*

2.4.3 Variability of supply

Inconsistency of volume and quality of fish supplies is an issue that many processors feel they have to take steps to address, rather than simply make the best of what is available on the auction. Purchasing by direct contract from boats or importing directly via agents are two of the most common responses to the difficulty in relying on local landings and auctions. In interview, many large processors, primary and mixed, said that it was now out of the question to attempt to rely on local landings. Some have the facility to buy locally when availability and prices are favourable and freeze the fish for later processing, but smaller processors who supply fresh fish do not have this option.

2.4.4 Electronic auctions

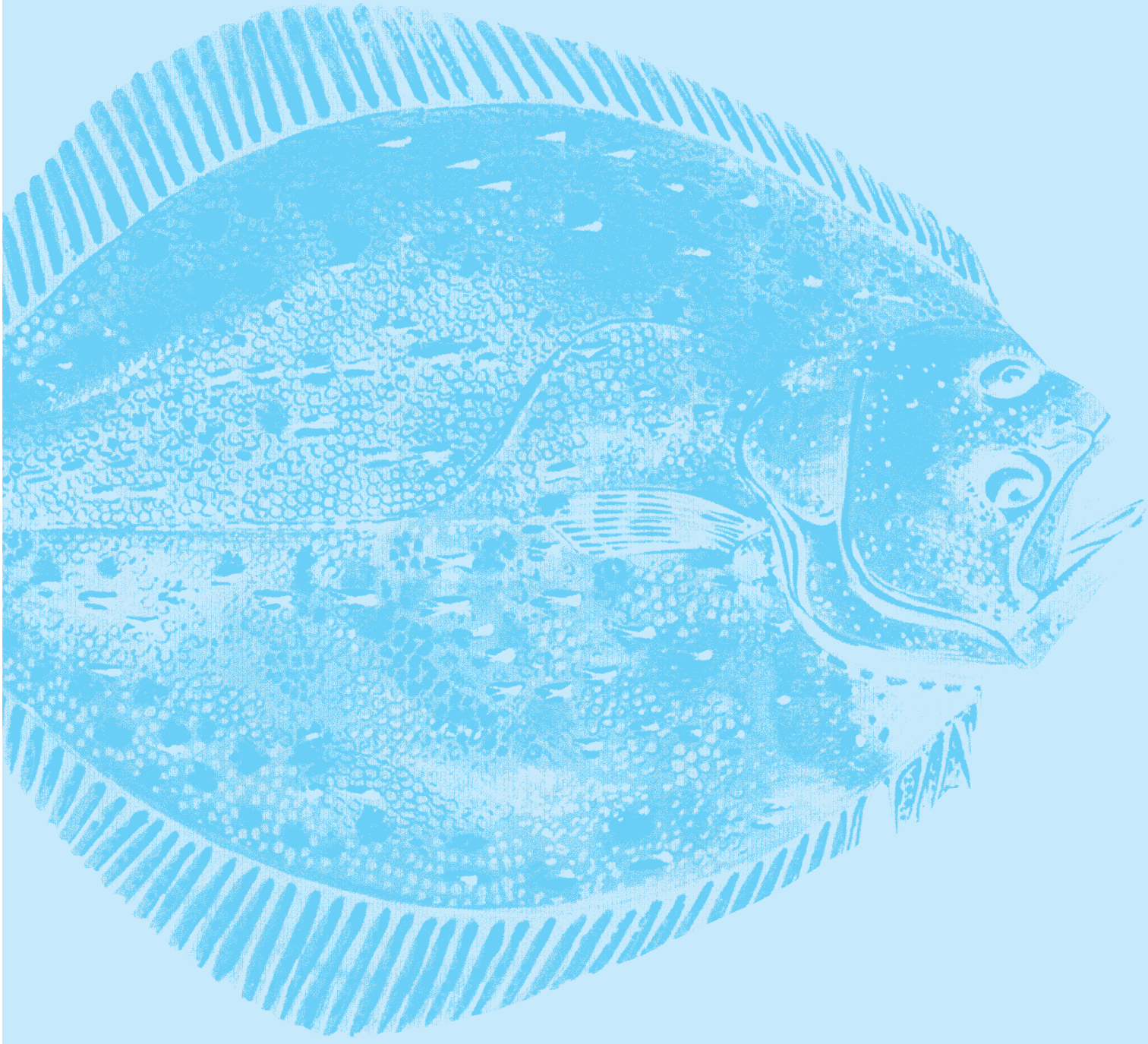
In interview, processors were asked their opinions about electronic auctions. The main concern raised was the opportunity to inspect fish for quality before bidding. If this facility was not available, many processors said they would be most reluctant to use an electronic auction, because they could not guarantee the quality and the grading of the fish they would get. It was apparent from interviews that many processors like to be able to assess each box of fish individually. A Grampian processor suggested *"guarantees of quality would be required, offering redress if not met, to persuade many processors to bid for fish in a remote electronic auction".*

A smaller processor complained *"Electronic auctions are mostly suitable for big lots since it would be too slow to operate with smaller lots. This won't suit people who want to buy just a few boxes at a time".*

2.4.5 Credit terms

Although credit terms available was not ranked as particularly important in determining purchase decisions, it became clear during interviews that this was because credit terms are considered to be fairly equally unfavourable at most sources of supply. It was not felt to be realistic to choose the source of supply based on the credit terms available. Credit terms are discussed in more detail in the Business Management Issues chapter.

Sales



This chapter gives an overview of estimated sales by UK primary and mixed processors, with breakdown by region, firm size, customer types and processor type.

Sales

This chapter gives an overview of estimated sales by UK primary and mixed processors, with breakdown by region, firm size, customer types and processor type.

3.1 Background to data analysis

This survey estimates sales in 1999 for primary and mixed processors using information provided in the survey and information from published financial accounts of limited companies which are on the survey database. Figures in this chapter are based on total turnover of fish processing businesses and it should be noted that many of the firms supplying information are engaged in other aspects of the industry, such as trading/wholesaling of fish without actually processing it, transport services, cold storage, and other activities. This would also have been the case with data supplied to the 1995 survey which estimated sales for 1994.

Turnover figures from the survey sample were used along with other information about the firms to create an equation to estimate the sales for each of the processing firms identified, so that totals per region, per process type, per firm size and for the UK as a whole could be estimated. Further details are included in the Methods chapter.

Because this survey does not include secondary only processors, there are no other national data against which to compare the sales estimates. However, the sales figures can be examined in terms of sales per employee, and used for a rough comparison against the previous Seafish report in 1995 and against published figures in the Merlin Scott Industry Report on Fish Processing. In the 1995 report, the overall estimated sales per employee was around £76,000. This survey estimates the average sales per employee for primary and mixed processors to be around £105,000, which in 1994 terms (adjusted for inflation) would be around £91,000. This increase is in line with the trend that increases in fish prices have been higher than general inflation, based on a comparison of MAFF[1] figures for prices for all species for UK landings by UK vessels, compared to the retail price index.

Published figures in the Merlin Scott report give much higher average sales per employee. This is probably partly due to the fact that their data comes only from limited companies, usually of a greater average size, and also due to the fact that some of the companies included in their data set are engaged in other, very high turnover activities related to the fishing industry. The

[1] United Kingdom Sea Fisheries Statistics 1995 and 1998, MAFF

average sales per employee for 1999 is given as £204,612 in the Merlin Scott report.

These comparisons allow a fair degree of confidence in the estimates produced based on this survey.

As a point of reference, the Office for National Statistics publishes figures for sales of UK manufacturers in the category Processing and Preserving of Fish and Fish products. The total sales of businesses classified to the industry for 1998 (the most recent data available) is given as £1.65 billion.[2] This compares to the estimate of sales from primary and mixed processors for 1999 as £1.48 billion.

3.2 Sales by Region

Figure 3.1 shows estimated sales per region for 1999. This is an estimate of the total sales from all primary and mixed units based in each region, some of which will be sales to other processors within the same region. Output, which excludes sales to other processors, is discussed in the chapter on Financial Performance.

Among primary and mixed processors, Grampian is the region with the highest overall sales at just over £470 million, 32% of UK sales from these sectors. Humberside has the next highest level with 26% of primary and mixed sector sales, around £386 million.[3] Together these regions generate around 58% of primary and mixed sector sales, in line with the distribution of employees in primary and mixed processing (Table 1.13).

An examination of the regional distribution of employees in purely secondary units can give some indication of the overall regional picture for UK sales. Table 1.13 shows that the North of England and the South / Midlands / Wales area have the highest numbers of secondary employees, which might suggest that the position of Humberside as the area of highest turnover has changed.

Primary sector sales show a bigger gap between Grampian and Humberside, with Grampian representing 33% of sales (34% in 1994) and Humberside generating 24% of sales (26% in 1994). Sales from the Highlands and Islands and North of England regions have fallen in significance at the expense of the South / Midlands / Wales region since 1994, which has increased its share from 3% to 13% of turnover amongst primary processors. (Table 3.1)

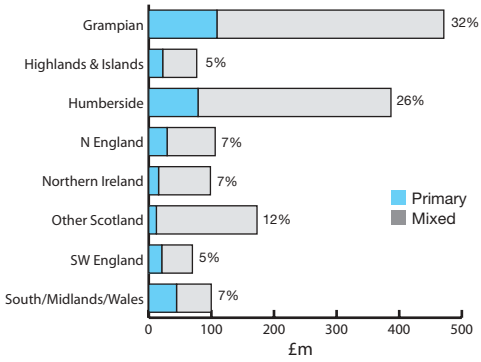


Fig 3.1 Sales by primary and mixed processors, 1999, by region

[2] This figure is based on sales which include fresh water species, but does not give total coverage of the industry, excluding smaller units in particular. This figure thereforeprobably somewhat underestimates total salesfrom business involved in fish processing.

[3] It should be noted that for large firms with several sites some engaged in primary and some in secondary processing, only the estimated sales from the primary units are included in this figure.

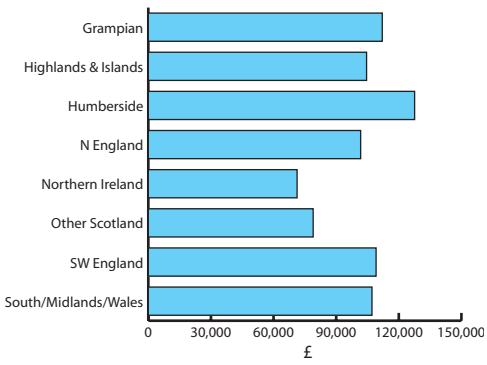


Fig 3.2 Sales per employee, by region

Mixed sector sales are generally comparable in proportion to primary sector sales except for the Other Scotland and South / Midlands / Wales regions. Other Scotland represents 14% of mixed sector sales but only 4% of primary sector sales and South / Midlands / Wales represents 13% of primary sector sales but only 5% of mixed sector sales.

The regional pattern of sales per employee for mixed and primary sectors is shown in Figure 3.2 and illustrates that Humberside has the highest levels, as was the case for all sectors in the 1995 survey. This characteristic was attributed to the more capital intensive nature of processing in Humberside and this is apparently still the case, even excluding the large, secondary only processors. Northern Ireland again has the lowest sales per employee, suggesting that it's processing industry is still more labour intensive (Table 3.2).

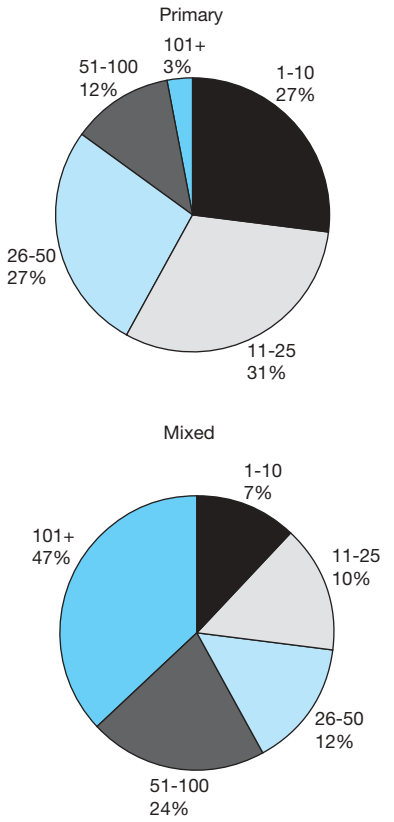


Fig 3.3 Sales by company size and process type

3.3 Sales by Firm Size

Sales generated by each size category of firm in the primary and mixed sectors are illustrated in Figure 3.3. The pattern revealed shows that the majority (58%) of primary sector sales come from firms with 25 or fewer employees (FTE) and 83% of sales from the mixed sector coming from firms with over 25 employees.

In contrast with the picture in 1994, primary sector firms with 26 – 50 employees now generate 27% of sales, whereas in 1994 they were responsible for only 7%. The proportion of sales generated by the smallest primary firms has fallen from 40% to 27% (Table 3.3). This reflects changes in the number of units and number of employees in these size categories, illustrated in Table 1.2.

For mixed firms, a comparison with Table 1.12 shows that the smaller mixed firms generate a higher proportion of sales than their share of employees, and that the larger firms generate a lower share of sales than their share of employees. This suggests that some larger firms have higher numbers of non-productive employees while not having the capital investment to generate higher sales per employee.

The percentages of sales generated by mixed firms in 1999 is remarkably similar to the pattern recorded for secondary processors in 1994, with only a slightly lower proportion of sales coming from firms of over 100 employees in mixed firms in 1999 than in secondary firms in 1994.

3.4 Distribution

The postal survey asked processors the same question which was asked in 1995 about who their customers are and where they are located.

3.4.1 Sales by Customer Type

Table 3.4 shows details of the types of customers buying products from primary and mixed processors. Figure 3.4 summarises the data for mixed and primary processors.

In the primary sector there has been a decrease since 1994 in the proportion of sales to the retail sector, where margins were shrinking further, and an increase in the proportion of sales to the catering sector, from 19% in 1994 to 29% in 1999. A particular increase has been to pubs, hotels and restaurants which accounted for only 1% of sales in 1985 and 1994, but in 1999 represented 15% of sales. This result might reflect the success and growth of the catering sector in the last five years. The pattern of sales to other customer types has not changed markedly, although sales to fishmongers are once again ahead of sales to supermarkets. This could also be a reflection of the

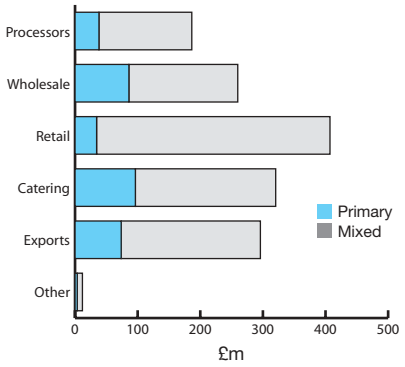


Fig 3.4 Sales by customer type for primary and mixed processors

Customer Type	PRIMARY PROCESSORS		MIXED PROCESSORS		TOTAL SALES
	VALUE (£)	%	VALUE (£)	%	VALUE (£)
Processors	37,091,126	11.2	134,560,813	11.7	171,651,950
Frozen block makers	1,101,226	0.3	13,702,302	1.2	14,803,528
PROCESSORS	38,192,351	11	148,263,115	13	186,455,467
Inland merchants	69,748,013	21.0	129,253,848	11.2	199,001,882
Frozen food wholesalers	16,262,740	4.9	44,596,746	3.9	60,859,491
WHOLESALE	86,010,754	26	173,850,594	15	259,861,348
Fishmongers	12,338,950	3.7	42,880,180	3.7	55,219,134
Market stalls/mobiles	13,662,365	4.1	34,311,929	3.0	47,974,298
Supermarkets	8,442,100	2.5	272,292,294	23.7	280,734,397
Freezer centres	0	0.0	23,206,802	2.0	23,206,802
RETAIL	34,443,415	10	372,691,206	32	407,134,620
Institutional & Industrial caterers	5,885,788	1.8	78,018,811	6.8	83,904,600
Fish friers	39,916,456	12.0	47,958,319	4.2	87,874,787
Pubs, hotels & restaurants	50,575,314	15.2	98,081,632	8.5	148,656,962
CATERING	96,377,558	29	224,058,762	19	320,436,321
Factory gate sales	3,576,461	1.1	3,871,872	0.3	7,448,334
EU exports	64,793,930	19.5	170,928,962	14.9	235,722,911
Other Exports	8,959,502	2.7	51,319,347	4.5	60,278,852
Other outlets	0	0.0	4,345,923	0.4	4,345,923
OTHER	77,329,893	23	230,466,104	20	307,795,997
TOTAL	332,353,971	100	1,149,329,781	100	1,481,683,752
in 1994 terms:	*290,760,659*				
1994 total:	*250,000,000*				

Table 3.4 Value and percent of sales to different customer types, for Primary and Mixed processors.

pressure from supermarkets on margins. Some sales by primary processors to other processors do end up being sold on to supermarkets, but their requirements of consistency in size, quality, volume and price are often impossible for smaller primary processors to deliver. The proportion of sales making up exports has fallen from 26% to 22% for primary processors since 1994.

In the mixed sector, retail is still the biggest single customer group with supermarkets accounting for 24% of mixed sector sales. Sales to the catering sector are 19%, a lower proportion than from the primary processors. Exports from the mixed sector form the same proportion of sales as exports from the secondary sector did in 1994, namely 19%. The pattern of sales in the mixed sector reflects the fact that many of the firms included predominantly sell the products of secondary processes, although they are categorised as mixed because they also carry out some primary processes.

It is interesting to note that 13% of sales from mixed processors go to other processors, indicating that some of the sample are principally primary processors with a smaller element of secondary processing in their output.

The regional pattern of sales to different customer types is detailed in Table 3.5.

DESTINATION OF UK SALES	Primary Processors Value (£m)	%	Mixed Processors Value (£m)	%	Total Value (£m)	%
Customer's central depot	8.2	3	417.7	45	426.0	35
Humberside	42.0	16	97.0	10	139.0	12
SW England	21.1	8	63.2	7	84.4	7
South / Midlands / Wales	76.2	29	141.0	15	217.2	19
North England	25.0	10	94.5	10	119.5	10
Grampian	18.6	7	34.5	4	53.1	5
Highlands & Islands	0.3	*	11.4	1	11.6	1
Other Scotland	40.2	16	56.2	6	96.3	8
Northern Ireland	27.0	10	11.5	1	38.6	3
Total UK Sales	258.6	100	927.1	100	1,185.7	100

** = less than 0.5%*

Table 3.6 Destination regions of UK Processors' Sales within the UK

3.4.2 Sales by Region

Of sales made to UK based customers, the regional split of destinations is shown in Table 3.6. The largest proportion of primary processors' sales goes to the South / Midlands / Wales region (29%), which includes London and south east England. A significant proportion, 16%, goes to Humberside and the same

proportion to Other Scotland, probably mostly for further processing.

As expected, mixed processors are much more likely to sell to the central depots of their larger customers, the proportion being 45%, much more like the 57% for all processors found in the 1995 survey. Humberside and Other Scotland are not as important to mixed processors for sales as they as are to primary processors.

Inter-regional flows of sales from processors were estimated using the same method as used in 1995, and these are shown in Table 3.7. When considering differences between the 1999 and 1994 figures, it is important to remember that the 1995 survey included secondary only processors and this survey does not. This is the likely explanation for instance why Humberside sales to customers' central UK depots formed 67% of sales in 1994 but only 33% in 1999.

3.5 Marketing

Processors were asked in the survey what were their main problems and opportunities in marketing their products. Processors were not offered a choice of answers from which to select, but suggestions were made, namely advertising, getting information, packaging, exporting.

The most frequently mentioned problem by survey respondents was the strength of the Pound (£) for their export business. This was mentioned by 19% of mixed processors and by 8% of primary processors as one of their main marketing problems. Other problems mentioned several times related to slow paying customers or finding credit worthy customers, quality and availability of supplies, transportation difficulties, difficulty of meeting the requirements of supermarkets and the influence of supermarkets on keeping retail prices down in the remainder of the retail sector.

Although the fish processing industry is often viewed as a traditional industry, the marketing opportunities cited by processors indicate that there is a great deal of enterprising and forward thinking among managers in the industry. The most frequent answer, given by 21% firms, related to new products, indicating that there is a willingness to change to fulfil changing customer demand. The next most common answer related to new markets, either sectoral or geographical, again indicating that many companies are prepared to invest to find new outlets for their product. Many firms mentioned various forms of advertising and the internet or e-business was mentioned by 13% of respondents.

The survey asked whether processors purchased any marketing information, such as data from multiple retailers. Of the 79 who

answered this question only 6% said they did purchase marketing information. All of the companies answering yes were mixed processors. It might be expected that the larger secondary processors would be more likely to use this route for testing customer preferences.

In interviews, processors were asked who (i.e. what sorts of company) they considered to be their competitors, in order to investigate how they perceive the market place they are competing in. Many smaller firms considered that they were competing with other locally based firms selling similar products, selling to similar customers or competing for the same scare supplies. One company mentioned *"we compete with all the other buyers on the market for fish"*, clearly indicating that competition for resources is more fierce than competition for customers in some cases. This was a common perception among smaller processors.

Larger processors had a wider view, considering that they compete with other processors around the UK for UK wide customers. Some also referred to European wide competitors and some to other producers of protein foods as their competitors. This breadth of perception suggests that while some firms focus on the distributors who are their direct customers, other firms think of the end user as the customer that they cater for.

3.6 Business Expansion

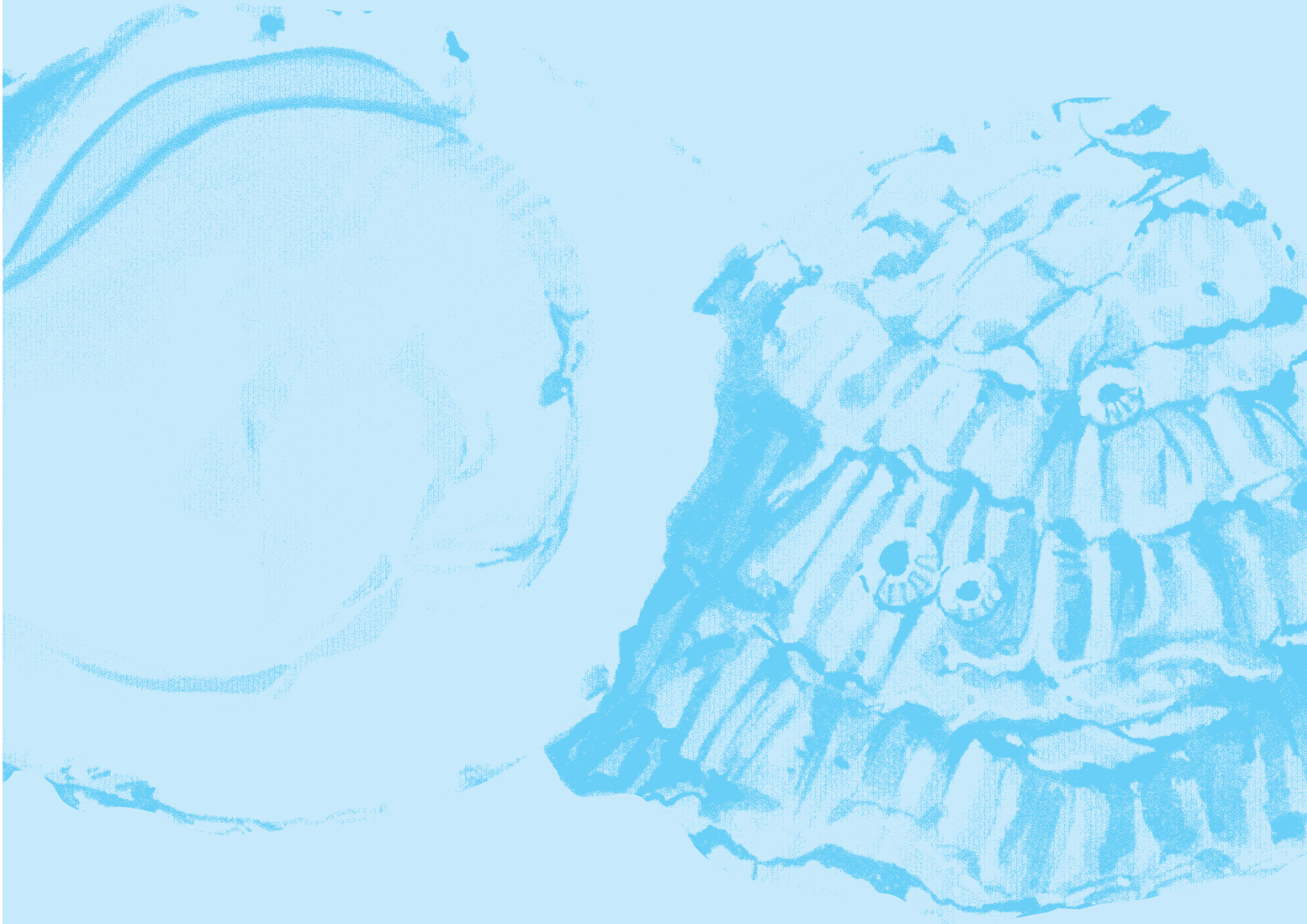
Processors were asked in interview whether they were interested in expanding their business. 67% of primary and 58% of mixed processors answered that they were interested in expanding or had an expansion policy, and 23% of primary processors and 25% of mixed processors answered that they were not planning to expand their business.

Some were content to continue at their current size which was manageable and profitable enough for them. Others who answered no said they were just trying to keep their heads above water, and that expansion was out of the question, usually citing lack of fish supplies as the reason.

A few companies answered by saying that while they were not trying to expand, they were trying to change emphasis or focus so that they could react to changing market requirements. This was the view of a South West England processor who said *"we are trying to identify opportunities to develop new products that consumers will want to buy".*

Planned or current expansion took the form of increased volumes to existing markets, new markets and new products to existing markets. When asked what would restrict their attempt to expand the business, the most common answer given was difficulty obtaining sufficient supplies. A common sentiment was expressed by one North England processor who said *"we would love to expand but we're struggling to fill our current order book".* Other problems mentioned by several processors were the strength of the pound, lack of available labour and lack of cash flow and profits for reinvestment.

Business Management Issues



This chapter contains a review of the business issues raised and discussed with processors in the survey and during interviews.

Business Management Issues

This chapter contains a review of the business issues raised and discussed with processors in the survey and during interviews.

4.1 Guarantees and bonds at auctions

Processors were asked in interview whether guarantees and bonds at auction markets were an issue for them. UK wide there were more companies (68%) that said it was not applicable or not an issue for them than companies (32%) which complained that the system is a problem. Regional analysis shows however that 67% of Grampian processors answered that guarantees and bonds are an issue to them.

There were some very strong feelings about the system of requiring a cash deposit, guarantee or bond with sales agents before a processor could bid for fish at an auction market. In markets in North East Scotland it is necessary to lodge a guarantee for 1½ week's average purchases, and if this level is exceeded, no further sales will be made to a processor. No other region showed a majority stating that this was an issue. *"Guarantees eat into the borrowing limit"* said one Grampian primary processor, and this view was repeated by a Grampian mixed processor who commented *"Some banks will stand the guarantee, but they are getting bigger, and some banks now take the guarantee from the borrowing facility, reducing the money available to use in the business".* Other processors reported having up to £¾ million tied up in bonds and guarantees, money which could otherwise be invested in the business to earn profits. Several processors complained about funding the rest of the industry and bearing all the risk. One Humberside processor stated *"…the system is outdated, but new entrants need some way of showing that they can pay. The trade is moving more towards insurance"*.

Older firms with long trading records tended to be less likely to see this as an issue. The fish sellers have no shortage of customers when demand is outstripping supply, so the power lies with them to select the least risk customers. The same applies to some extent to processors when they come to sell their fish – many have mentioned the difficulty of finding credit-worthy customers.

4.2 Credit Terms

The questionnaire also asked processors to say how many days

credit they typically receive when buying fish and how many they typically give to customers when selling their products. Figure 4.1 (Tables 4.1 and 4.2) illustrates that for primary processors, 62% received 10 days or less credit when buying fish but when it came to selling fish, 83% of respondents said they gave 11 or more days credit to their customers. For mixed processors, 64% typically received 10 days credit or less for purchases and 91% typically give 11 days or more credit to their customers. This clearly shows that the situation outlined in 1995 has not changed and that processors are continuing to act as the "bankers" of the industry. In interview, some processors said that although customers often paid late, they would be reluctant to chase some of their customers to pay on time because they would simply go to another processor who would let them have longer credit terms in practice.

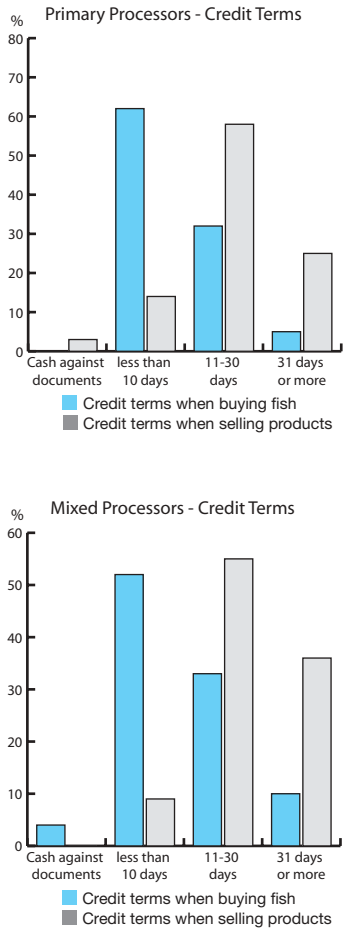


Fig 4.1 Credit terms typically received when buying and given when selling fish, for primary and mixed processors

4.3 Late payments and insolvency in customers

Bad debts, late payments, credit control, cash flow management and the need to take steps to protect against these were raised as business management issues in preliminary interviews with processors before the survey was designed. In interviews, processors were asked whether they insured against customer insolvency: 44% said they did and 56% did not insure. Those that did were asked how the system worked in practice and some mentioned that they had made some big claims in the last few years and would not have survived the loss if they had not been insured.

Some companies were selective about which of their customers they insured, not including local, well known customers but always including export customers. Some firms said that their export trade was largely factored via their bank to reduce the risk of non-payment. Many processing firms said that they had a long established customer base and took on few new customers, so they were fortunate not to have to worry too much about insuring.

Firms were also asked what measures they take to check the financial health of potential new customers. Those who did not insure were more likely to take up bank and trade references. Word of mouth references among the processing community were often used and believed to be a reliable means of checking credit worthiness. Those who did insure said that the insurance company would make formal credit checks of the proposed customer in order to evaluate the risk and set the premium.

Comments on late payment by customers were equally variable. One primary processor said *"95 per cent do not pay on time – but this started 10 years ago, not recently"*. Several firms reported that over half of their customers are always late payers and one mentioned that he needed an overdraft specifically to manage his cash flow due to late paying customers. Those who

said late payment was not a problem mentioned their strong credit control practices.

A complaint made by some smaller companies is one common to other industries – namely that their bigger customers are the worst payers.

4.4 Use of computers, e-mail and the internet

The survey asked whether processors used computers, used e-mail, had a company web-site and whether they sold via their web-site. Figure 4.2 shows that mixed processors are more likely to use computer technology than primary processors. It is notable that nearly 40% of primary processors answering the survey do not use computers at all in their business. This was backed up during interview visits when it was noted that many firms do not have computerised accounts or stock management systems, but run the business on paper and to prepare their company accounts, they deliver all their paper work to their accountant.

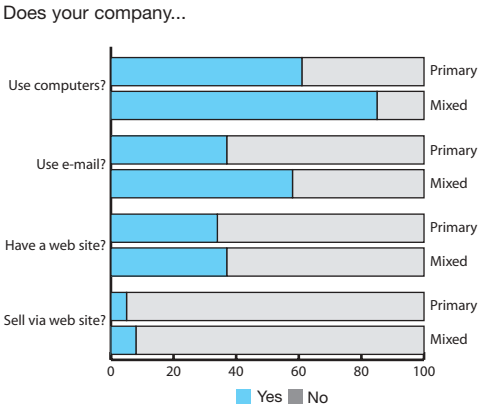


Fig 4.2 Use of computer technology by primary and mixed processors

The majority of firms not using computers have 10 or fewer employees and no firm with over 25 employees said that they did not use computers. For many small firms, the investment of time and money required to purchase, set up and operate a computerised system was not yet perceived to offer a worthwhile return in efficiency or profitability.

4.5 Government support for industry

Financial support for an industry in difficulty is an issue that many processors mentioned during interviews. Several mentioned that the fishing industry is not seen as important or significant to the UK government in terms of its contribution to GDP. *"Fish is small beer to the UK government"* was a view often repeated. Others highlighted the need for a separate fisheries ministry and more than one complained that *"Westminster trades off the fishing industry against agriculture in 'deals' with the EU"*.

Comments about lack of support from the UK government were complemented by views from several processors that their European competitors were getting more support from their respective governments and UK processors were therefore not able to compete on a "level playing field". This is a complaint that was made during the 1995 survey of the processing industry and does not seem to have abated.

4.6 Low volumes and poor quality of fish supplies

A majority of interviewees commented on the reduced availability of fish supplies through their usual supply sources and the need for fishermen to maintain fish quality on board vessels.

It tends to be smaller companies that are more reliant on fish being readily available at traditional auction markets or via well established sales agents. A Grampian processor commented *"the number of boxes available on the market has been going down and down and down."* The investment of time, money and effort required to identify other reliable supplies of good quality fish is often beyond the means of the smaller operators.

The quality of UK landed fish is believed by many processors to be in need of improvement. The problem is mentioned most by processors who buy at markets reliant on a greater proportion of consigned fish. Locally landed fish from shorter trips at sea was not such a cause for complaint. This issue is also covered in section 2.4.2.

4.7 Prices and industry prospects

Prices for buying fish to process get higher as supplies become more scarce, but prices that customers are prepared to pay for the product have a ceiling, related to the price of other protein foods. This principle has been causing many processors to suffer decreasing margins and many of them were quick to point it out. *"Due to serious shortages, fish prices have reached the maximum that people are prepared to pay for fish before they would substitute another food"* was the observation of one processor which represented the experience of many more. *"Price increases cannot be passed on but have to be absorbed"* was another commonly held view and *" the processing side of the business is currently loss making – we are just keeping our customer base alive and hoping it will return to profit soon"*.

One small North England processor said *"Financial success comes at the expense of an average 60 hours per working week"* and a South West England processor believed that *"entrepreneurial young people will not be attracted into the fishing industry"*.

Commenting on the particular pressures on small primary processors, one mentioned *"supermarkets have obliterated fish mongers, so for primary processors the customer base is disappearing"*. Another supported this story saying *"larger outlets only buy from larger processors"* and a third concluded that *"processors in the UK will have to merge or go bust".*

These are sentiments that were expressed in the 1995 survey and there have clearly been many business closures and mergers, particularly of small firms, since then. It can be expected that as competition for supplies increases, prices of supplies will rise and only the most efficient firms will be able to remain in business. The market will adjust so that a higher level of efficiency is required, which in many cases can only be achieved by larger firms. The upper limit for which fish products can be sold to consumers is determined partly by the prices and

desirability of substitute products, in this case other protein foods. There is also the effect of supermarkets wanting to keep prices more regular and avoid large fluctuations, which impacts on fish prices in other retail outlets as consumers are reluctant to pay more than they would in a supermarket. This combination of effects is likely to have a large impact on the viability of many smaller businesses.

4.8 Legislative Burden

The difficulty and cost of complying with a range of new legislation applicable to fish processing was raised as an issue by many processors. A South West England processor mentioned the climate change levy and the waste disposal levy and said *"these levies will disproportionately increase our overheads compared to gross profits"*. A Grampian processor mentioned *"we'll have difficulty making enough to cover the water and trade effluent charges".*

On the issue of water charges there was regional variation in costs and opinions. A South West England processor complained that *"water charges in our area are much higher than in a neighbouring authority. We are at a disadvantage".*

Since 1995 there have been many new legislative requirements that fish processors must comply with, including the Urban Waste Water Treatment Directive, the Climate Change levy, Control Regulations, hygiene and the Veterinary Inspection Charge, amongst others. Some processors feel that EU legislation is often more rigorously enforced in the UK than in other EU countries, making it harder for them to compete against other European processors.

Financial Performance of the Industry

This chapter gives an overview of the analysis carried out on financial data provided in the survey and gathered from published records.

Financial Performance of the Industry

This chapter gives an overview of the analysis carried out on financial data provided in the survey and gathered from published records.

5.1 Data Collection

As with the 1995 survey, financial data was collected from three sources, namely, direct from fish processors, who completed the questionnaire and / or submitted copies of their accounts; published accounts reported in the Merlin Scott Associates Fish Processing report; and from published accounts lodged at Companies House, obtained electronically via Companies House Direct.

Collection of financial data was restricted to primary and mixed processors and was on a smaller scale than the previous survey. Information in varying amounts of detail was obtained on 118 businesses[1], representing 25% of the primary and mixed companies. As before, there is a bias toward limited companies since the only source available for financial details of partnerships and sole traders was the firms themselves, and some processors were reluctant to provide financial information. Bias toward limited companies means that on average, the companies in the financial analysis are larger than in the population of companies as a whole. The smaller units are under represented. The procedure for the previous survey has been followed and figures for overheads have been presented as percentages of turnover. The ratio for each company was found and the mean of the percentages is presented.

Because some of the questions and data were not answered or supplied by each processing unit, the analyses in this chapter are based on differing sample sizes. The procedure used in the previous report has been followed for ease of comparison, with the number of companies supplying data for each question shown in brackets after the figure to which the data applies. It should be noted that in some cases, where no data was supplied in a questionnaire, it was not always clear whether the data was missing or the figure should have been zero. In some cases therefore, it is likely that average ratios are slightly over estimated because some zero values have been omitted. This would apply for instance in spending on advertising as a percentage of turnover, where for some firms, advertising spend is actually zero.

[1] As in 1995, there are some sets of financial data that relate to individual processing units, and some that relate to entire companies which may have more than one processing site. All data from published sources related to entire companies.

	Primary Processors	No. of contributing businesses	Mixed Processors	No. of contributing businesses
	£'000		£'000	
Total Estimated Turnover	332,354		1,149,330	
Total estimated sales / total no. of companies (£000)	1,613		4,370	
Average sales per business	2,012	(27)	7,692	(48)
	Percent		Percent	
Average Cost of sales (% sales)	100.3	(17)	96.5	(39)
Direct Costs (% of sales)				
Fish Purchases	74.4	(20)	65.2	(28)
Wages & Salaries	9.1	(17)	15.3	(28)
Transport	4.4	(18)	2.7	(27)
Energy	0.5	(16)	1.1	(27)
Water charges	0.2	(15)	0.4	(23)
Packaging	2.2	(17)	2.5	(26)
Non-fish raw materials	1.1	(16)	2.6	(25)
Other Direct Costs	0.8	(11)	0.6	(20)
Total Direct Costs	**88.3**	(22)	**87.7**	(47)
Indirect Costs (% of sales)				
Rent	0.9	(13)	0.9	(20)
Rates	0.4	(13)	0.5	(23)
Aministration	2.3	(13)	1.5	(23)
Bank Interest	1.0	(20)	1.1	(41)
Advertising & promotion	0.2	(16)	0.3	(21)
Repairs & maintenance	0.9	(17)	0.9	(25)
Insurance	0.4	(16)	0.4	(26)
Other Overheads	3.2	(13)	1.2	(20)
Total overheads (% sales)	**10.6**	(21)	**10.0**	(41)
Depreciation (% sales)	1.2	(7)	2.5	(20)
Operating profit (% sales)	1.1	(18)	2.9	(43)
Range of operating profits:	Min: -49%		Min: -8 %	
	Max: 18%		Max: 15%	

Table 5.1 Financial results reported for 1999/2000

5.2 Cost Ratios, Margins and Operating Profits

Financial data were analysed for primary and mixed processors separately to find the average of the costs of sales as a proportion of turnover, to give an indication of the profit margins being achieved by firms in the processing industry. Several elements of the direct and indirect costs of sales are also presented as the average of the firms' costs to turnover ratios.

5.2.1 Primary Processing Sector

This survey found an increase in the average percentage of sales represented by fish purchase costs in the primary sector. Whereas in each of the previous two surveys, fish purchases were found to represent 72.9% of sales on average, this survey found that on average, fish purchases were 74.4% of total sales (Table 5.1). This estimate is the same if the postal survey results are considered on their own.

When the total estimated cost of fish purchases is taken as a percentage of total estimated sales, the percentage is a little lower however. These estimates are based on data from a range of companies, some of which are engaged in ancillary activities, such as selling on fish wholesale without processing, transport, and processing of salmon and trout. The estimating process, explained more fully in the methods chapter, relies on several factors, some of which may have been unrepresentative of the whole population in the sample available.

It was identified in 1995 that primary processors suffer particularly from price rises of UK landings and this has continued to be the case. According to MAFF figures, prices for UK landings increased by 33% from 1995 to 1998 (latest figures available at end of 2000), which in real terms represents a 22% increase. At Peterhead market, the average price for landed fish in the first ten months of 2000 was 8% higher than the average price for landed fish in the same period for 1999.

While operating profit margins had fallen from 8.4% recorded in 1985/86 to 1.5% for primary processors in 1994, this survey found from the sample taken that, on average, operating profits were somewhat lower, at 1.1% of sales. Operating profits ranged from a minimum of –49% of sales (from a published source) to a maximum of 18% of sales. The average operating profit margins should be considered in light of the average Total costs of sales as a percentage of sales however, which comes from a slightly different sample of companies (since only partial data was available for some companies). This figure shows that on average for primary processors in this sample, costs of sales are 100.3% of sales, therefore costs slightly exceed sales. The fact that these two figures overlap, one suggesting that on average primary processors are making 1% operating profit and the other suggesting that on average primary processors are

making a loss, illustrates that the industry as a whole is balanced around the break even point. Figure 5.1 shows the range of operating profits for primary processors, highlighting that although the worst case is an exception, the bulk of cases are around –5% to 5%.

Wages and salaries were found to be on average 9.1% of sales, which lies between the 8% found 1985/6 and 10% found in 1994. Transport costs have increased slightly in proportion to sales but packaging costs have fallen in proportion to sales.

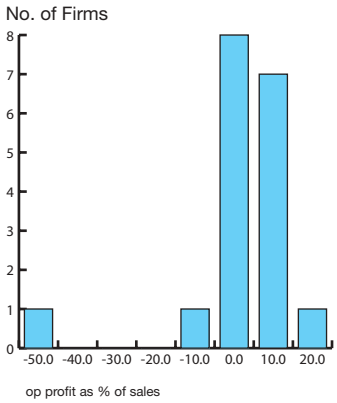


Fig 5.1 Operating profit as a percentage of sales for primary processors

5.2.2 Mixed Processing Sector

Unlike the secondary sector in 1994, the mixed sector in 1999 had an average operating profit of only 2.9% on average (Table 5.1). It should be remembered that this sector includes some firms which are mostly selling the products of primary processing and others which are mostly selling the products of secondary processes, although all are engaged in a combination of both processes. The range of operating profits for this sector was from –8% to 15% of sales, a narrower range than for the primary sector.

For mixed processors fish purchases were on average 65.2% of total sales, somewhere between the proportion for secondary and primary processors, as expected. This is still a high percentage compared to other industries however, and would mean that for many firms engaged in a mix of processes, they are still finding the price of fish inputs has the biggest single impact on their financial performance.

Wages and salaries in the mixed sector make up a higher percentage of sales than in the primary sector, at 15.3% on average. This is higher than the level for secondary processors in 1994 and could be because of the difficulties experienced by medium sized firms in particular (50 – 100 employees) where they have the expense of administrative and other non-processing salaries, but not yet the economies of scale of the larger firms.

Figure 5.2 shows the range of operating profits as a percentage of sales for mixed processors. This illustrates a concentration of results between 0% and 4%, which although not as low as the primary sector, is still not a healthy financial position for the sector which accounts for 52% of industry employment. Operating a business with margins of this order makes it hard to realise an acceptable return on investment or to have funds available for reinvestment into the business. New product development may be strategically necessary but better margins than 4% would be required to allow a company to invest in the research and development necessary to launch new products successfully.

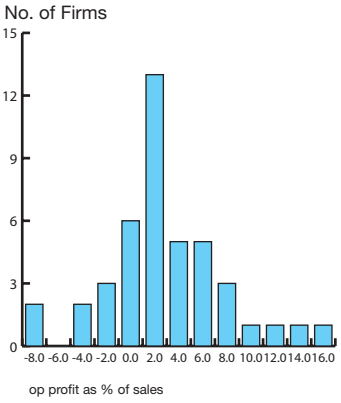


Fig 5.2 Operating profit as a percentage of sales for mixed processors

Tables showing these results by company size are in the

appendix, Tables 5.7 – 5.11. For Primary processors with 1-25 employees, the cost of sales are on average 101.7% of sales compared to 96.6% for primary processors with 26 or more employees, illustrating that it is the smaller firms which are least able to generate sufficient sales to cover their fixed costs. The smaller mixed processors have an average operating profit of 1.9% of sales, and their costs of sales average 98.5%. This size of mixed companies has the lowest operating margins. Mixed processors with 26-100 employees averaged operating profits of 3.2% and firms with over 100 employees averaged operating profits of 3.5% for 1999. These comparisons suggest that it is the larger mixed firms that are using more non-fish ingredients in their products, enabling them to add more value. Because the operating profit improves with larger firms, which would generally have higher sales, this also emphasises the importance of volumes of sales when fixed costs are relatively high.

5.3 Wages and Salaries

The postal survey recorded average hourly wage rates for male and female processing staff and these are presented in Table 5.2. Full time male staff are paid £5.48 per hour on average, still more than their female equivalents at £4.88 per hour on average. In 1995 females were paid on average 93% of the male wage rate, compared to only 89% in 2000, indicating that the gender differential has grown larger. Males' wages have increased by 25% and females' wages have increased by only 19% in real terms since 1995.

£ per hour			
Full Time Females	**Full Time Males**	**Part Time Females**	**Part Time Males**
4.88	5.48	4.74	4.40

Table 5.2 Average hourly wage rates for processing staff

Regional analysis showed that women processing staff were paid most in South West England and male staff were paid most in Humberside. The lowest paid region for females was South / Midlands / Wales and the lowest paid region for males was Highlands and Islands.

There are still many firms that pay piece rates which enable some staff to earn more than the basic or average hourly rates presented here. In contrast to the general picture, one South West England processor said *"the female workers are better and faster on the whole than the male workers and so on piece rates would earn more"*.

Figures 5.3 and 5.4 show the range of hourly rates paid to male and female processing staff in primary and mixed firms.

REGION	CONTRIBUTION TO UK OUTPUT (£m)
Grampian	377.0
Highlands & Islands	59.7
Humberside	348.1
N England	104.0
Northern Ireland	97.5
Other Scotland	172.3
SW England	69.4
South/Midlands/Wales	80.9
UK Total Output	1,308.9

Table 5.3 Output of UK Primary Processing and Mixed Processing Industry 2000.

5.4 Output and Value Added

Output of the processing industry excludes sales from one processing unit to another. The output of the primary and mixed sectors of the UK processing industry was just over £1.3 billion (Table 5.3). The table shows the regional contributions to the UK output, but this is not the same as output per region, because it is not possible to know whether sales to other processors were

in the same region or not. Each regional figure is the total estimated sales from the region that were not to other processors.

Value added was calculated to indicate the return on labour and capital employed in the production process. This report uses the same definition as was used in the previous 1995 report, namely the sum of wages and profit after deducting depreciation and interest. As before, the method to estimate value added for the regions was to take the average of wages plus operating profit as a percentage of sales for each region, and apply that percentage to the total estimated sales for the region. Because of small sample sizes in some regions, areas have been combined to provide estimates of the value added by primary and mixed processors. These are shown in Table 5.4.

North England combined with Humberside produces 30% of the value added among mixed and primary processors in the UK, but the Grampian region alone provides almost the same (29%). Table 5.4 also shows value added per head for the combined regions. It is unfortunate that sufficient data was not available for each region separately, because some regional differences may be concealed. It is still notable however that Humberside and North England are producing a greater level of value added per head than other region, with SW England combined with the South / Midlands / Wales regions having the lowest level. The average value added per head is 24% higher in real terms than in 1994.

REGION	Value Added (£m)	% of UK Total	Value Added per Employee (£)
Grampian	73.9	28.6	17,551
Humberside & N England	78.9	30.5	19,352
N Ireland, Highlands & Islands, Other Scotland	79.5	30.7	18,460
South/Midlands/Wales & SW England	26.3	10.2	16,728
UK Total	258.5	100.0	18,254

Table 5.4. Value added from UK primary and mixed fish processing sectors, 2000.

5.5 Asset Ratios

To estimate asset values for the primary and mixed sectors of the industry, the ratios of fixed assets and net assets to sales for their most recently ended financial year (1999/2000) were applied to regional sales estimates. Table 5.5 illustrates the estimated values. Fixed assets are around £245 million for the mixed and

REGION	Total Sales (£m)	Fixed Assets		Net Assets		Fixed Assets per employee £'000s
		%	£m	%	£m	
Grampian	471	15.8	74	18.5	87	18
Highlands & Islands	77	24.5	19	29.0	22	26
Humberside	387	14.7	57	21.8	84	19
N England	106	9.4	10	23.5	25	10
Northern Ireland	98	-	-	-	-	-
Other Scotland	173	23.1	40	21.3	37	18
SW England	70	11.6	8	12.9	9	13
South/Midlands/Wales	100	22.7	23	25.6	26	24
UK Total	1,482	16.6	245	17.9	265	17.3
1994 terms:	*1,296*		*215*		*232*	*15.2*

nb. Definitions of fixed and net assets are as per the 1995 report and are given in the chapter on Methods.

Table 5.5 Asset Values in the UK Primary and Mixed Processing Sectors, 2000

primary sectors, which in 1994 terms is equivalent to £215 million. Fixed assets per employee averaged for the UK are £17,300, which equates to £15,200 in 1994 terms. This is an increase of 27% in real terms.

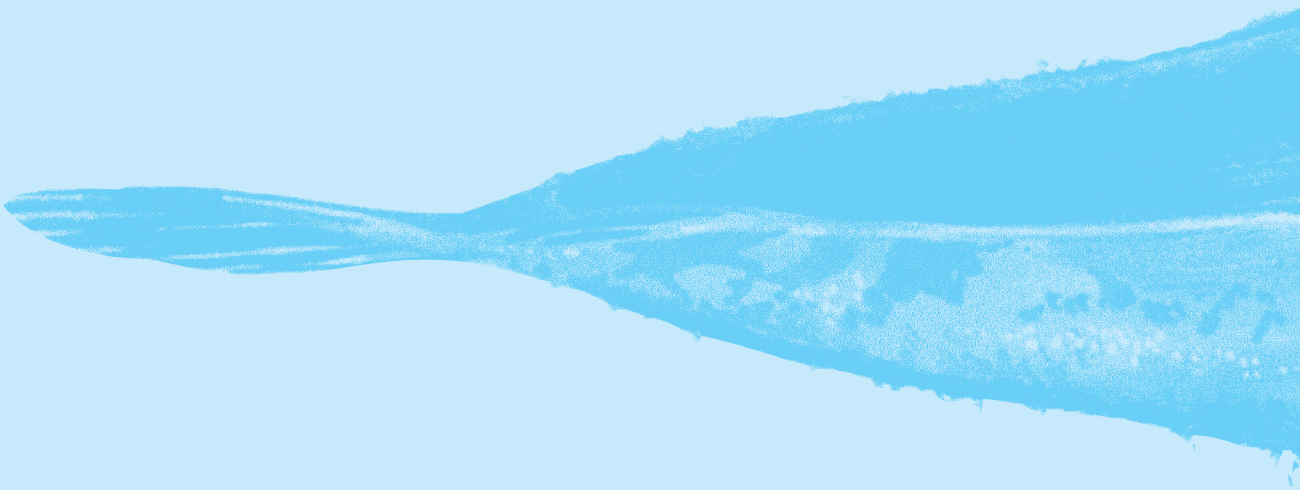
As in the 1995 survey, a high level of fixed assets per employee, for instance in Highlands and Islands and in South / Midlands / Wales, does not result in a high level of sales per employee (see Table 3.2).

5.6 Current Ratios

The current ratio is a comparison of current assets to current liabilities which indicates to what extent short term debts can be covered by current assets. Potential creditors use this ratio to measure a company's liquidity. A current ratio of 2:1 is considered to be a good rule of thumb - in other words, current assets should be twice as much as current liabilities, though the norm varies from industry to industry. Table 5.6 shows current ratios for primary and mixed processors by size of business unit, indicating that it is the smallest firms that are the least able to cover their short term debts with current assets.

Unit Size (FTEs)	No. businesses contributing	Average (%)	Minimum (%)	Maximum (%)
1-10	25	1.5 : 1	0.2	8.1
11-25	20	1.6 : 1	0.1	4.6
26-50	20	2.1 : 1	0.2	17.0
51-100	19	2.0 : 1	0.5	5.2
101+	13	1.7 : 1	0.6	4.5
Total		1.8 : 1		

Table 5.6 Current Ratio, by Company Size, 2000



Methods

This chapter gives details of the methods employed in the collection and analysis of survey data.

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6.1 Survey Methods

6.1.1 Telephone Survey

To establish the population of fish processing units, various existing data bases were gathered together and cleared of duplicate entries. Other sources of processors details included membership lists of trade organisations, yellow pages on the web, Fish Industry Yearbook[1], Merlin Scott report, and other web sources. All of these were compared to the working database and any processors not already known were added.

A team of staff then called all the processors on the list, explained what the survey was about and how the data would be used, and asked each company the following questions:

1. type of processing carried out

2. type of fish they processed

3. number of full and part time, male and female employees

4. company ownership

5. company age

6. If the processor was carrying out any primary processes, they were asked if they would agree to complete a more detailed questionnaire or take part in an interview.

For companies which could not initially be contacted by telephone, all efforts were made to trace their current contact details. For some companies this effort continued into August and September. Officers of trade associations helped staff to contact firms that were on the database but could not be reached by phone. 541 firms were identified, although some of these ceased trading during the period of the survey. Of the total, 469 were classed as primary or mixed processors, if they carried out primary only or a mix of primary and secondary processes.

Answers to the questions were stored in the survey database.

[1] Fish Industry Yearbook 2000, Broomfield

6.1.2 Postal Questionnaire

The questionnaire was mailed to each unit which had agreed to complete it, a total of 396 firms. 120 firms had also agreed to an interview, and these firms were asked to await further contact to arrange the interview. Not all firms that volunteered were interviewed. 45 interviews were carried out by Seafish staff and the remaining firms were contacted and asked to complete and return their forms to Seafish.

Questionnaires contained assurances that information provided would be kept confidential (although not anonymous) and that no individual firm would be identified in the report to be produced. A copy of the questionnaire is included in the appendix.

Firms that had not returned their forms by mid-August were telephoned by Seafish and asked to do so. 100 duplicate forms were sent on request.

In all 86 completed forms were returned, although in some cases not all of the questions had been answered.

The forms returned provided a sample broken down as shown in Table 6.1.

Table 6.1 Sample distribution and ratios for the postal questionnaire

REGION	Sample	Population	Sampling Ratio%
Grampian	33	119	28
Highlands & Islands	4	33	12
Humberside	15	106	14
N England	7	48	15
Northern Ireland	4	35	11
Other Scotland	8	39	21
SW England	8	37	22
South/Midlands/Wales	7	52	13
Total No. of units	86	469	18

PROCESS TYPE	Sample	Population	Sampling Ratio %
Primary	39	207	19
Mixed	47	262	18
Total	86	469	18

COMPANY SIZE (FTEs)	Sample	Population	Sampling Ratio %
1 -10	42	247	17
11 - 25	17	101	17
26 - 50	12	55	22
51 - 100	8	40	20
over 100	7	26	27
Total	86	469	18

Type of Fish Processed	Sample	Population	Sampling Ratio %
Demersal Only	45	213	21
Pelagic Only	2	17	12
Shellfish Only	11	59	19
Mixed	28	180	16
Total	86	469	18

Northern Ireland and the Highlands and Islands regions were not particularly well represented and it is therefore necessary to use caution when considering some of the regional results. Grampian was the region with the highest sampling ratio and the largest firms were the size category giving the highest sampling ratio.

6.1.3 Face-to-face Interviews

Interviews were carried out by Seafish staff and consisted of following a schedule of questions as well as ensuring that the postal questionnaire was completed. Interviewees were assured that their answers would be kept confidential and were asked if they would give permission for their answers to be quoted or paraphrased anonymously in the report to be produced. The regional and sectoral distribution of the 45 interviews was as follows:

REGION	Primary	Mixed
Grampian	6	4
Highlands & Islands	0	0
Humberside	7	6
N England	2	5
Northern Ireland	2	1
Other Scotland	1	1
SW England	0	5
South/Midlands/Wales	3	2
Total	21	24

Table 6.2 Sample distribution for face-to-face interviews

6.2 Statistical analysis

To estimate total raw fish materials processed, total costs of supplies and total sales from primary and mixed processors in the UK, the survey data were analysed using software known as the Statistical Package for the Social Sciences (SPSS). Data were transformed by finding natural logarithms prior to testing relationships using stepwise multiple linear regressions. At this stage of the analysis there was considerable input from Chris Tucker of Seafish, who was involved in the statistical analysis phase of the previous Seafish survey.

Log-linear multiple regressions were used to predict the tonnes processed, cost of supplies, and turnover for those companies for which this data was missing. As many explanatory variables as possible were used so that for one prediction, some of the cases would have benefited from a predictive equation with

better correlation than others, depending on how much information was available about each case. The most highly significant variables were number of FTE employees, which was available for every case, fixed assets employed (for larger companies), type or mix of types of fish processed, type of company ownership and regional location.

In some cases, information in one answer was incompatible with information supplied in another answer. In some cases the firm was telephoned to confirm data and in other cases, data was edited to replace unlikely answers with the mean for the appropriate category of processor. This practice is compatible with methods used for the previous survey.

Further details of statistical analysis are available on request by contacting the Economics Department at the Sea Fish Industry Authority in Edinburgh.

6.3 Terms used in Asset Ratio Section

The following terms are used in the chapter on Financial Performance and have been defined as they were for the report published in 1996.

Fixed Assets: Fixed assets are generally those assets which a firm does not intend to trade. These include tangible assets, such as land, buildings, plant and machinery, vehicles, etc., and also intangible assets, such as goodwill, and long-term investments.

Current Assets: Current Assets are generally those which can be liquidated sooner rather than later, normally within one year at the most. These include stocks, debtors, cash and other liquid assets.

Net Assets: Net Assets = Fixed Assets + Current Assets – Current Liabilities

Current Liabilities: Current Liabilities include trade creditors, short term loans / overdrafts, VAT due to be paid, etc, generally payable within one year.

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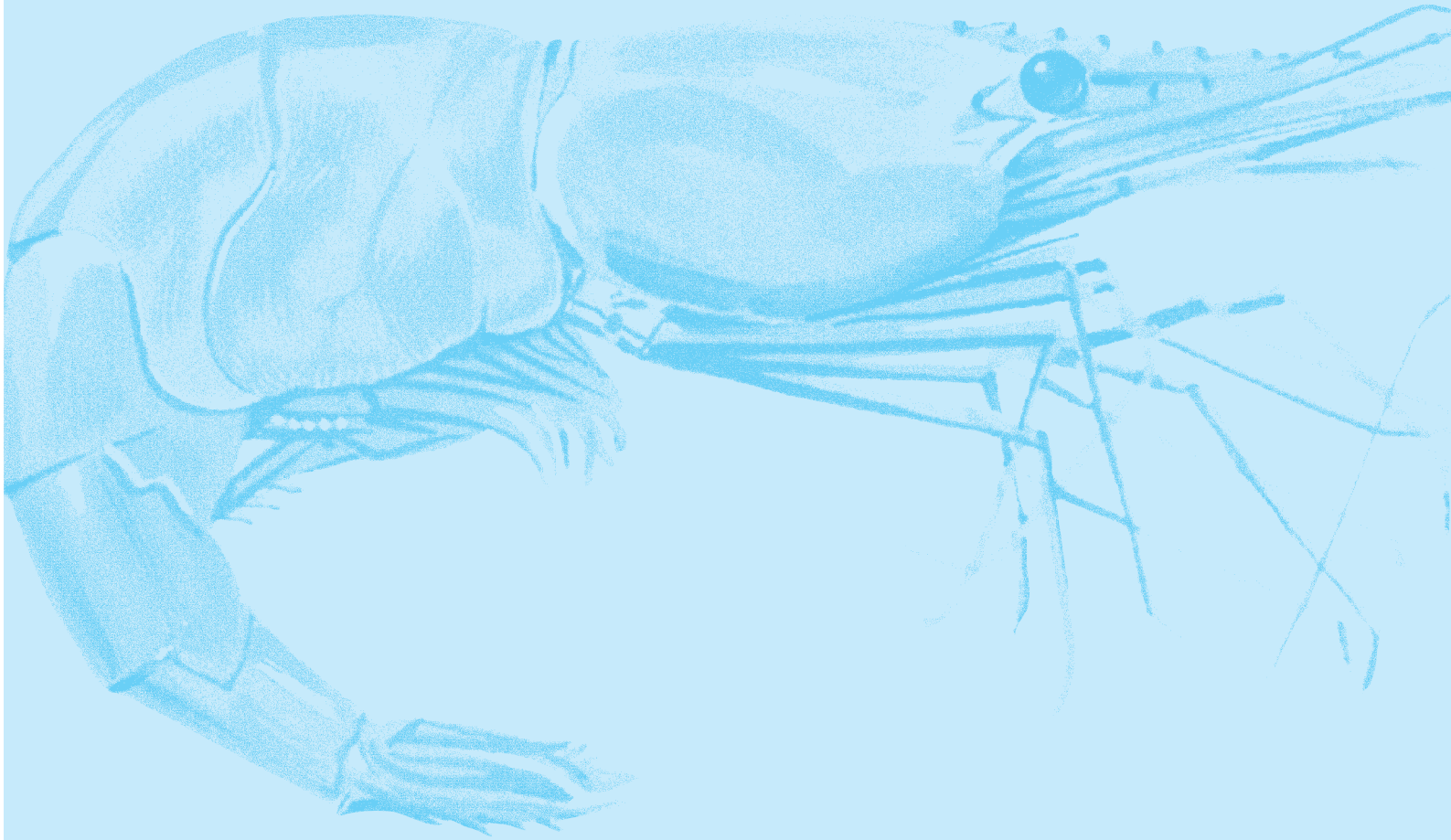
Appendix



	1986	1995	2000
No. of UK Employees	19,359	19,659	22,255
No. of Units	988	719	541
Avg Employees per Unit	19.6	27.3	41.1

Table 1.1 Time trend of Employment and Number of Processing Units in UK.

Unit size	No. of employees (FTE)		No. of units	
	1995	2000	1995	2000
1-10	988	654	198	126
11 - 25	1,005	776	59	52
26-50	721	702	20	21
51-100	976	385	14	6
101 +	940	178	4	1
Total	4,630	2,695	295	206

Table 1.2 Primary processing sector employment structure

REGION	Unit size - no. of FTEs											
	1-10		11-25		26-50		51-100		101+		Total	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
Grampian	60	22	26	22	18	29	15	34	10	23	129	24
Highlands & Islands	14	5	13	11	8	13	3	7	1	2	39	7
Humberside	71	26	25	22	9	15	7	16	12	27	124	23
N England	30	11	15	13	5	8	5	11	8	18	63	12
Northern Ireland	14	5	11	9	4	6	4	9	2	5	35	6
Other Scotland	21	8	7	6	6	10	4	9	4	9	42	8
SW England	25	9	7	6	4	6	2	5	1	2	39	7
South/Midlands/Wales	40	15	12	10	8	13	4	9	6	14	70	13
UK Total	275	100	116	100	62	100	44	100	44	100	541	100

Table 1.3 Geographical distribution of units by size

PROCESS TYPE	No. of employees (FTEs)	Average unit size	% of all employees	% of all units	No. of units
Primary	2,695	13	12	38	206
Secondary	8,096	112	36	13	72
Mixed	11,465	44	52	49	263
Total	22,256	41	100	100	541

Table 1.4 No. of employees and processing units per process type

COMPANY OWNERSHIP	No. of units	Percent
Co-Operative	1	0.2
Partnership	122	22.6
Private Limited	277	51.2
Public Limited	21	3.9
Sole Trader	114	21.1
Subsidiary	6	1.1
Total	541	100.0

Table 1.5 Company ownership structure of UK processing industry

PROCESS TYPE	No. of firms	%
Primary	26	42
Secondary	11	18
Mixed	25	40
Total	62	100

Table 1.7 Process type of Firms aged 5 years or less

REGION	No. of employees (FTE) 1995	2000	No. of units 1995	2000	Avg employees per unit 1995	2000	% of all employees 2000	% of all units 2000
Grampian	4,934	4,712	143	129	35	37	21	24
Highlands & Islands	1,037	934	44	39	24	24	4	7
Humberside	5,971	4,856	173	124	35	39	22	23
N England	1,866	3,764	97	63	19	60	17	12
Northern Ireland	1,085	1,382	36	35	30	39	6	6
Other Scotland	1,624	2,243	41	42	40	53	10	8
SW England	1,108	648	72	39	15	17	3	7
South/Midlands/Wales	2,034	3,716	113	70	18	53	17	13
Total	19,659	22,255	719	541	27	41	100	100

Table 1.8 Comparison of regional distribution of employment and units in 1995 and 2000

Primary Processors REGION	Unit Size (No. of FTEs)					
	1-10	11-25	26-50	51-100	101+	Total
Grampian	31	15	4	3	1	54
Highlands & Islands	3	1	4	1	0	9
Humberside	50	11	4	1	0	66
N England	10	7	2	0	0	19
Northern Ireland	8	5	0	0	0	13
Other Scotland	3	2	1	0	0	6
SW England	10	4	2	0	0	16
South/Midlands/Wales	11	7	4	1	0	23
Total	126	52	21	6	1	206

Table 1.9 Distribution of Primary processing units by size, region and process type

Secondary Processors REGION	Unit Size (No. of FTEs)					
	1-10	11-25	26-50	51-100	101+	Total
Grampian	4	2	2	0	2	10
Highlands & Islands	1	2	2	1	0	6
Humberside	7	3	3	0	5	18
N England	2	4	2	2	5	15
Northern Ireland	0	0	0	0	0	0
Other Scotland	2	0	1	0	0	3
SW England	2	0	0	0	0	2
South/Midlands/Wales	11	1	0	0	6	18
Total	29	12	10	3	18	72

Table 1.10 Distribution of Secondary processing units by size, region and process type

Mixed Processors REGION	Unit Size (No. of FTEs)					
	1-10	11-25	26-50	51-100	101+	Total
Grampian	25	9	12	12	7	65
Highlands & Islands	10	10	2	1	1	24
Humberside	14	11	2	6	7	40
N England	18	4	1	3	3	29
Northern Ireland	6	6	4	4	2	22
Other Scotland	16	5	4	4	4	33
SW England	13	3	2	2	1	21
South/Midlands/Wales	18	4	4	3	0	29
Total	120	52	31	35	25	263

Table 1.11 Distribution of Mixed processing units by size, region and process type

PROCESSOR TYPE	Unit Size (no. FTEs)	No. of Employees (FTEs)	No. of Units	% of all Employees	% of all Units
Primary					
	1-10	654	126	3	23
	11-25	776	52	3	10
	26-50	702	21	3	4
	51-100	385	6	2	1
	101+	178	1	1	0
	Total	2,695	206	12	38
Secondary					
	1-10	158	29	1	5
	11-25	200	12	1	2
	26-50	380	10	2	2
	51-100	208	3	1	1
	101+	7,149	18	32	3
	Total	8,096	72	36	13
Mixed					
	1-10	665	120	3	23
	11-25	867	52	4	9
	26-50	1,167	31	5	6
	51-100	2,391	35	11	6
	101+	6,375	25	29	5
	Total	11,465	263	52	49
Total					
	1-10	1,477	275	7	51
	11-25	1,843	116	12	7
	26-50	2,249	62	8	21
	51-100	2,984	44	11	12
	101+	13,702	44	62	8
	Total	22,255	541	100	100

nb. FTE employees assumes part-time employees work 21.1 hours of a 37.5 hour week this conversion factor was used in the 1995 survey and is a standard method.

Table 1.12 Distribution of processing units and employment by unit size and process type.

Region	PRIMARY		SECONDARY		MIXED		TOTAL	
	Number	% of all employees	Number	% of all employees	Number	% of all employees	Number	% of all employees
Grampian	906	4	503	2	3,303	15	4,712	21
Highlands & Islands	239	1	202	1	493	2	934	4
Humberside	546	2	1,824	8	2,485	11	4,856	22
N England	223	1	2,720	12	820	4	3,764	17
Northern Ireland	131	1	0	0	1,251	6	1,382	6
Other Scotland	83	0	53	0	2,107	9	2,243	10
SW England	171	1	9	0	468	2	648	3
South/Midlands/Wales	395	2	2,784	13	537	2	3,716	17
UK Total	2,695	12	8,096	36	11,465	52	22,255	100

Table 1.13 No. UK of employees by region and process type

REGION	Male Employees %	Female Employees %
Grampian	48	52
Highlands & Islands	49	51
Humberside	65	35
N England	58	42
Northern Ireland	25	75
Other Scotland	46	54
SW England	76	24
South/Midlands/Wales	66	34
Total	54	46

Not adjusted for FTE.

Table 1.14 Gender distribution of employees in UK processing

PROCESS	Male FTEs %	Female FTEs %
Primary	71	29
Secondary	53	47
Mixed	48	52
Total	54	46

Table 1.15 Gender distribution by processing type

FISH PROCESSED	UK Employees (FTEs) Number	%
Demersal only	8,486	38
Pelagic only	777	3
Shellfish only	4,116	18
Mixed	8,876	40
Total	22,255	100

Table 1.16 Employment structure by type of fish processed

Age Group	Male %	Female %
16 - 20	14	18
21 - 30	29	29
31 - 50	43	39
51+	14	14
Total	100	100

nb. Employees not adjusted for FTE

Table 1.17 Age of Manual Workers in UK processing firms

	PRIMARY PROCESSORS				MIXED PROCESSORS			
Region	**Tonnes ('000s)**	**%**	**Value (£m)**	**%**	**Tonnes ('000s)**	**%**	**Value (£m)**	**%**
Grampian	58.5	41.1	66.4	31.1	207.8	34.9	181.5	28.6
Highlands & Islands	4.2	2.9	15.6	7.3	15.6	2.6	36.2	5.7
Humberside	30.1	21.2	50.9	23.8	164.5	27.7	156.0	24.6
N England	11.6	8.2	18.5	8.7	45.9	7.7	50.3	7.9
Northern Ireland	5.7	4.0	11.4	5.3	31.0	5.2	55.5	8.8
Other Scotland	3.5	2.5	5.7	2.7	77.1	13.0	84.8	13.4
SW England	8.5	6.0	14.3	6.7	29.5	5.0	31.4	5.0
South/Midlands/Wales	20.0	14.1	30.5	14.3	23.3	3.9	38.3	6.0
Total	142.2	100	213.4	100	594.9	100	634.1	100

Table 2.3 Quantity and Value of raw materials processed by location of Processing Unit

	PRIMARY PROCESSORS		MIXED PROCESSORS	
SUPPLY REGION	**%**	**Estimated total value (£m)**	**%**	**Estimated total value (£m)**
Grampian	32	68.1	26	162.2
Highlands & Islands	24	50.2	8	47.6
Humberside	11	22.5	12	78.9
N England	4	8.3	7	43.0
Northern Ireland	7	15.1	1	9.1
Other Scotland	7	15.5	9	59.6
SW England	8	17.5	7	44.3
South/Midlands/Wales	2	3.7	6	35.9
EU Imports	5	9.9	7	46.5
Other Imports	1	2.6	17	107.0
Total	100	213.4	100	634.1

Nb. Other imports include fish from Norway, Iceland, Faroes and other non-EU countries.

Table 2.4 Sources of supply to UK Primary and Mixed Processors

	% of total value of purchases from each region									
PROCESSOR LOCATION	**Grampian**	**Highlands & Islands**	**Humberside**	**North England**	**Northern Ireland**	**Other Scotland**	**South West England**	**South / Midlands / Wales**	**2000 UK Total**	**1995 UK Total**
SUPPLY ORIGIN										
Grampian	46.6	0.0	4.5	5.5	0.0	31.9	0.0	3.4	22.1	22.0
Highlands & Islands	9.1	100.0	6.2	8.5	0.0	20.7	1.5	5.4	10.0	15.0
Humberside	1.4	0.0	28.3	10.4	0.0	0.0	0.8	35.4	10.5	14.0
North England	0.3	0.0	4.6	30.3	0.0	5.6	1.6	1.3	3.7	4.0
Northern Ireland	0.0	0.0	2.3	5.9	51.6	0.2	0.0	0.0	3.5	3.0
Other Scotland	8.9	0.0	9.4	4.3	3.6	26.4	0.0	0.0	9.1	5.0
SW England	0.0	0.0	0.7	19.0	0.0	0.2	75.1	3.3	7.9	7.0
South/Midlands/Wales	0.0	0.0	2.3	12.5	0.0	0.2	14.6	49.1	4.5	3.0
EU Imports	0.0	0.0	18.6	1.0	44.8	3.2	3.3	0.0	8.1	8.0
Other Imports	33.7	0.0	23.1	2.7	0.0	11.5	3.1	2.1	20.6	20.0
UK Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Table 2.5 **Inter-regional Flows of Supplies to UK Fish Processors**

Supply Type	PRIMARY		MIXED	
	Tonnes	%	Tonnes	%
Landings at auction	77,299	54	139,841	24
Overland at auction	24,272	17	32,750	6
Direct contract	16,163	11	113,035	19
Direct imports	5,897	4	177,919	30
Fish processors	2,274	2	96,731	16
Sub contractors	552	0.4	1,208	0.2
Fish merchants	10,414	7	21,599	4
Other	5,319	4	11,782	2
Total	142,190	100	594,864	100

Definitions of supply sources that were included in the postal questionnaire:
Landings at auction (from UK or foreign vessels)
Overland at auction (overland or consigned fish, incl imported)
Direct contract (landed by UK vessels & in direct contract with boat)
Direct Imports (imported & purchased direct by your company)
Fish processors (partially processed fish)
Sub contract (owned by others, processed on a sub-contract basis)
Fish Merchants (wholesale fish merchants or commodity traders)

Table 2.6 Method of obtaining supplies

	% of volume processed									
REGION	**Grampian**	**Highlands & Islands**	**Humberside**	**North England**	**Northern Ireland**	**Other Scotland**	**SW England**	**South/ Midlands/ Wales**	**UK Total 2000**	**UK Total 1995 (% of value)**
	%	%	%	%	%	%	%	%	%	
SUPPLY SOURCE										
Landings at auction	40	54	16	4	68	17	36	21	29	23
Overland at auction	5	2	20	1	0	9	0.8	14	7	11
Direct contract	14	1	10	5	4	43	58	37	18	13
Direct imports	37	0	36	1	13	18	2	10	25	28
Fish processors	3	9	10	68	6	11	*	4	14	13
Sub contractors	*	0	*	0	4	0	0	0	*	6
Fish merchants	1	1	8	8	6	3	4	15	4	5
Other	0	34	0	13	0	0	0	0	2	2
Total	100	100	100	100	100	100	100	100	100	100

Table 2.7 Method of obtaining supplies, by region of processing unit

Nb. 1995 figures included data from secondary only processors, which were not included in 1999 figures.
* = < 0.5%

REGION	Primary		Mixed		Total	
	Total sales (£m)	%	Total sales (£m)	%	Total sales (£m)	%
Grampian	108.9	33	362.3	32	471.2	32
Highlands & Islands	22.3	7	54.3	5	76.6	5
Humberside	78.7	24	308.1	27	386.8	26
N England	29.3	9	76.8	7	106.1	7
Northern Ireland	15.7	5	82.8	7	98.5	7
Other Scotland	12.2	4	160.7	14	173.0	12
SW England	20.8	6	48.9	4	69.7	5
South/Midlands/Wales	44.4	13	55.4	5	99.8	7
Total	332.4	100	1,149.3	100	1,481.7	100
in 1994 terms	*290.8*		*1,005.5*		*1,296.3*	

** conversion to 1994 terms is divide by 114.305 then multiply by 100*

Table 3.1 Sales by Primary and Mixed Processors based in each region.

REGION	Total Region Sales (Mixed & Primary) (£m)	Employees in Mixed and Primary units (FTE)	Sales per Employee (£'000)
Grampian	471	4,204	112
Highlands & Islands	77	732	105
Humberside	387	3,032	128
N England	106	1,043	102
Northern Ireland	98	1,382	71
Other Scotland	173	2,190	79
SW England	70	639	109
South/Midlands/Wales	100	932	107
Total	1,482	14,154	105

Table 3.2. Sales per employee for each region, mixed and primary processors only.

COMPANY SIZE (FTEs)	Primary Processors Sales (£)	%	Mixed Processors Sales (£)	%	Total Sales	% of Total Sales
1 - 10	90,604,948	27	83,913,811	7	174,518,760	12
11 - 25	102,873,288	31	114,487,497	10	217,360,785	15
26 - 50	89,562,005	27	139,289,130	12	228,851,135	15
51 - 100	40,161,017	12	271,666,867	24	311,827,884	21
101+	9,152,712	3	539,972,476	47	549,125,188	37
Total	332,353,971	100	1,149,329,781	100	1,481,683,751	100

Table 3.3 **Estimated total sales (£) by company size and process type**

	(% of total estimated sales)									
PROCESSOR LOCATION	Grampian	Highlands & Islands	Humberside	North England	N. Ireland	Other Scotland	South West England	South / Mids / Wales	UK Total	1995 UK Total
CUSTOMER TYPE										
Processors	20	22	10	2	1	*	*	19	13	6
Wholesale	14	20	21	34	38	2	33	15	18	18
Retail	29	16	33	20	11	45	2	10	27	43
Catering	10	14	26	21	20	51	16	53	22	11
Exports	26	28	9	23	29	2	50	*	20	20
Other	1	0	1	0	0.0	0.0	0.0	4	1	2
Total	100	100	100	100	100	100	100	100	100	100
Value (£m)	471	77	387	106	98	173	70	100	1,482	

** = less than 0.5%*

nb. 1995 UK total included secondary processors

Table 3.5 Sales by customer type, by region of processor location, for primary and mixed processors

	% of total value of sales								
SOURCE LOCATION	Grampian	Highlands & Islands	Humberside	North England	N. Ireland	Other Scotland	South West England	South / Mids / Wales	UK Total
DESTINATION									
Central UK Depots	31	4	33	6	0	66	0	16	28
Grampian	7	1	3	0	0	0	0	0	4
Highlands & Islands	0.2	17	0	0	0	0	0	0	1
Humberside	10	22	10	3	1	0	14	25	9
N England	5	2	5	59	7	0.7	4	0.5	8
Northern Ireland	4	0	1	0	26	0	0	0	3
Other Scotland	6	4	1	0	0	29	1	0	7
SW England	3	9	17	1	0	1	8	2	6
South/Midlands/Wales	8	12	21	8	37	1	29	56	15
Total UK Sales	74	72	90	77	71	98	57	100	80
Exports	26	28	10	23	29	2	43	0	20
Total	100	100	100	100	100	100	100	100	100
Value (£m)	471	77	387	106	98	173	70	100	1,482

** = less than 0.5%*

Table 3.7 Inter-Regional sales within the UK

	PRIMARY %	MIXED %
Cash against documents	0	4
less than 10 days	62	52
11-30 days	32	33
31 days or more	5	10
	100	100

4.1 Credit terms when buying fish

	PRIMARY %	MIXED %
Cash against documents	0	4
less than 10 days	62	52
11-30 days	32	33
31 days or more	5	10
	100	100

4.2 Credit terms when selling products

	PRIMARY		MIXED	
Does your company…	**Yes %**	**No %**	**Yes %**	**No %**
Use computers?	61	39	85	15
Use e-mail?	37	63	58	42
Have a web site?	34	66	37	63
Sell via web site?	5	95	8	92

4.3 Use of computer technology in UK processing businesses.

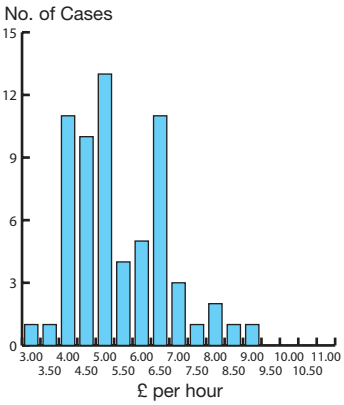


Fig 5.3 Range of hourly rates for male staff

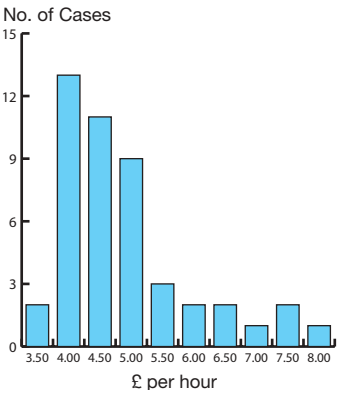


Fig 5.4 Range of hourly rates for female staff

	Primary Processors £'000	No. of contributors
Estimated Total Turnover	193,478	
Total sales / no. of companies	1,087	
Average sales per business	1,169	(16)
	Percent	
Average Cost of sales (% sales)	101.7	(13)
Direct Costs (% of sales)		
Fish Purchases	78.0	(19)
Wages & Salaries	8.6	(18)
Transport	3.6	(18)
Energy	0.6	(17)
Water charges	0.3	(15)
Packaging	2.1	(19)
Non-fish raw materials	0.4	(16)
Other Direct Costs	0.8	(12)
Total Direct Costs	**92.1**	**(22)**
Indirect Costs (% of sales)		
Rent	1.1	(16)
Rates	0.4	(16)
Aministration	1.9	(15)
Bank Interest	0.9	(18)
Advertising & promotion	0.1	(14)
Repairs & maintenance	0.6	(18)
Insurance	0.5	(16)
Other Overheads	1.9	(15)
Total overheads (% sales)	**7.9**	**(22)**
Depreciation (% sales)	0.8	(4)
Operating profit (% sales)	0.8	(15)
Range of operating profits as % of sales:	Min: -49% Max: 18%	

Table 5.7 Financial results reported for 1999/2000 Primary Businesses with 1-25 employees

	Primary Processors £'000	No. of contributors
Estimated Total Turnover	138,876	
Total sales / no. of companies	4,960	
Average sales per business	4,963	(6)
	Percent	
Average Cost of sales (% sales)	96.6	(5)
of which:		
Direct Costs (% of sales)		
Fish Purchases	63.7	(3)
Wages & Salaries	10.0	(4)
Transport	6.5	(4)
Energy	1.0	(5)
Water charges	0.6	(5)
Packaging	2.5	(4)
Non-fish raw materials	5.3	(4)
Other Direct Costs	*	
Total Direct Costs	**90.0**	**(7)**
Indirect Costs (% of sales)		
Rent	*	
Rates	1.0	(4)
Aministration	2.3	(3)
Bank Interest	1.0	(5)
Advertising & promotion	2.5	(4)
Repairs & maintenance	2.0	(5)
Insurance	0.6	(5)
Other Overheads	5.7	(3)
Total overheads (% sales)	**10.0**	**(7)**
Depreciation (% sales)	1.7	(3)
Operating profit (% sales)	2.8	(4)
Range of operating profits:	Min: -9%	
as % of sales	Max: 8%	

* Fewer than 3 businesses contributing data.

Table 5.8 Financial results reported for 1999/2000
Primary Businesses with 26+ employees

	Mixed Processors £'000	No. of contributors
Estimated Total Turnover	198,401	
Total sales / no. of companies	1,167	
Average sales per business	2,025	(16)
	Percent	
Average Cost of sales (% sales)	98.5	(12)
of which:		
Direct Costs (% of sales)		
Fish Purchases	75.4	(14)
Wages & Salaries	11.9	(15)
Transport	2.4	(16)
Energy	0.9	(16)
Water charges	0.4	(12)
Packaging	2.1	(15)
Non-fish raw materials	0.6	(14)
Other Direct Costs	0.6	(12)
Total Direct Costs	**91.2**	**(18)**
Indirect Costs (% of sales)		
Rent	1.5	(13)
Rates	0.5	(10)
Aministration	1.0	(13)
Bank Interest	1.5	(17)
Advertising & promotion	0.5	(11)
Repairs & maintenance	0.7	(15)
Insurance	0.4	(15)
Other Overheads	1.4	(11)
Total overheads (% sales)	**5.8**	**(17)**
Depreciation (% sales)	1.6	(7)
Operating profit (% sales)	1.9	(13)
Range of operating profits as % of sales:	Min: -8% Max: 15%	

Table 5.9 Financial results reported for 1999/2000
Mixed Businesses with 1-25 employees

	Mixed Processors £'000	No. of contributors
Estimated Total Turnover	410,956	
Total sales / no. of companies	6,134	
Average sales per business	6,820	(21)
	Percent	
Average Cost of sales (% sales)	95.1	(16)
of which:		
Direct Costs (% of sales)		
Fish Purchases	65.0	(10)
Wages & Salaries	17.6	(10)
Transport	2.7	(9)
Energy	1.4	(9)
Water charges	0.3	(8)
Packaging	3.1	(10)
Non-fish raw materials	3.6	(9)
Other Direct Costs	0.5	(8)
Total Direct Costs	**88.3**	**(18)**
Indirect Costs (% of sales)		
Rent	0.6	(8)
Rates	0.6	(9)
Aministration	1.6	(9)
Bank Interest	1.5	(16)
Advertising & promotion	0.1	(9)
Repairs & maintenance	0.9	(9)
Insurance	0.3	(9)
Other Overheads	1.7	(9)
Total overheads (% sales)	**11.7**	**(18)**
Depreciation (% sales)	3.5	(8)
Operating profit (% sales)	3.2	(19)
Range of operating profits: as % of sales	Min: -8% Max: 14%	

Table 5.10 Financial results reported for 1999/2000 Mixed Businesses with 26-100 employees

	Mixed Processors £'000	No. of contributors
Estimated Total Turnover	539,972	
Total sales / no. of companies	21,599	
Average sales per business	17,603	(11)
	Percent	
Average Cost of sales (% sales)	96.2	(11)
Direct Costs (% of sales)		
Fish Purchases	57.9	(5)
Wages & Salaries	16.2	(6)
Transport	3.7	(6)
Energy	1.3	(6)
Water charges	0.3	(5)
Packaging	3.5	(5)
Non-fish raw materials	5.0	(6)
Other Direct Costs	*	
Total Direct Costs	**88.3**	**(12)**
Indirect Costs (% of sales)		
Rent	0.5	(4)
Rates	0.5	(6)
Aministration	1.9	(5)
Bank Interest	1.5	(9)
Advertising & promotion	0.3	(5)
Repairs & maintenance	1.5	(6)
Insurance	0.3	(6)
Other Overheads	*	
Total overheads (% sales)	**11.7**	**(12)**
Depreciation (% sales)	2.2	(5)
Operating profit (% sales)	3.5	(11)
Range of operating profits: as % of sales	Min: -1% Max: 8%	

* Fewer than 3 businesses contributing data.

Table 5.11 Financial results reported for 1999/2000
Mixed Businesses with 101+ employees

Postal Questionnaire

SEAFISH

Sea Fish Industry Authority
UK Fish Processing Survey, 2000

- ***Thank you*** for agreeing to complete this questionnaire. Your contribution makes it possible to identify important trends and changes in the UK processing industry since 1995. We value your help.
- Survey participants can receive a useful bench-marking report, showing how your company performance compares to the rest of the sector.
- The major processing associations and federations support this survey and will use the results to represent the interests of the industry.
- The value of the industry report depends on the accuracy of the information gathered – we appreciate the time and care you take.
- Please complete IN CAPITALS and return this questionnaire in the prepaid envelope by 24 July 2000 to:

Hazel Curtis
Seafish
18 Logie Mill
Logie Green Road
Edinburgh
EH7 4HG

- If you have any questions, please contact Hazel Curtis at the above address; by telephone on 0131 558 3331 or on h_curtis@seafish.co.uk.

Please tick to receive a **free** copy of the final industry report ❑
Please tick to receive a **free**, individualised bench-marking report ❑

- **Seafish has a statutory obligation under the terms of the Fisheries Act 1981 to keep the contents of your completed form confidential. The survey report will not identify individual companies.**
- **Please DO NOT write the name of your company on the questionnaire.**
- **None of this information will be passed to third parties.**

Seafish Processing Survey 2000

Labour / workforce

1. Is your company able to recruit enough staff of the required skill levels?

❑ Yes ❑ No

1.a) Why do you think this is? _____

_____

_____

2. Is your company able to retain enough staff of the required skill levels?

❑ Yes ❑ No

2. a) Why do you think this is? _____

_____

_____

3. Does your company have any particular skills shortages in your workforce?

❑ Yes ❑ No

3. a) If yes, what are they? _____

_____

_____

4. How many **manual** fish processing and support workers of each age group are employed at your site? Please complete the table using approximate ages.

		Age of workers			
		16 - 20	21 - 30	31 - 50	51 & over
Full time manual	Male				
	Female				
Part time / casual manual	Male				
	Female				

5. How many **managerial and clerical** staff are employed at your site?

Full time **Part time**

Female _____ Male _____ Female _____ Male _____

6. What is the average pay rate for your fish processing staff? Delete as appropriate

Full time (per hour / week / year) **Part time (per hour / week / year)**

Female £_____ Male £_____ Female £_____ Male £_____

Seafish Processing Survey 2000

Sources of Supply

7. What percentage of your sea fish (not salmon & trout) supply in 1999 came from:

____ %	Landings at auction (from UK or foreign vessels)
____ %	Overland at auction (overland or consigned fish, incl imported)
____ %	Direct contract (landed by UK vessels & in direct contract with boat)
____ %	Direct Imports (imported & purchased direct by your company)
____ %	Fish processors (partially processed fish)
____ %	Sub contract (owned by others, processed on a sub-contract basis)
____ %	Fish Merchants (wholesale fish merchants or commodity traders)
____ %	Other (please specify) _____
100 %	

8. What factors affect your company's purchase of sea fish? Please enter 1,2 & 3 for the three most important factors:

☐ Price
☐ Quality of fish
☐ Location of market
☐ Species available
☐ Credit terms available
☐ Consistency of supply
☐ Style of auction (eg. electronic, traditional)
☐ Other (please specify) _____

9. Does your company experience any problems with supply / purchasing of fish?

❑ Yes ❑ No

9.a) If yes, what are the most serious problems?

1. _____
2. _____
3. _____

10. Has the supply of sea fish changed over the last 5 years? ❑ Yes ❑ No

If yes, in what way? _____

_____

_____

11. What other activities does your company carry out? (eg. Wholesale, retail, transport?)

_____

_____

Seafish Processing Survey 2000

12. How much sea fish did your company process in the last year?

Please give figures for the calendar year 1999 **OR** the most recent complete 12 month period.

	Cost of supplies for processing (£)	Tonnes processed
Demersal / white fish		
Pelagic		
Shellfish		
Salmon & Trout		
Totals	£	

Demersal / white fish includes: cod, haddock, plaice, whiting, pollack, saithe (coley), hake, monk / anglerfish' soles, lemons, megrim, witches, brill, turbot, halibut, dogfish, sharks, skates, rays, John Dory, bass, ling, catfish, redfish, etc.

Pelagic includes: herring, mackerel, pilchard, sprat, horse mackerel, whitebait, tuna, etc.

Shellfish includes: nephrops (scampi, langoustines), scallops, crabs, oysters, cockles, mussels, winkles, lobster, crawfish, shrimps, squid, octopus, etc.

13. Where did you buy your sea fish for processing last year?

Enter the approximate percentage (by cost) of your sea fish/shellfish purchases obtained from each of the following regions in 1999 (or the most recent complete 12 month period).
Please use the map enclosed with this questionnaire to see how we define each region.

Humberside	____%
SW England	____%
South / Midlands / Wales	____%
N England	____%
Grampian	____%
Highlands & Islands	____%
Other Scotland	____%
Northern Ireland	____%
European Union* imports	____%
Non EU* imports	____%
Total:	100 %

***European Union** comprises: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Republic of Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain & Sweden.
***Non EU** includes: Norway, Faroes, Greenland, Iceland

Seafish Processing Survey 2000

Customer Base / Sales

14. What were your total processed sea fish product sales for 1999 (or most recent complete 12 month period)?

Product type	Tonnes sold last year	Value of sales (£) last year / year end __/__
Demersal / white fish		
Pelagic		
Shellfish		
Salmon & Trout		
Offal		
Totals		

15. Who are your customers?

What percentage (by value) of the processed sea fish sales from your site in 1999 (or the most recent complete 12 month period) went to these types of outlet:

(Note: If you mainly process fish on a **sub-contract basis**, please tick this box ☐ and enter the approximate percentage of your income that comes from each customer type)

Processors	Processors	%
	Frozen industrial block makers	%
Wholesale	Inland merchants	%
	Frozen food wholesalers	%
Retail	Fishmongers	%
	Market stalls and mobile sales	%
	Supermarkets	%
	Freezer centres	%
Catering	Institutional & industrial caterers	%
	Fish friers	%
	Pubs, hotels & restaurants (incl chains)	%
Other	Factory gate sales	%
	Exports to EU countries	%
	Exports to non-EU countries	%
	Other _____	%
	Total	100 %

Seafish Processing Survey 2000

16. Where are your customers based?

Enter the approximate percentage (by value) of your **UK sales** of processed sea fish and shellfish that go to customers in each of the following regions:

Finished product to customers' central depot	____%
Humberside	____%
SW England	____%
South / Midlands / Wales	____%
N England	____%
Grampian	____%
Highlands & Islands	____%
Other Scotland	____%
Northern Ireland	____%
Total:	100 %

Marketing

17. What are the main marketing problems and opportunities that your company faces? (eg. Advertising, getting information, packaging, exporting)

Problems	Opportunities
1.	1.
2.	2.
3.	3.

18. Does your company purchase marketing information, eg. data about multiple retailers?
❑Yes ❑No If yes, what? _____

19. Does your company use computers? ❑Yes ❑No

20. Does your company use e-mail? ❑Yes ❑No

21. Does your company have a website? ❑Yes ❑No

22. Does your company sell via your website? ❑Yes ❑No

Seafish Processing Survey 2000

Financial – If your company has more than one site, please give figures for your site only.

Some of the information requested here is sensitive. Information will be kept confidential and your company will not be identified in the report. We want to be able to show regional and sectoral differences and trends in financial performance since 1995, so this information is important.

Note: If your site carries out other activities, what proportion (by value) of your company's turnover/sales is from sea fish/shell fish processing? _____%.

23. What purchase credit terms do you **most often** get when buying raw materials?

Tick One Box

Cash against documents	☐	Less than 10 days	☐
11 – 30 days	☐	31 days or more	☐

24. Please state the total sum of the guarantees or bonds deposited by your business.

£_____ (write 'nil' if your company has no guarantees / bonds)

25. What sales credit terms does your company typically give when selling products?

Tick One Box

Cash against documents	☐	Less than 10 days	☐
11 – 30 days	☐	31 days or more	☐

26. Please state your company's total direct costs of sales, for all activities, for 1999 (or the most recent complete 12 month period)? (use the same period as used in Q.15)

Fish purchases	
wages / salaries / National Insurance	
Transport & distribution	
Energy (heat, light & power)	
water charges	
Packaging	
Non fish inputs (e.g. other ingredients, ice)	
Other _____	
Total Direct Costs	**£**

27. Please state your company's overheads for 1999 or the most recent complete 12 month period. (use the same period as used in Q.15)

Rent	
Rates	
Administration	
Advertising & promotion	
Repairs & maintenance	
Insurance	
Other _____	
Total Overheads	**£**
Depreciation	

Seafish Processing Survey 2000

28. Please enter your company's 1999 figures for:

Interest payments to banks / other lenders.	£

29. Please tell us the figures in your company's balance sheet. If you prefer, you can submit the balance sheet from your accounts.

		Last year / 99	Previous year
Fixed Assets:	Land and buildings		
	Plant, machinery & equipment		
	Office equipment		
	Vehicles		
	Other (specify)_____		
	Capital depreciation in last 2 financial years		
Current Assets:	Cash		
	Stock		
	Trade Debtors		
	Other (specify)_____		
	Total Assets	£	£
Current Liabilities:	Short term loans / overdraft		
	Trade creditors		
	Total Liabilities	£	£
	Net Assets (Total Assets – Total Liabilities)	£	£
Financed by:	Capital / shareholders funds		
	Retained earnings / profit & loss account		
	Loans (long term / over one year)		
	Total (should equal Net Assets figure)	£	£

Operational

30. What is the area of factory at this site devoted to fish processing and associated administration and support: _____sq ft OR _____sq metres

31. How much water was consumed and discharged last year at your site:
Please circle: litres / cubic metres
Water consumed_____ Water discharged _____

32. How much does your company pay per litre of water supplied: £_____

33. How much does your company pay per litre of water discharged: £_____

34. Does your company pay a trade effluent charge? ❑Yes ❑No

In order to provide more frequent assessments of the industry and identify trends more quickly, Seafish wants to collect information annually. Please tick this box if your company would be prepared to complete a survey every **two** years. ❑

Thank you for your time.

The House 12/00
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