

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



UK Seafood Supply Chain Overview:

April-June 2021

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Introduction

This report takes a high-level view of the whole of the seafood supply chain to explore factors impacting UK seafood markets, seafood business operations and consumer behaviour during April to June 2021.

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

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

Acknowledgements

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

Industry Impacts Overview

Spring 2021 was a difficult period for many UK seafood businesses. High levels of Covid-19 infection and restrictions remained a challenge. Within this restricted operating environment businesses continued to get to grips with new EU trade requirements which came into effect on 1 January 2021.

The UK and other important European export nations remained under heavy Covid-19 restrictions into May. With restaurants closed to dine-in custom until the latter half of May in the UK and elsewhere, demand for UK seafood remained suppressed.

Businesses continued to adjust to the new EU-UK Trade and Cooperation Agreement (TCA) during this period. Exporters continued to face increased transit time and cost. Fishermen continued to struggle with access to quota and fishing grounds.

Overall, this remained a challenging time for many businesses, particularly those involved in foodservice supply chains at home and abroad.

Markets

Key points

- There were clear signs that the retail market was reverting to pre-Covid trading patterns during this period.
- Foodservice visits bounced back during this period as restrictions began to ease but remained 39% below pre-pandemic (2019) levels. Takeaways led the recovery while dine-in was the slowest to recover.
- Export demand began to recover during this period, albeit slowly. Paperwork issues, logistics limitations and increased transport costs continued to hamper trade.

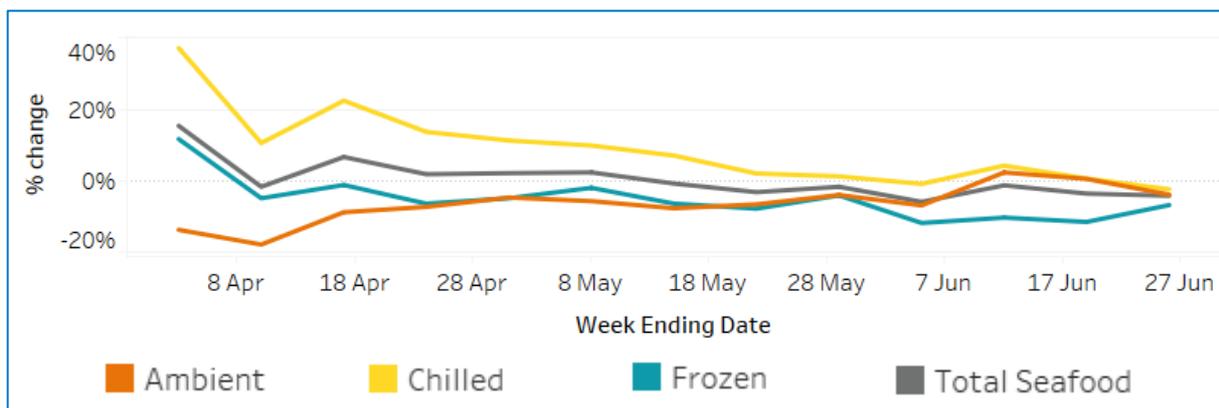


Figure 1. April-June 2021 weekly seafood volume sales in retail compared to previous year.

Covid-19 continued to provide a significant boost to retail seafood sales during this period (Figure 1). Total sales volume remained 13 percent above levels for the same period in 2019 and six percent above levels in 2020. This growth was driven by more in home meal occasions as many people continued to work from home and foodservice remained restricted.

Compared to 2020, people were shopping more often and spending more per shop. Prepared, breaded, battered and sushi products showed the strongest volume growth. However, growth slowed for the coated products that had seen a large boost in sales in 2020. Salmon enjoyed strong double-digit growth, whilst sea bass, basa, squid, scallops, scampi, and anchovy showed some of the highest volume growth.

Most of this growth was driven by chilled sales, while frozen sales began to slow and ambient sales began to decline, returning to pre-Covid trends. Chilled seafood performed most strongly with value and volume up around 11 percent. Although frozen seafood did perform well, with value and volume up by around nine percent and seven percent respectively, this growth was substantially less than the high double-digit growth observed in 2020. Ambient seafood sales declined as volume and value fell by around five percent and two percent respectively.

The Institute of Grocery and Distribution predicted supermarkets and hypermarkets would continue to dominate UK grocery sales to 2022. Kantar reported interest in online shopping was waning as the UK began to re-open toward the end of this period.

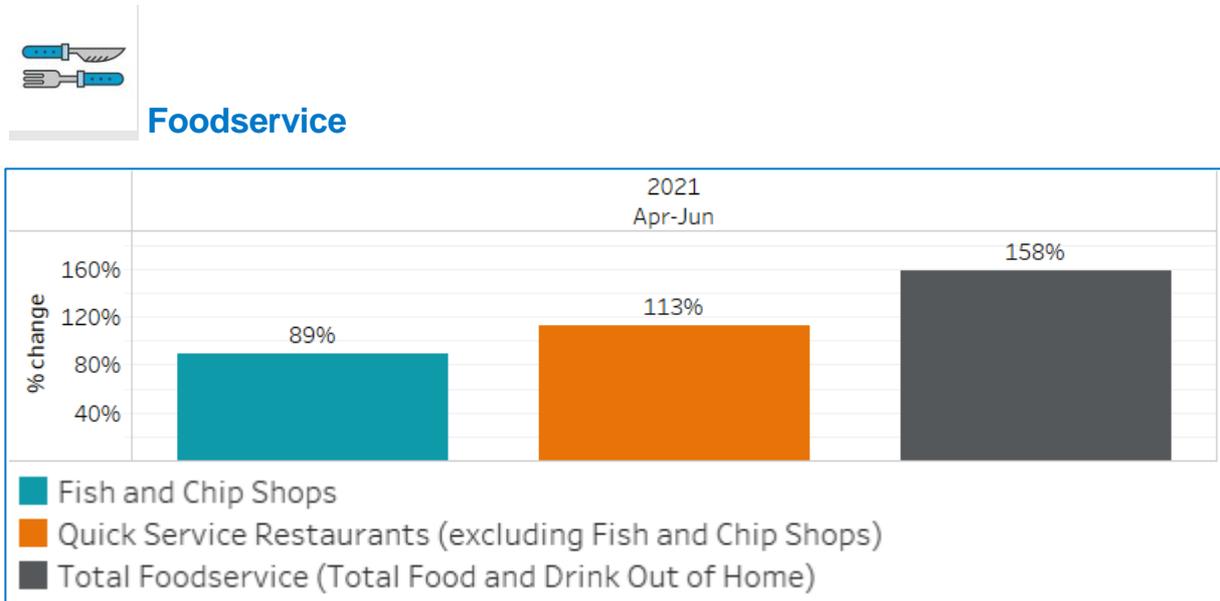


Figure 2. April-June 2021 foodservice visits compared to previous year.

Restrictions put in place after Christmas began to lift in April, allowing most businesses to reopen for dine-in custom by the end of May. However staffing issues and indoor social distancing restrictions made it unviable for some restaurants to reopen in the spring.

Many businesses that reopened during this period saw strong but unpredictable demand, making planning, staffing and ordering difficult. Some restaurants also reported high numbers of “no show” bookings when they reopened to dine-in custom. As a result of these challenges, dine-in restaurants were the slowest to recover, with visits down 68% compared to the same period in 2019 (Figure 2).

Fish and chip shops fared much better, with visits up 89% on April-June 2020 and 49% down compared to April-June 2019. Demand was particularly strong over the Easter weekend with many reports of long queues for fish and chips on Good Friday. However, raw material costs began to increase for some as a result of quota and trade issues during this period.



Exports

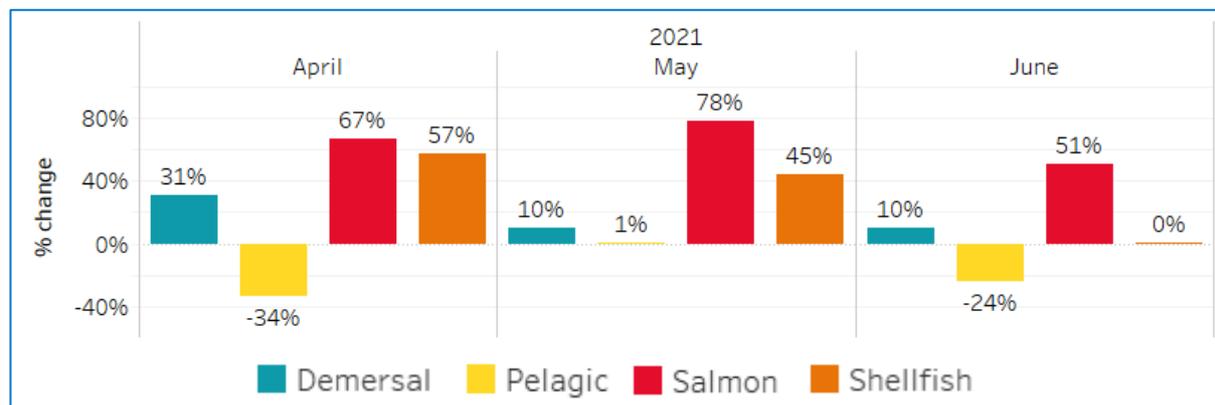


Figure 3. April-June 2021 seafood export value compared to previous year, by month.

With many key export countries still under strict Covid-19 restrictions at the start of this period, demand for UK seafood remained below pre-Covid levels (Figure 3). Demand began to improve in May and June as restrictions on foodservice were eased on the continent. Exports of live bivalve molluscs, however, remained severely restricted with only a small amount of product meeting export requirements for the EU.

Government and industry continued to work closely to streamline new export procedures to limit delays on time-sensitive consignments. However, paperwork issues, logistics limitations and increased transport costs continued to hamper trade.

Demersal exports recovered well during this period, with value and volume returning to levels comparable with pre-Covid trade (2017-2019 average). However, taking into account the exceptionally low trade levels in January-March and low domestic landings in 2021, cumulative demersal export value was still 20% below pre-Covid levels and 3% below 2020 levels by the end of June.

Pelagic export value remained below 2020 (-22%) and pre-Covid (-9%) levels during this period. By the end of June, cumulative value was down 34% compared to pre-Covid levels and down 36% compared to 2020 levels.

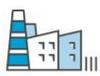
Shellfish exports, much of which is sent to European foodservice markets, remained below pre-Covid levels during this period due to ongoing Covid-19 restrictions on the continent. While export value (+27%) and volume (+8%) were up compared to exports during the height of the first Covid-19 lockdown in April-June 2020, shellfish export value (-24%) and volume (-24%) remained below pre-Covid levels during this period. After the severe disruption to shellfish exports at the start of the year, cumulative value was still 34% below pre-Covid levels by the end of June.

By the end of June, data suggests cumulative value and volume of salmon exports had approached pre-Covid levels. Cumulative value was only 5% below pre-Covid levels by the end of June.

Production & Distribution

Key points

- **Many sectors faced issues with staff shortages during this period.**
- **Many processing businesses continued to see supply and demand constraints during April to June.**

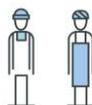


Processing, Transport & Logistics

Processing activity continued to be constrained by ongoing supply and demand challenges during April to June. Businesses serving the domestic hospitality and foodservice sector continued to see reduced demand at the beginning of the period. Demand began to improve as restrictions started to ease towards the end of April but foodservice orders remained unpredictable and largely weather-dependent with restaurants only able to offer outdoor dining until mid-May, when indoor dining resumed.

Those supplying export markets continued to adjust to new paperwork requirements following the UK's exit from the EU. New systems and additional export documentation made the job lengthier and more costly for businesses. They also faced ongoing impacts of Covid-19 restrictions on demand, logistics and transport costs.

Due to supply constraints for UK landed species, some businesses faced challenges sourcing sufficient seafood raw materials to meet their orders. These issues were exacerbated as foodservice demand began to increase during this period. Demersal (whitefish) species proved particularly difficult to source due to reduced landings by the UK fleet. Others struggled to source non-seafood production materials, including packaging products, during this period due to shipping and haulage delays.



Workforce

During this period as lockdown measures eased and different sectors began to reopen, demand for workers rose at unprecedented levels. Consequently, many businesses across the supply chain struggled to recruit and retain sufficient staff.

As foodservice and hospitality businesses began to re-open, the extent of staff shortages in these sectors became clear. Businesses cited concerns that much of the pre-Covid workforce would not return to the sector, with many either finding jobs in different industries or countries.

Many businesses had to increase wages considerably to attract staff, others turned to temporary staffing solutions as a short-term fix. Lack of staff forced some businesses to hold off on re-opening or to reduce their trading hours during this period.

Processing businesses also faced staffing issues, particularly in Northeast Scotland. Restrictions on hiring non-UK labour is frequently cited as an issue by the sector but during this period businesses cited heightened concerns about staff shortages reaching a critical point in the coming months when seasonal increases in production are scheduled.

A lack of lorry drivers caused disruption across the whole of the supply chain during this period. Since 01 January, under the UK's new immigration system, lorry drivers are not classed as skilled workers. Lorry drivers who are EU citizens but do not have settled status in the UK are therefore no longer allowed to work in the UK.

Some industry training was offered in person, with social distancing, during this period after a long hiatus. Training providers reported plans to expand in-person offerings, alongside online training opportunities, as restrictions continue to ease.

Supply & Primary Production

Key points

- Seafood import value and volume improved in 2021 compared to the height of the first Covid-19 lockdown (April-June 2020) but were still below pre-Covid levels by the end of June.
- Demersal and shellfish landings were up on 2020 levels, while pelagic landings fluctuated in line with normal seasonal variation.
- Aquaculture businesses continued to manage ongoing market disruptions and trade restrictions.

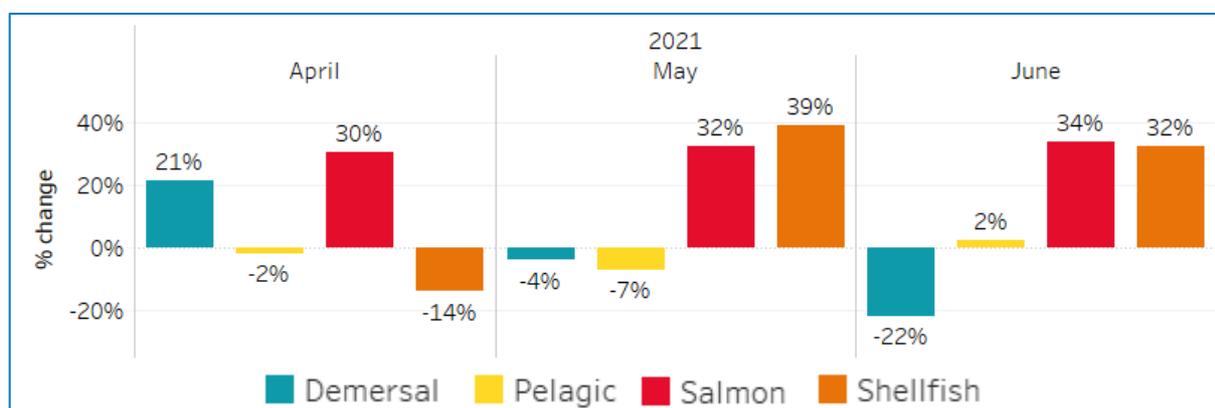


Figure 4. April-June 2021 seafood import value compared to previous year, by month.

By the end of June, cumulative demersal import value for 2021 lagged behind 2020 (-13%) and remained 16% below pre-Covid levels (2017-2019 average).

Cumulative pelagic import value was 14% below pre-Covid levels and 10% below 2020 levels by the end of June.

In April-June 2021, shellfish import value (+16%) and volume (+27%) were both above levels seen at the height of the first Covid-19 lockdown in April-June 2020 (Figure 4). However, compared to pre-Covid levels, cumulative 2021 import value was still down 18% by the end of June.

The total value of salmon imports during April-June was 16% above 2020 levels but 11% below pre-Covid levels. By the end of June, cumulative value for 2021 was 15% above pre-Covid levels and 9% above 2020 levels.

Landings

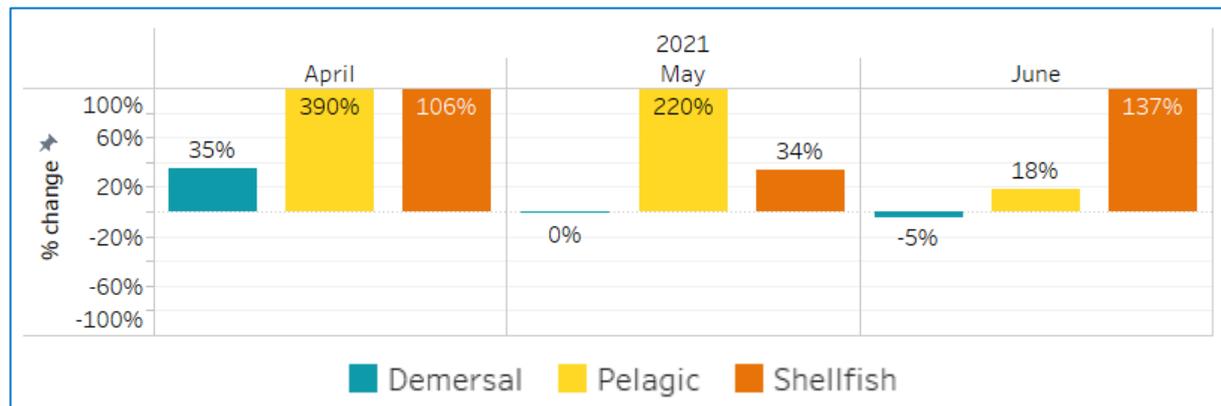


Figure 5. April-June 2021 UK vessel landings first sale value compared to previous year, by month.

A combination of supply and demand issues continued to plague whitefish fishermen during April-June (Figure 5). On the supply side, quota access issues remained until the UK and EU finally reached a deal on fisheries in June. Though the deal agreed some quota swaps which provided stability and relief to some operators, the new system for further swaps between Producer Organisations remains outstanding until the Specialised Committee for Fisheries is set up. Norway's sub-Arctic waters also remained inaccessible following a collapse in talks at the end of April and failure to reach a deal. While these access issues challenged many operators, the reduction in supply did help support prices for some species while overall market demand remained suppressed. Increasing fuel cost also put financial pressure on businesses.

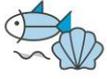
Species supplied to domestic markets (cod, haddock, whiting) saw stronger demand during this period, in part due to low landing volumes. Strong demand from restaurants for species including turbot and sole boosted prices in southwest England. Meanwhile, demand for certain export species remained subdued, particularly those typically supplied to French markets (monkfish, ling). Demand from France improved later in May after French authorities lifted some restrictions, allowing groups of six to eat at outdoor restaurant terraces and pushing back the curfew to 9pm.

Pelagic operators remained relatively insulated from adverse effects of both Covid-19 and EU Exit during this period. However, concerns were raised about stock sustainability for the Northeast Atlantic mackerel stock going forward as a result of poor fisheries relations between Iceland, the Faroe Islands, Norway, the UK and EU. Iceland, the Faroe Islands and Norway all set higher unilateral quotas during this period, risking future overexploitation of the stock.

After the initial trade turmoil during the first three months of the year, EU demand for fresh/live shellfish settled but remained below pre-Covid levels, with some vessels still operated at reduced capacity. Increased foodservice demand also helped boost the Nephrops tail market in the UK during this period.

Some inshore operators struggled with a lack of fish and poor prices due to export delays and other trade issues. Licencing delays for Northern Irish inshore vessels also blocked

access to Irish waters, despite retention of rights to reciprocal cross-border access for inshore waters under the UK/EU exit deal.



Aquaculture

Ongoing Covid-19 restrictions on foodservice demand in April-June continued to impact aquaculture producers. Those exporting their products also faced delays due to export paperwork and the haulier shortage.

The severe issues caused by export delays and disruptions earlier in 2021 were beginning to improve during this period, helping the salmon industry get back to normal harvest schedules. However, groupage, the extra administrative burden, increased export costs and transit delays continued to challenge the industry, leading to ongoing adaptations by exporting producers.

Live bivalve mollusc (LBM) producers operating in class B and C waters continued to face export restrictions. Though 15 sites were re-classified as class A in April, enabling a slight increase in LBM exports, sales remained low.

References and Data Sources

Retail

Data Source: Nielsen Scantrack UK.

Reference:

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

Foodservice

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

Reference:

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

Trade (Imports and Exports)

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

Species groups are defined as follows:

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

Reference:

- Seafish Trade and Tariff Tool:
<https://public.tableau.com/profile/seafish#!/vizhome/SeafishTradeandTariffTool/Overview>

Landings

Data Source: Marine Management Organisation.

Reference:

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

Real-time industry data

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

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