2004
Survey of the UK FISH PROCESSING INDUSTRY

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EXECUTIVE SUMMARY

A new survey of the UK fish processing industry was carried out by Seafish Economics in 2004. A telephone census was used to build a complete characterisation of the structure of the industry in terms of the number, location, size and activity of UK fish processing businesses. A follow-up postal questionnaire and a series of interviews gave more in-depth information about business performance and management issues. The survey provided the figures on which this report is based.

This survey continues a series of Seafish industry reviews, with previous reviews conducted in 1986, 1995 and 2000. For the first time in this series, businesses processing predominantly salmon were included. This creates a more complete picture of the industry, removing doubt about double counting of businesses and jobs. It also provides an update on a 2001 study into the Scottish salmon sector.

1. Industry structure

The sea fish processing industry now provides around 18,200 FTE jobs in 573 units (factories), with salmon processing providing an additional 4,500 FTE jobs in 76 units. These figures show a slight increase in the number of sea fish units and a decrease in the total number of FTE jobs since 2000. These changes may reflect improved success in the collection of data. In total, some 70 companies ceased trading in the last four years, and 19 new ones have been established. Overall, the number of sea fish processing units has declined by approximately 20% in each of the last two decades.

The change in structure in the salmon processing industry since 2001 is more marked. There has been a reduction in the number of units in Scotland of almost a third, from 75 units in 2001 to 55 in 2004, and a 13% reduction in employment. Some of these companies have invested in mechanisation which has reduced employment in the affected factories. Outside Scotland, the survey identified 21 units processing mostly salmon, providing around 600 FTE jobs in England, Wales and Northern Ireland.

The proportion of sea fish units categorised as primary, secondary and mixed processors has remained stable since the 2000 survey, with half of processors carrying out both primary and secondary processes. The proportion of jobs in primary processing has increased slightly to 15%, while in secondary processing it has decreased slightly from 36% to 29%. Companies established within the last five years are almost equally split between primary

and mixed; only a few companies established over this period conduct solely secondary processing.

The industry is characterised by a small number of very large multi-unit businesses, and a large number of small, single-site businesses, with the large companies accounting for the majority of turnover. 50% of primary processors process only demersal fish and 70% of all primary processors employ 10 people or fewer, so that 27% of all units employ only 4.4% of all employees. On the other hand, the large units, with over 100 employees, which are fairly equally split between mixed and secondary processors, constitute just 6% of units and provide 50% of FTE jobs. This picture does not fully reflect the ownership of the industry, as the very large units are often the ones which are part of multiple-unit companies. There has been consolidation among these companies with several high-profile acquisitions of already large companies. These companies are principally fish processors, so on the whole the fish processing industry retains its separation from other food manufacturing.

The distribution of employment by region is fairly consistent with previous surveys, suggesting that there has not been much change in the spread of companies around the UK. Humberside and Grampian represent 28% and 23% of employment in the UK respectively, and have the highest average unit size; several of the largest mixed and secondary processors are based in these processing hubs.

2. Supply

Recent years have seen a continuation of the decline in the quantity of fish landed into the UK by UK vessels. From 1998 to 2003 total landings decreased by around 20% from around 552,000 tonnes to 445,000 tonnes. Meanwhile, the quantity of fish imported has increased, such that the total amount of fish available in the UK has remained steady. However, crucially for the processing industry, the mix of species has changed.

There was a 55% decrease in the volume of UK whitefish landings by UK vessels and demersal imports for further processing increased by only 8% over this period, so that the total quantity of demersal fish available for processing in the UK declined by 15%. On the other hand, pelagic landings have increased by 60% since 1998 and imports of pelagic fish for processing have increased by 40% so that pelagic species now form a greater part of the fish available to UK processors than was the case five years ago. The manpower required to process whitefish is much higher per tonne than for pelagic fish, so this change in the mix of species is likely to be part of the cause of the drop in employment since 2000.

The biggest source of purchases by primary processors who took part in the survey is at auction, both landings and overland,

constituting 42% of purchases, followed by direct contract with vessels (27%). Purchases from landings at auction by primary processors has decreased significantly, while direct contract and imports are increasing. This is due to declining landings in the UK forcing processors to look elsewhere for supplies.

On the other hand, direct contract with boats now accounts for 44% of purchases for mixed processors in the 2004 sample, compared with an estimated 19% for the population in 2000. This shows increasing connections in the supply chain as more boats land directly to a particular processor. This supply method gives vessels a chance to get direct customer feedback, which is often absent when fish is sold via auctions.

Secondary processors source mainly through direct imports (70% of supplies), much of which is part-processed and frozen.

Processors were asked what factors affect their purchase of fish. Quality, price and consistency of supply were the three most important factors given. 15% of respondents said they pay more for better quality fish or would be willing to pay more. This is largely customer driven, with the majority of processors supplying fish to the standard demanded by their customers.

Processors commented that there has been a decline in the supply of fish over the last five years, particularly on the markets, that fish are smaller, and that they are finding it harder to find reliable sources of supply. These difficulties were also reported in 2000 and are continuing trends. This means that on a continuing basis, processors will have to work hard to find supplies or adapt their product offering in order to be able to use new supply sources. This may mean finding a different customer group and taking a change of strategic direction. With the degree of change experienced in landings of demersal fish, those businesses which have changed their activities will have a greater chance of continuing to trade successfully.

3. Sales

Just under half of all sales value by sea fish processors in the survey sample was to retailers, with supermarkets forming the majority of that group. The remainder of sales were split between wholesale, catering and exports. Primary, mixed and secondary processors have very different customer profiles.

The largest customer group for primary processors in the survey sample is caterers, who buy 51% of sales by value, followed by wholesale (26%), other processors (12%), and retail (6%); only 2% of sales by primary processors were exports. This shows a large increase in the proportion of sales going to caterers compared to the results found by the 2000 study (up from 29%), and a large decrease in the proportion of exports. The increase in proportion

of sales to caterers and slight decrease to retail may reflect the fact that the primary processors are smaller on average than the mixed and secondary units. Primary processors therefore tend to be less inclined to compete with the larger companies to secure contracts with supermarkets, concentrating instead on supplying the more fragmented catering sector.

Approximately half of all exports are frozen, in which case processors supplying this route would be considered mixed processors, for whom exporters are 40% of customers by sales value. The next largest customer groups for mixed processors are wholesalers (24%), retailers (19%) and caterers (11%). This is a marked change from the picture in 2000, when supermarkets alone accounted for 24% of sales and exports were 19% of sales.

The largest customer group for secondary processors in the survey sample is retail (70%), followed by wholesale (13%), catering (10%) and exports (8%). This is an increase from 48% of sales to retail and a decrease from 19% of sales to exports identified in the 1995 survey (this information was not collected for secondary processors in 2000). The dominance of the supermarkets is not surprising, reflecting a concentration by secondary-only processors on fulfilling the stringent requirements of supermarkets in terms of quality, volume and consistency. The secondary processing sector has fewer units than the primary and mixed sectors, with a larger average size, and is largely geared to supply this market.

Three quarters of processors interviewed are interested in expanding their business. The majority of these wish to increase the volume of their sales in their current markets. Some salmon processors see expansion as essential to survival in a very competitive market. All processors need to be sure that their expansion is generating a good return on the investment, as higher sales alone is not a valid measure of business success.

Due to the nature of their customer base, sea fish processors on the whole do not advertise their product. They seek new customers at trade fairs such as the annual European Seafood Exposition in Brussels, or through word of mouth. A significant minority of processors interviewed did not consider themselves to have any marketing problems or opportunities. These processors may find they need to think harder about this aspect of their business in order to meet the needs and preferences of their customers and remain profitable in a changing business environment where the products they are able to offer may change due to changing fish available.

On the whole, processors are not facing any major problems selling fish. The market for seafood in the UK is expanding, and there are opportunities for forward-looking businesses to exploit. Increasing competition from suppliers abroad is mostly affecting the primary processing sector and presents an opportunity for the secondary processors to obtain new sources of supply.

4. Business management issues

While the majority of companies now use computers, 7% of respondents said that they do not. These few businesses are small, primary, whitefish processors who will have a straightforward ordering and invoicing process. Among all processors 57% have a website. A minority of processors sell via their website by offering the facility to place an order online, through the website or by e-mail. Those that do mostly offer smoked salmon, although some shellfish is available. These are the specialist companies who wish to sell to a wider, rather than simply a local, customer base.

The majority of sea fish processors monitor their financial performance by looking at daily sales. The majority judge the financial success of the business by the profit margin. Larger businesses are more likely to have formal review meetings of their financial performance and to use return on investment or return on capital employed as a measure of success.

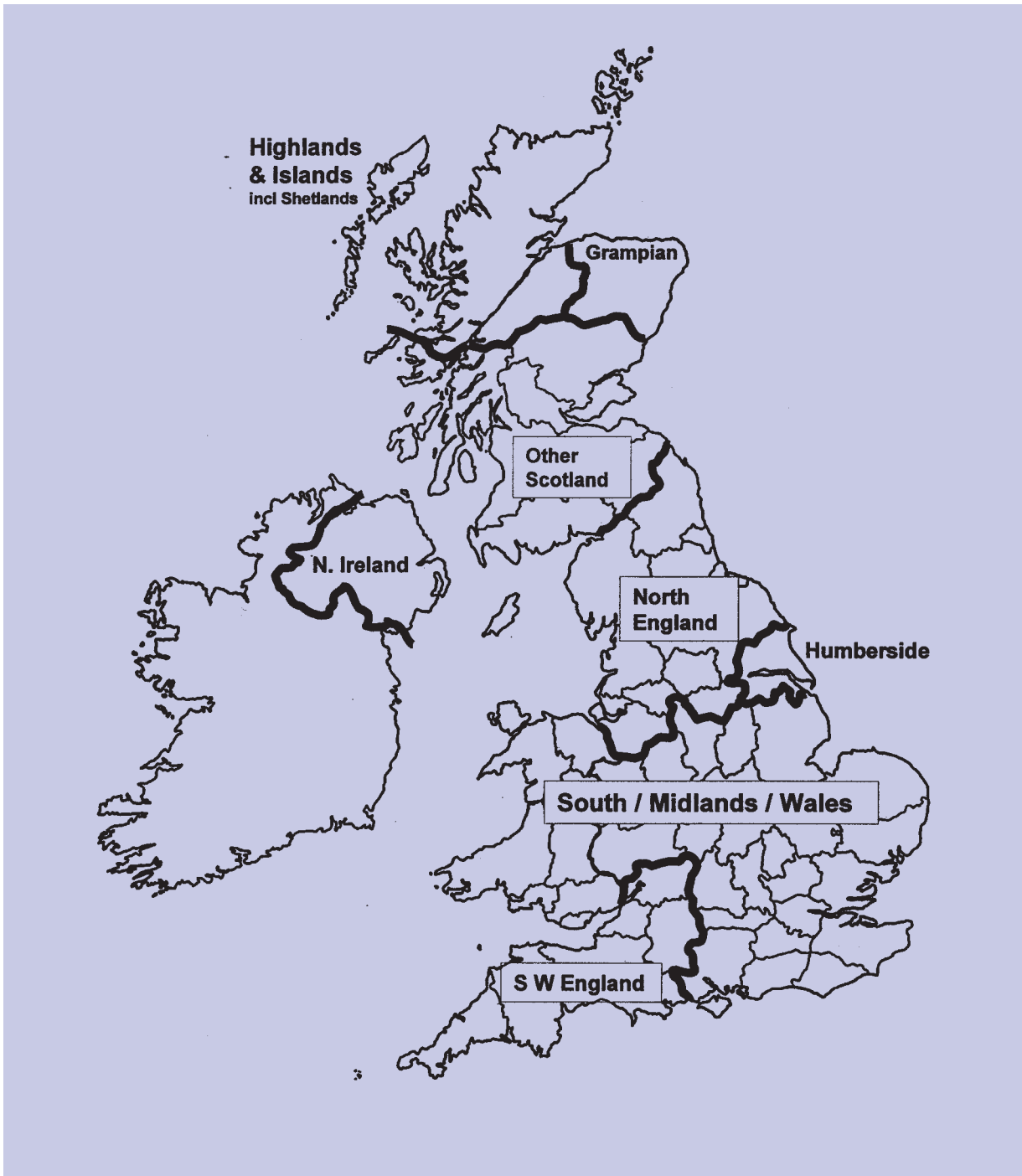
Interviews with salmon processors revealed that several feel they are struggling to stay afloat, and at least one has ceased trading since interview. Stiff international competition from countries with lower production costs and different regulatory frameworks, and a global oversupply of salmon, have lead to low prices and reduced profit margins.

5. Financial performance

The financial data provided by processors in the sample shows a similar position to the survey in 2000. Primary processors in this sample show a small profit margin, 2.5% of sales, whereas they were showing an average small loss in 2000. Mixed and secondary processors show profit margins of 4.3% and 5.8% of sales respectively. This contrasts to the picture given by a study conducted in 2001 where primary processors showed a higher profit margin than secondary or mixed processors. This could be due to a different group of companies taking part in the survey. Fish purchases remain the biggest expense for all three sectors: 75% of sales for primary processors, 56% for mixed processors and 46% for secondary processors. This is lower than was found for mixed processors in 2000, but is consistent for primary processors, and reflects a high level of vulnerability to the price of fish inputs in the whole industry.

Wages are also taking up the same proportion of costs as in 2000, at 9.1% for the primary sector and 16% for the mixed and secondary processors. Mixed and secondary processors also have higher administration and advertising costs than primary processors, reflecting the more customer-focused and variable nature of the operations they undertake.

Fish purchases constitute around 40% of the value of sales for mixed salmon processors in the sample, which was fairly small. This is significantly lower than the values for primary and mixed processors in the sea fish sample. Operating profits for the mixed salmon sector were 2%, which is comparable to the results for sea fish processors. On the whole, salmon processors have a similar financial profile to the sea fish processors, and face many of the same issues.



Seafish Data Collection Regions

INTRODUCTION

This new survey of the UK fish processing industry was carried out by Seafish Economics in 2004. Seafish is often asked by various members of the industry, including fish processors and supermarkets as well as government, for updated information on the UK processing sector. This report therefore provides an update on the information presented in the 2000 Survey of the UK Sea Fish Processing Industry, and, for the first time, includes information on salmon processors.

Similar characterisations were published in 1986 and 1995. The series therefore allows industry trends to be identified and analysed. The inclusion in this study of salmon processors allows reconciliation of estimates of employment for salmon processing and non-salmon fish processing and removes doubt about double counting of jobs in firms which process both salmon and sea fish.

The financial section of the survey also provides an update to the 2001 Costs and Earnings of the UK Sea Fish Processing Industry survey which was carried out in response to requests from industry for more detailed information following the 2000 survey. The financial section in this report is comparable to analysis in the 2000 survey so the overall picture can be examined for baseline changes to the industry.

The information on salmon processors obtained in this study provides an update on the employment figures given in *"Salmon & Trout Processing – A Review of the Industry in Scotland in 2001"*, prepared for SEERAD by Macpherson Research.

Objectives

The survey had the following main objectives:

1. Characterise the UK fish processing sector including its structure, employment and financial performance.

2. Reconcile estimates of employment for salmon processing and non-salmon fish processing.

3. Encourage seafood processors to compare their performance with others in the sector, and think about their strategic future.

4. Ensure Seafish has up-to-date information available for analysis to enable a quick and efficient response to enquiries from government and others.

Scope

The scope of the survey included UK (not Channel Islands or Isle of Man) sea fish and salmon processing companies, of all sizes, engaged in any type of processing, where 50% or more of the turnover is generated from processing of fish (as opposed to trading or wholesaling of fish). Secondary processors were included in all parts of the survey, whereas they were excluded from the detailed parts of the 2000 survey. However, estimates of volume of raw material throughput and product sales for the whole industry were not made in this survey.

Definitions

The following definitions have been used throughout this survey. These are consistent with previous surveys.

Processor

- A processor is a company which in some way materially changes the fish. Fish merchants who buy and sell fish, possibly including defrosting, repackaging and selling in smaller quantities but not actually coating or cutting the fish in any way are excluded.
- Fishmongers who process fish solely for sale in their own retail outlet are not included.
- Service companies, who provide a processing service to other companies without owning the fish, are included, as they materially change the fish.
- Processors were divided into sea fish and salmon processors according to whichever constituted the greater part of their turnover.
- Trout-only processors were excluded.
- Employment data include mainly fish-processing employees and exclude office staff where there is an office-only site. Onsite admin staff have been included. This is a natural consequence of viewing each processing plant as a separate unit.
- Companies who process fish meal that is not for human consumption were excluded.
- Processors located in Isle of Man and Channel Islands were excluded.

Process Types

- 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 and production of ready meals.

Processors who carry out processes from both of these categories are classed as "mixed" processors.

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 small 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 factories (units) also carry out primary processes to provide material for their finished products, they have been classed as mixed.

Fish Types

Fish types included have been defined as follows:

- *Demersal / whitefish* 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.

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

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

Methods

Information was collected for the survey in four phases. These were a telephone survey, a postal survey, face-to-face interviews and collection of published financial data for limited companies.

The telephone survey provided data to characterise the industry as presented in Chapter 1, and also to identify the population for collection of detailed information. A census approach was taken: over 700 organisations were telephoned to establish which were fish processors according to the definitions of the survey. Each of the 649 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.

The postal questionnaire included questions about labour, supply, operations, marketing and financial performance, many of which were devised so that the data could be compared with that obtained during the 1995 and 2000 surveys. Questionnaires were mailed to 536 companies who had agreed in principle on the telephone to complete and return them.

During the face-to-face interviews a series of questions was followed to draw out issues relating to purchasing, marketing, finances and waste[1]. As well as adding valuable insight into the experience of people currently managing fish processing businesses, the postal questionnaire was often completed during interview, generating a higher rate of return than would otherwise have been the case. 43 such interviews were conducted.

Further details of the methods used in the survey and analysis are given in Chapter 6.

[1] Waste questions were not analysed during this survey but were contributed towards the development of a draft Seafish Strategic Framework for Seafood Waste Management.

Chapter 1
Industry Structure

This chapter gives a complete characterisation of the structure of the sea fish and salmon processing industries in terms of employment and the number, location, size and activities of businesses.

CHAPTER 1 – INDUSTRY STRUCTURE

Fig 1.1 No. of processing plants 1986, 1995, 2000 & 2004

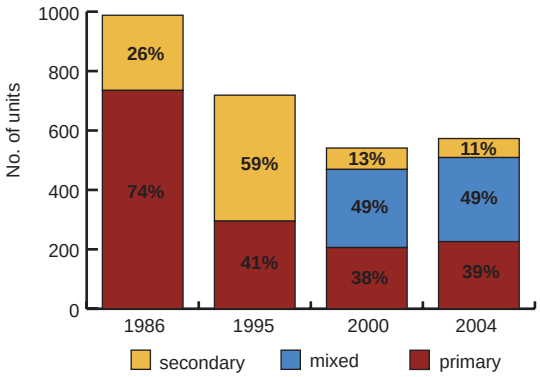


Fig 1.2 No. of FTEs 1986, 1995, 2000 & 2004

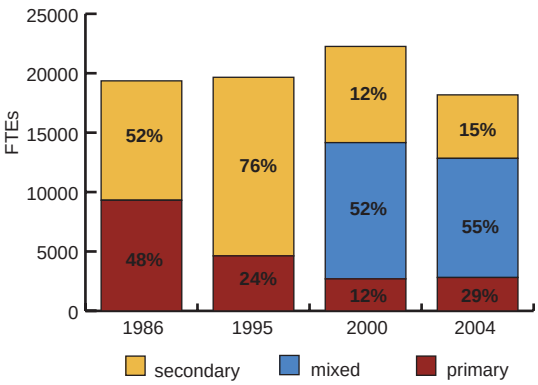
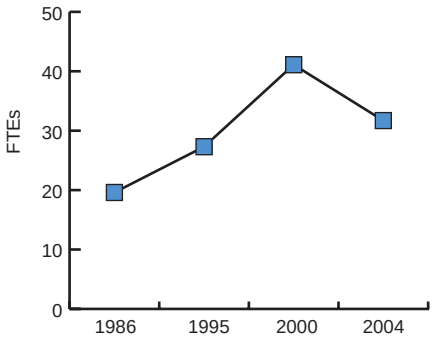


Fig 1.3 Average employees per plant 1986, 1995, 2000 & 2004



This chapter gives a complete characterisation of the structure of the sea fish and salmon processing industries in terms of employment and the number, location, size and activities of businesses.

1.1 Sea fish industry structure

The survey findings reveal around 18,200 FTE jobs[1] in 573 units[2] (Figures 1.1 & 1.2). These figures show a slight increase in the number of units and a decrease in the number of FTE jobs since 2000 when there were around 22,300 FTE jobs in 541 units. The average number of FTE jobs per factory has therefore fallen to 31.7 (Figure 1.3). These changes may be slightly influenced by improved collection of data. Figures 1.1 and 1.2 show data for surveys in 1986 and 1995, when units carrying out any secondary processes were categorised as secondary units. Many of these units would now be classed as mixed processors[3].

The industry is characterised by a small number of large multi-unit businesses and a large number of small, single-site businesses, with the large companies accounting for the majority of employment and of sales. There are still many small, primary, whitefish processors: around half of primary sea fish processors handle only demersal fish and 70% of primary processors employ 10 people or fewer, so that 27% of sea fish units provide only 4.4% of FTE jobs. Units with over 100 employees, which are fairly equally split between mixed and secondary processors, constitute just 6% of units and provide 50% of FTE jobs (Figure 1.4).

The units carrying out only secondary processes tend to be the largest units. Although only 11% of units are purely secondary, they provide an average of 83.5 FTE jobs each, and account for 29% of all FTE jobs in sea fish processing (Figure 1.2). Primary units tend to be considerably smaller, providing on average 12.4 FTE jobs, accounting for 15% of employment. The proportion of FTE jobs provided by primary processing has increased slightly, and the proportion provided by secondary processing has decreased from 36%. This reduction may reflect increases in mechanisation which mean that the same output can be delivered with fewer employees. For some companies classified as mixed processors, the only secondary process that they conduct is

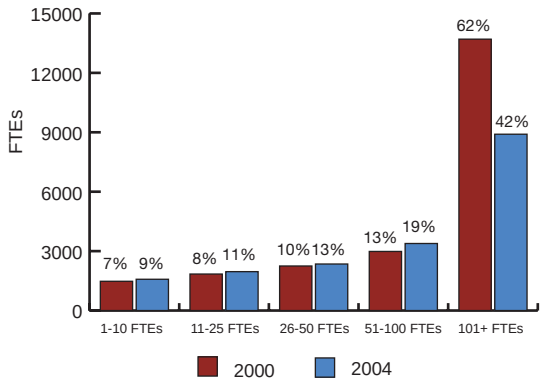
[1]FTE jobs assumes part-time employees work 21.1 hours of a 37.5 hour week. This conversion factor was used in previous surveys in this series. Seasonal employees are adjusted on a pro rata basis according to weeks worked per year.
[2] A unit is a fish processing factory. In most survey results, units are treated individually, although some companies have more than one factory.
[3]See Introduction for definition of the terms primary and secondary processing used in this report.

freezing. These companies may consider themselves to be primary processors, and the primary sector, if less strictly defined, would be slightly larger than suggested by these figures.

In total 226 (39%) are engaged in only primary processes, 64 units (11%) carry out only secondary processes and the remaining 283 units (50%) are mixed processors, conducting both primary and secondary processes. The proportion of units in each processing category has remained stable since 2000.

The figure for total employment was obtained by asking every processing company identified in the telephone census for their numbers of part time, full time and seasonal employees. This method enables a high degree of confidence in the employment figures, although in some cases there is an element of estimate by survey respondents, particularly relating to seasonal staff. Seasonal staff account for approximately 5% of sea fish FTE jobs.

Fig 1.4 Sea fish employment by size of unit, 2000 & 2004



Figures given are the percentage of total employment in the relevant year

1.2 Company ownership

The ownership structure of the industry has changed significantly in recent years, with several acquisitions of large multiple-unit companies, often by their competitors. There has also been an increase in investment from Icelandic holding companies in sea fish processing in the UK. Smaller companies have not been so involved in this type of merger activity. The average size of subsidiary units is 171 FTE jobs, compared to 36.3 FTE jobs for private limited companies (see Table 1.4). This highlights that it is large units which are being bought by larger parent companies. It is too soon to assess whether the potential for increases in economies of scale has been realised in each of these cases and whether these acquisitions will result in an increase in shareholder value. Interestingly, most of the parent companies are specialists in fish; there does not appear to be significant crossover with other food types. The largest factory in the UK provides approximately 700 FTE jobs. The largest partnership provides approximately 60 FTE jobs. This emphasises the polarisation between the small and the large companies in the industry. However, in a global context, this can be compared to Chinese fish processing factories, some of which employ up to 3,000 people at a single site.

Partnerships and sole traders make up 41% of processing units (Figure 1.5), and 51% of units are private limited companies. This represents a 3% increase in private limited companies compared with 2000. Units which are subsidiaries are now 5% of the total. None of the actual factories are direct assets of public limited companies, although some of the subsidiary fish processing companies are owned by PLCs. Together these two categories are 5% of units, the same as in 2000.

Fig 1.5 Sea fish units by type of ownership, 2004

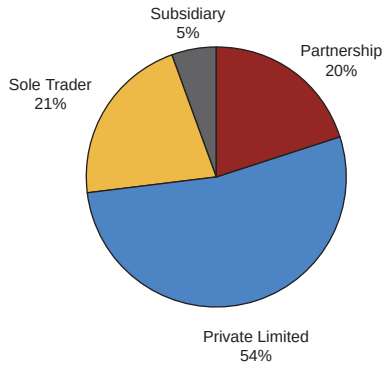


Fig 1.6 Sea fish processing units by age, 2004

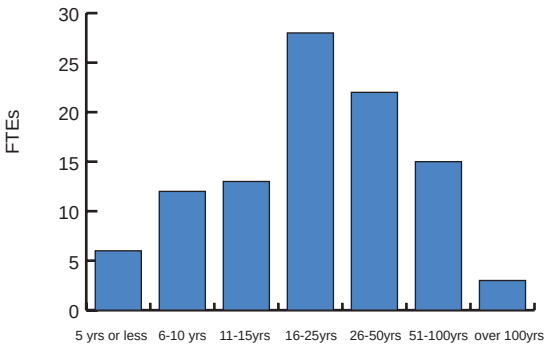
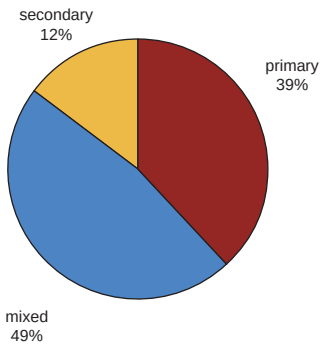


Fig 1.7 Process type of firms aged 5 years or less, 2004



1.3 Age of firms

The overall age structure of the industry is shown in Figure 1.6, and has not changed significantly since 2000. The majority of companies are in the middle age bands, with smaller numbers of relatively young and old businesses. The survey showed that around 70 companies have gone out of business since 2000, while 19 were identified which were established in the last five years. The rate of business closure has slowed compared to the 1995-2000 period, when 200 businesses closed.

Of the sea fish units established since 1999, 39% are primary, 49% mixed, and 12% secondary processors (Figure 1.7). Nearly all (94%) of new factories have fewer than 26 FTEs, and are therefore not contributing a significant new amount of business to the industry. Within any industry there is a natural churn of business closures and start-ups as business practices change, and this is not necessarily a sign of ill health in the industry. Around a third of new starts were in Humberside, a long-established processing cluster.

1.4 Geographical distribution of processing units and employment

The map on page 13 shows how the regions of the UK are defined for the purposes of this survey. This map is the same as the one used in the 1995 and 2000 surveys.

Figures 1.8 and 1.9 show the geographical distribution of sea fish processing units and employment. Humberside is the region with the largest proportion of units (21%), and also the largest units, employing 28% of all FTEs. Grampian is the next largest region, with 20% of units providing 24% of all FTE jobs. Several of the largest mixed and secondary processors are based in these processing hubs.

The regions with fewest units and jobs are Northern Ireland (5% of units providing 4% of FTE jobs) and Highlands & Islands (7% of units providing 4% of jobs). These two regions along with Other Scotland have the smallest unit size. These are also traditional processing areas, serving a different sector of customers.

Fig 1.8 Sea fish units by region, 2004

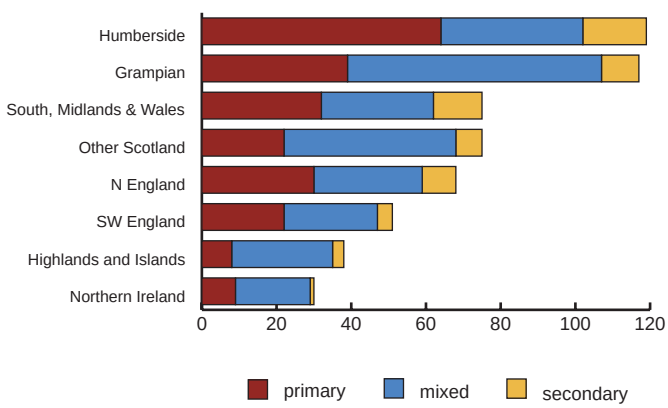
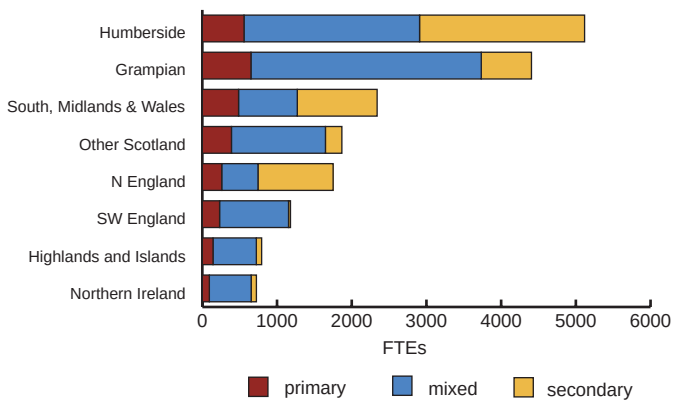


Fig 1.9 Sea fish employment by region (FTEs), 2004



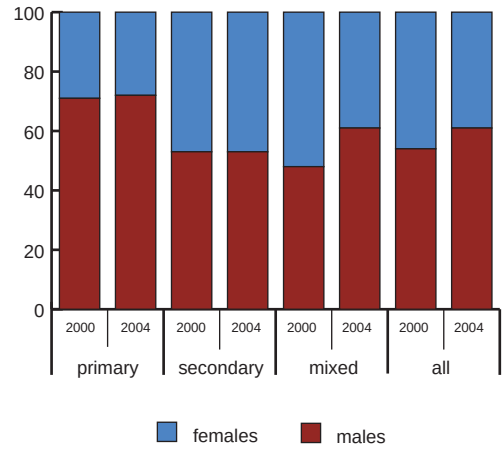
The distribution of employment by region is fairly consistent with previous surveys, suggesting that there has not been much change in the spread of companies around the UK. 40% of FTE jobs are in Scotland, with 4% in Northern Ireland, and these proportions have remained stable since 1986. The biggest change in the regional employment picture is in South West England, where several new small companies have been identified in this study. The decrease in employment in Humberside noted in previous years has not continued, with a 5% increase since 2000.

Geographical concentration can provide important business advantages. Due to new regulations, there are increasing costs and difficulties relating to provision of infrastructure support services for fish processing factories. Interview replies suggested that water supply and waste disposal, access to cold storage, a range of transport options and access to labour are increasingly key aspects of business which can be better catered for in fish processing clusters.

1.5 Gender balance

The gender balance of the total workforce has continued its shift back towards male dominance: 61% of the workforce are men, compared to 54% in 2000. This result is based on data from companies where they were available, but a few companies did not supply a gender breakdown. In no region are there fewer men than women, and Northern England has the highest proportion of male workers. However, among part time workers, there are more women than men. In the UK as a whole, 65% of part time workers are women, and the difference is highest in Grampian, where 75% of part time workers are women (Figure 1.10). The predominance of men is strongest in primary processing where they account for 72% of all FTEs (see Table 1.9).

Fig 1.10 Sea fish employment by gender and process type, 2000 & 2004

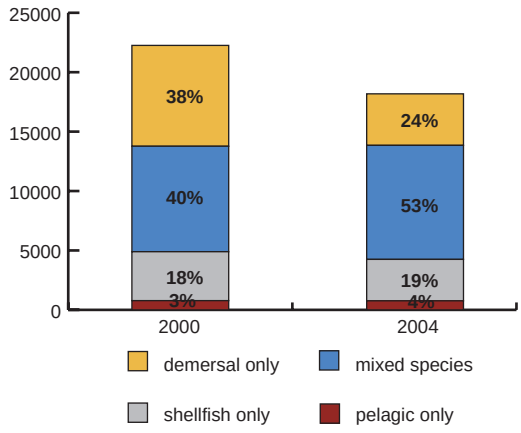


1.6 Employment structure by type of fish processed

Just over half of FTE jobs are in units handling more than one type of fish (compared to 40% in 2000) and one quarter are in units dealing only with demersal species, a slightly smaller proportion than in 2000. Shellfish-only units account for 19% of all FTE jobs (Figure 1.11). There are relatively few pelagic-only processors. There has been an increase in the proportion of FTE jobs in mixed fish-type processing since 2000, and a reduction in the proportion in demersal-only processing, although the overall picture in relation to fish types has changed little.

The slight move away from dependence on a single fish type perhaps reflects the difficulties that processors report in securing reliable supplies of fish. Ensuring that total sales are less reliant on a single product type is a natural response to raw material supply problems.

Fig 1.11 No. of FTEs by type of fish processed, 2000 & 2004



1.7 Other activities conducted by processing businesses

Processors who took part in the detailed part of the survey were asked whether their business carries out any activities in addition to fish processing. Of the respondents, 45% are solely processing companies, 20% also sell some fish wholesale without processing it, 14% sell straight to the consumer via their own retail outlets and 15% provide transport to deliver the fish to their customers.

This mix reflects the reality that there are many fish processing and trading businesses which are difficult to categorise in an industry survey. These associated activities often ensure that the skills and assets within a company are used to generate maximum income. In some cases however, businesses might benefit from assessing whether they could be more successful by focusing on their core business.

1.8 Recruitment and retention issues

Processors were asked about recruitment and retention of skilled staff in the postal questionnaire. 51% of respondents reported that they are not able to recruit enough staff of the required skill level, 19% have difficulty retaining staff and 44% report a skills shortage among their staff (Table 1.11). Where these are no issues concerning the availability of other resources, these limitations will have a direct impact on the sales that a company is able to make. In less extreme cases, it may be that while recruiting takes up more time and energy than managers would like, it does not have a direct effect on output.

Table 1.11 Recruitment and retention issues - sea fish processors

	Is your company able to recruit enough staff of the required skill levels?		Is your company able to retain enough staff of the required skill levels?		Are there any particular skills shortages in your workforce?	
	% No	% Yes	% No	% Yes	% No	% Yes
Grampian	53	47	24	76	53	47
Highlands & Islands	67	33	9	91	55	45
Humberside	40	60	13	87	53	47
N England	67	33	33	67	80	20
Other Scotland	50	50	29	71	57	43
South, Midlands & Wales	20	80	20	80	67	33
SW England	67	33	22	78	50	50
UK	**51**	**49**	**19**	**81**	**56**	**44**

For those companies stating that they had difficulty in recruiting staff, the most common reasons given were that young people don't want to work in the industry because of its poor image: the work is manual, those without specialist skills are often paid the minimum wage, and because fish has a strong smell. One shellfish processor summed up the general mood: *"it is a labour based job & highly 'skilled' or motivated people are too 'qualified' for this type of job"*. Some areas such as Grampian and Highlands & Islands struggle particularly because of low unemployment in the area and some rely on recruiting foreign labour. The expansion of the EU has provided businesses with access to a larger pool of foreign workers who do not require work visas.

Managers of companies which are able to recruit enough staff commented on the importance of being a good employer, valuing and training their staff. Some felt that being a small firm gave them an advantage in this area.

Companies reporting problems retaining staff put it down to the type of work, and the fact that staff are able to move about easily, and are constantly looking for something cleaner, easier, better paid. Small companies find retention easier due to personal interaction; some companies claim that paying well is the answer, and one processor commented that filleters tend to stay because they have a particular skill which they could not use in a different industry.

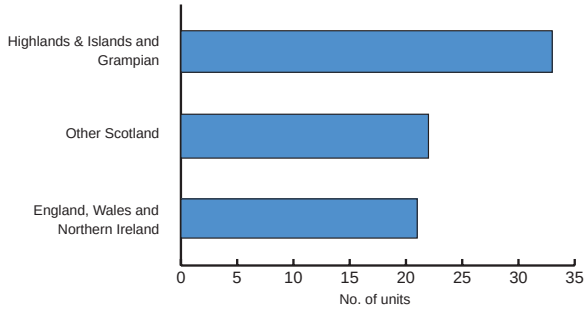
A shortage of trained filleters was identified by 58% of those processors who said there are skills shortages in their workforce. Scottish processors reported a lack of staff with management skills. Several processors commented that staff with common sense are hard to find, reinforcing the message that it is difficult to recruit committed staff into low-skilled jobs. Drivers were also felt to be difficult to recruit.

The broad picture here is similar to the situation in 2000, although the percentage of processors stating that they are unable to recruit enough staff of the required skill levels has increased from 33% to 52%. The reasons they give are the same and the region with the greatest level of difficulty remains Highlands & Islands. These problems result from the nature and structure of the industry and are not short-term problems with immediate solutions.

1.9 Salmon industry structure

The survey identified 76 units in the UK which process predominantly salmon, providing 4,462 FTE jobs (Table 1.12) and employing 5,474 people in total. There are nearly 1,300 seasonal workers working an average of 12 weeks a year. This compares to a total of 5,635 people in Scotland alone in 2001. 55 of the 76 units and 3,849 (86%) of the FTE jobs are in Scotland.

Fig 1.12 Salmon units by region, 2004



There has been a reduction in the number of units in Scotland of almost a third since a similar survey conducted in 2001[4], and a reduction in employment of 13%. This is partly due to a different definition of a processor being used in this survey, but there has been a real decline due to difficulties in the salmon farming sector. Some companies have invested in mechanised processes which has reduced employment in the affected factories.

Interviews with salmon processors revealed that several feel they are struggling to remain viable, and at least one has ceased trading since interview. Stiff competition from countries with lower production costs and different regulatory frameworks, and a global oversupply of salmon, have lead to low prices and reduced profit margins for farms and processors. The volume of salmon processed in Scotland is a reflection of the amount of salmon farmed in Scotland. See section 2.1 for more detail on volumes of farmed and imported salmon.

Fig 1.13 Salmon employment by region, 2004

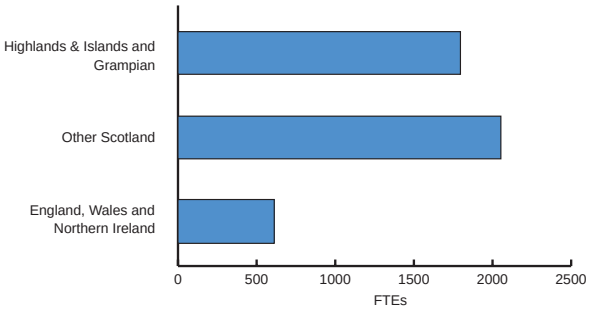


Table 1.12 Salmon processing - Employment figures reported during Seafish and Macpherson Research surveys

	2001 (Scotland)	2004 (Scotland)	2004 (UK)
No. of UK Employees*	4,728	3,849	4,462
No. of processing plants	145	55	76
Avg employees per plant	32.6	70.0	58.7

* Full-time equivalents

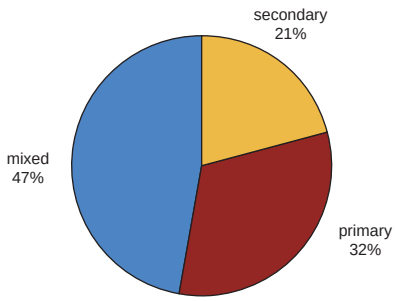
Some of the key findings of the survey of salmon processors are:

- 37% of all salmon processing units are located in Highlands & Islands, 29% in the region designated Other Scotland, and 12% in South, Midlands & Wales (Figure 1.12). Grampian & Humberside, which are traditional sea fish processing regions, have very few units which process mostly salmon.

- 46% of all salmon processing FTE jobs are located in Other Scotland, and 37% are in Highlands & Islands (Figure 1.13). The average unit size in Other Scotland is considerably larger than in the other regions.

- 32% of salmon units undertake only primary processing, 21% only secondary and 47% are mixed processors carrying out both primary and secondary processes (Figure 1.14). In 2001, in Scotland, the same figures were 31%, 30% and 39%, for all salmon processors (this includes those for whom salmon is less than 50% of turnover.)

Fig 1.14 Salmon units by process type, 2004



[4]Salmon & Trout Processing – A review of the industry in Scotland in 2001, prepared for SEERAD by Macpherson Research

- 71% of salmon processing units are private limited companies (Figure 1.15), providing 92% of FTE jobs (Figure 1.16). This is a much higher proportion than for sea fish processors. 22% are partnerships or sole traders, and 7% are subsidiaries.

- 12% of salmon units are less than five years old. All of the new units identified are in Scotland.

- 52% of units process only salmon or salmon and trout, providing 58% of FTE jobs in salmon processing units. The remainder also process some form of sea fish, but this accounts for less than half of their sales.

Salmon processing is subject to a different set of business issues than the sea fish processing industry, principally driven by the fact that the fish is farmed rather than wild caught, and therefore this processing sector benefits from greater consistency of supply and is less subject to business practices stemming from long years of tradition. There is often vertical integration between farming and processing, which does not exist to the same extent between catching and processing in the UK. Interviews revealed that there is also a much higher degree of mechanisation than occurs in the whitefish sector.

Fig 1.15 Salmon units by ownership, 2004

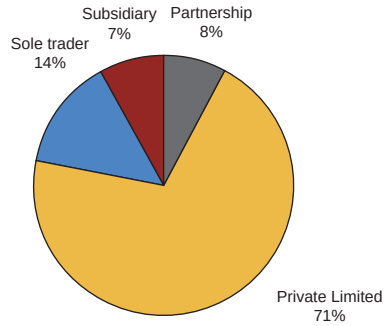
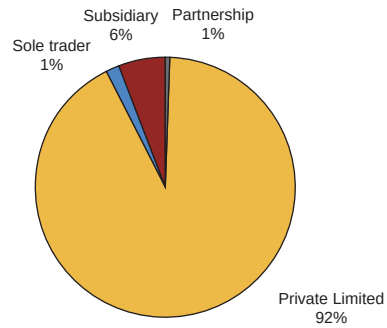


Fig 1.16 Salmon employment by ownership, 2004



Chapter 2
Supply

This chapter covers changes in the supply of fish to UK sea fish and salmon processors in terms of the volume of fish available to processors and the routes through which they obtain it.

CHAPTER 2 – SUPPLY

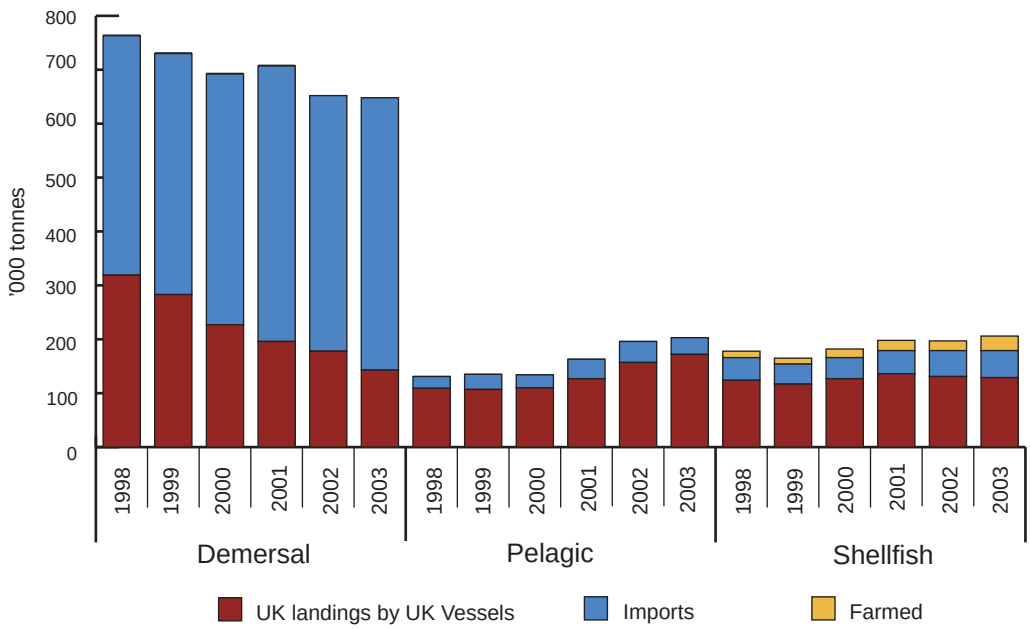
This chapter covers changes in the supply of fish to UK sea fish and salmon processors in terms of the volume of fish available to processors and the routes through which they obtain it.

2.1 Fish available through landings and imports

The quantity of fish landed into the UK by UK vessels has continued to decline in recent years. From 1998 to 2003 total landings decreased by around 20% from around 552,000 tonnes to around 445,000 tonnes. Meanwhile, the quantity of fish imported has increased, such that the total amount of fish available in the UK has remained steady. However, crucially for the processing industry, the mix of species has changed.

There was a 55% decrease in the volume of UK whitefish landings by UK vessels from 1998 to 2003. Demersal imports for further processing increased by only 8% over this period, so that the total quantity of demersal fish available for processing in the UK declined by 15% (Figure 2.1). This may appear to be in contrast to estimates for consumption of white fish in the UK, which are rising, but in fact the consumption figures include the full weight of fish-based products which also contain other ingredients, such as breaded fillets and fish pies. Indeed, consumption of value added products is increasing faster than consumption of fresh and chilled[1]

Fig 2.1 Sea fish supplies available for processing in the UK



These figures exclude imports of finished products (e.g. tinned tuna).

Figure 2.7 in the appendix, shows total imports and landings.

[1]Market Insight, Seafish

products. So, each tonne of filleted fish can yield a higher volume of consumed white fish products. These figures exclude imports of finished products (e.g. tinned tuna). Figure 2.7 in the appendix, shows total imports and landings.

Shellfish landings remained steady in total throughout the period, and the amount of farmed shellfish more than doubled, from around 12,000 tonnes in 1998 to around 27,000 tonnes in 2003, so the total amount of shellfish available for processing in the UK increased by 16% between 1998 and 2003. There have been some species which have increased in specific areas, such as squid in the Moray Firth (Figure 2.2) which have given local processors a new opportunity to diversify activities and target a new customer group.

Pelagic landings have increased by 60% since 1998. Landings of these species declined between 1995 and 1999, and have increased in each year since. Landings in 2003 were approximately equal to landings in 1996. In 2005 however, the UK mackerel quota is 27% lower than in 2004, which is likely to have an impact on Scottish processors.

Imports of pelagic fish for processing have also increased (there are significant volumes of imports of pelagic fish finished products, such as tinned tuna, and these are shown in Figure 2.7). Increases in UK landings are due to Scottish vessels landing a greater proportion of their total catch in Scotland rather than in Norway as was previously the case. UK landings increased from 32% of total landings by UK vessels in 1999 to 63% in 2004. Improved and larger capacity quayside handling facilities for landing and processing pelagic fish in Scotland have contributed to the tendency of Scottish boats to land in Scotland. The investments made by the Scottish pelagic processing sector will only have been possible due to the expectation of good markets for a consistent supply of the right quality of raw materials. Stability of management of the fishery and the success of the fleet are crucial factors influencing investment in the processing sector.

This increase in pelagic landings means that pelagic species now form a greater part of the fish available to UK processors than was the case five years ago (Figure 2.3). The manpower required to process whitefish is much higher per tonne than for processing pelagic fish, most of which is processed entirely mechanically, and so this replacement of whitefish by pelagic fish in the total fish available is likely to be part of the cause of the drop in employment since 2000. This conclusion ties in with figures shown in Figure 1.11, which show that the proportion of FTE jobs in demersal processing has decreased and the proportion in mixed species processing has increased.

The volume of salmon farmed in the UK increased from around 70,000 tonnes in 1995 to around 173,000 tonnes in 2003 (Figure 2.4). Salmon imports in 2003 were about the same as in 1998,

Fig 2.2 Squid landings by UK vessels, 1994-2003

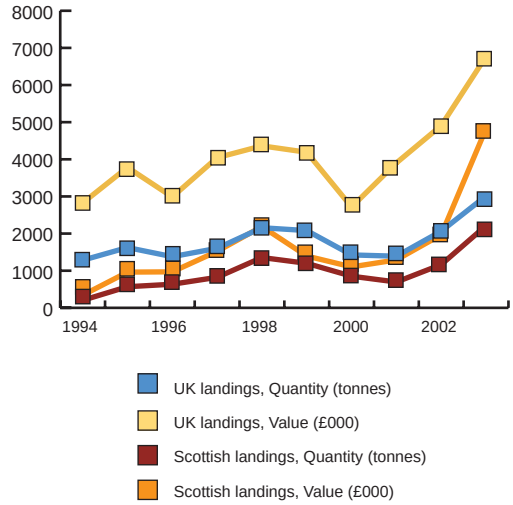


Fig 2.3 UK landings by UK vessels, 1995-2003

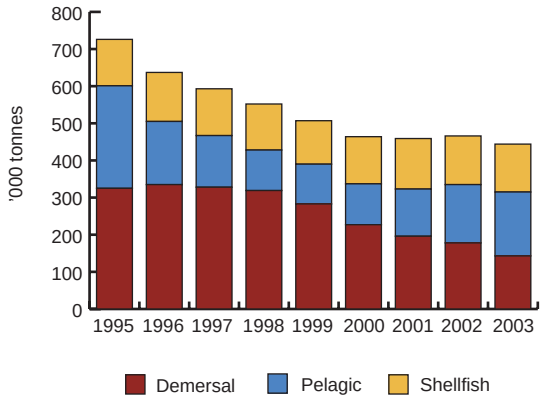
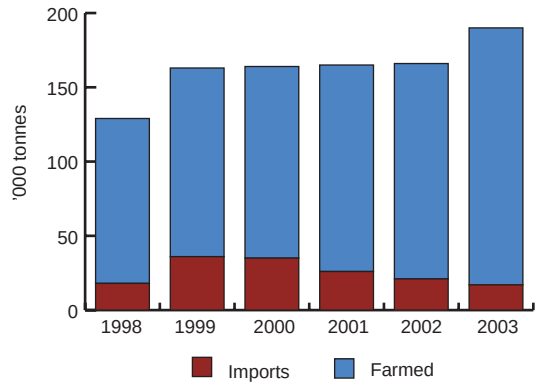


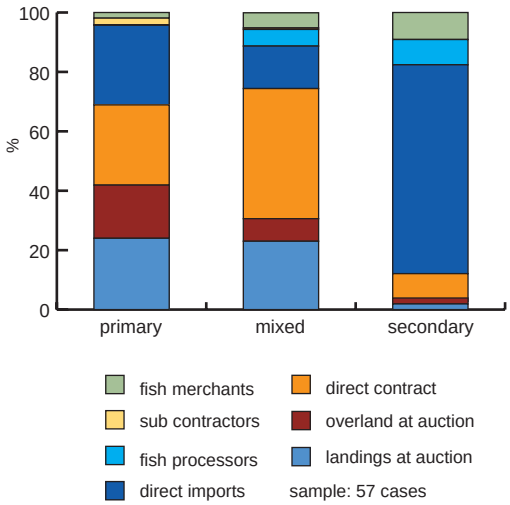
Fig 2.4 Salmon supplies available for processing in the UK



These figures exclude imports of salmon as finished products.

having fallen from a peak in 2001. Total supplies increased over the period 1998 to 2003 but this was not a period of success in the processing sector.

Fig 2.5 Sources of supply for sea fish processors

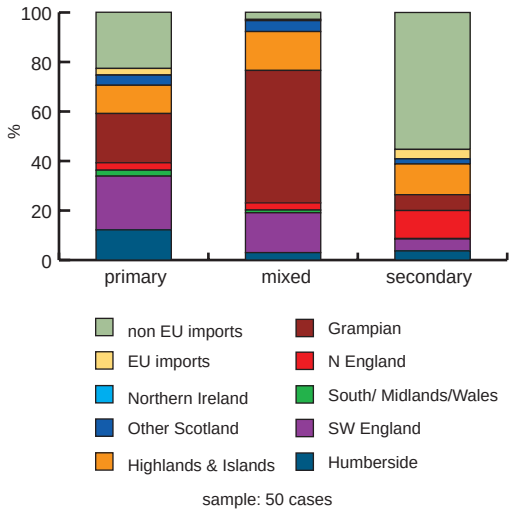


2.2 Method of obtaining supplies

Processors were asked to provide details of the percentage, by cost, of their sea fish purchases which came from each of a variety of sources in the last complete business year. The proportions given by each processor were applied to their own annual purchases, so the figures shown here (Figure 2.5) represent the proportions of the total purchases reported by the participating processors. This differs from the analysis carried out for the 2000 survey, which applied average percentages for each supply source to calculated estimates of purchases for processors who did not participate.

The biggest source of purchases by primary processors in this sample is at auction, (local landings and consigned fish) constituting 42% of purchases, followed by direct contract with vessels (27%). This compares to 55% at auction in 2000, and 11% from direct contract with vessels. Direct imports for this sample made up 27% of purchases, compared to 4% in the 2000 survey. This reflects an overall trend towards buying fish from abroad as UK landings decrease. Fish sold at auction includes imports sold by auction, e.g. fish from Iceland transported in containers and sold in Humberside auctions, or landings in Scotland by Faroese vessels, sold at local auctions.

Fig 2.6 Supplies by region of origin for sea fish processors



Direct contract with boats accounted for 44% of purchases for mixed processors in this sample, compared with an estimated 19% in 2000. This shows increasing connections in the supply chain as boats land an increasing volume directly to a particular processor. This supply method gives vessels a chance to get direct customer feedback, which is often absent when fish is sold via auctions. It is not clear whether there are more boats involved in direct sales, or a similar number which are selling a higher proportion of their catch by direct contract. Secondary processors source mainly through direct imports (70% of supplies), most of which is part-processed and frozen.

2.3 Purchases by region of supplier

Participating processors provided details of what percentage, by cost, of their sea fish supplies came from each of the regions of the UK or were imported. Imports are an important source of supply, providing 25% of supplies to primary processors and 60% to secondary processors. The percentage to mixed processors in this sample was very small which suggests the sample may not be typical of the industry. The majority of the imports come from outside the EU. Within the UK almost one third of fish purchased by processors in our sample came from the Grampian region, which also has a large proportion of landings. The next most

important regions are South West England and Highlands & Islands – also important bases for landings (Figure 2.6).

According to official statistics, approximately 20% of all imports for processing, by volume, are fresh or chilled, and the rest are frozen. This agrees with the percentages given by our sample and reinforces the survey result that secondary processors rely much more heavily on imports than primary processors.

80% of salmon supplies come from Highlands & Islands, with the remaining 20% from Other Scotland. This reflects the location of salmon farms around the coast of the UK.

2.4 Purchasing decisions

Processors were asked what factors affect their purchase of fish and were asked to rank the three most important factors from among a list of eight. Results are shown in Table 2.5, 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. Quality, however, means different things to different buyers – the people who list quality as their first priority are not all looking for the same standards. Price was ranked second overall. Comments made in the Other category were a problem of local catch capacity, where processors buy whatever fish is landed locally, and customer led, where processors buy what they know their customers want to buy.

The two issues of quality and price are very close in importance to processors. When asked whether they are prepared to pay more for better quality fish, 53% of processors said they are prepared to pay more, that they always buy the best or that it is very important to them. The remainder said that they are driven by the market or by customer expectations.

Table 2.5 Factors affecting purchasing decisions for sea fish processors

	1st	2nd	3rd	non-ranked	Overall ranking
Quality of fish	26	18	4	19	26
Price	15	21	9	15	21
Consistency of supply	6	7	18	11	12
Species available	3	4	9	9	7
Location of market	0	0	7	3	2
Credit terms available	0	1	3	3	2
Style of auction*	1	0	0	0	1
Other	0	0	0	3	1

*e.g. traditional or electronic

Processors were then asked whether their customers would be willing to pay more for better quality fish. Here responses were split equally between those who said their customers already pay for the best, those who said no, and those who said that some customers are and some are not. Quality is a higher priority in the niche markets than in the high volume markets. Some customers negotiate prices over long periods, and these arrangements are not flexible enough to vary for the quality of individual batches of fish.

The priorities of processors were not found to vary across primary, secondary and mixed processors, and have not changed since 2000. Salmon processors also gave the same answers, although here the choice of factors was more evenly spread across the options provided. Several processors are part of the same companies as the salmon farms, in which case they do not buy fish from outside sources and do not face these issues.

2.5 Supply issues

Processors reported a decline in available supplies of fish over the last five years, particularly on the auction markets. Available fish are smaller, and reliable sources of supply are harder to find.

Decommissioning or other fleet restrictions such as limited days at sea were mentioned by 15% of respondents as having caused a reduction in the quantity of available fish. One whitefish processor commented "*with all the whitefish boats being decommissioned, there must be less fish available*".

Several respondents felt that there is less fish available on the auction markets and that more is being obtained from imports. This is reflected in the official statistics (see Figure 2.1). This perception may also be affected by an increase in direct sales of UK landings so that a smaller proportion is sold via auction. Processors commented that there has been an increase in the amount of fish weighed, frozen or otherwise processed at sea. This improvement in the quality of handling at sea enables some vessels to attract better prices from processors who know that their customers will pay more for better quality. These vessels also have a better chance of securing a direct contract with a processor, which provides continuity of supply in terms of both quantity and quality. Direct sales may reduce with the implementation of legislation relating to the registration of first buyers of fish and seafood.

Several processors commented that the fish available are smaller than they were five years ago. Processors are therefore struggling to meet their customers' requirements for larger individual fish. Processors who can work closely with their customers, for example to develop products that accommodate the smaller fish, will benefit from improved sales in the longer term.

Some processors complained of increasing seasonal fluctuations and other difficulties with continuity of supply in terms of quality as much as quantity. A couple of processors commented that the weather affects the availability of fish: "*in bad weather you can't get any salmon or whitefish*" said one mixed species processor. Although clearly bad weather can restrict vessel activity, these problems can best be addressed by processors working more closely together with catchers and farmers to find ways to fulfill processors' specifications. This can also be done for sales via auction markets as has been demonstrated at Peterhead where there has been a steady improvement in overall quality standards of landed fish over recent years.[1]

Processors have had to work harder to find supplies, and adapt to different purchasing practices and different products and customer groups in order to maintain sales turnover. "*We can no longer rely on the local auction. We have to use it as a top-up only.*" On a positive note, an increasing variety of species is available from an increasing range of countries. This provides an opportunity for those processors who are able to be flexible in their product offering.

All of these issues are much the same as they were reported in 2000. The changes reported by processors are not new in the last five years, but continuing trends. This means that on a continuing basis, processors will have to work hard to find supplies or adapt their product offering in order to be able to use new supply sources. This may mean finding a different customer group and taking a change of strategic direction. With the degree of change experienced in landings of demersal fish, those businesses which have adjusted their activities will have a greater chance of continuing to trade successfully.

One third of processors interviewed are happy with their relationships with their suppliers and have had consistent suppliers for many years. Around a fifth said that they are constantly on the lookout for new suppliers. These processors are increasingly looking abroad, and many prefer to rely on word of mouth than to use other sources of information.

Two thirds of processors interviewed said that they are able to tell which boats land the best quality fish, and of these, several commented that they avoid buying from the worst boats. Some processors deal with agents or suppliers, and they rely on these contacts to provide good quality fish. Among salmon processors the proportion was slightly higher, with 80% saying they know which farms or suppliers have the best quality fish.

Only 20% of salmon processors interviewed reported similar problems with the supply of fish, a further 24% said that they occasionally have some difficulty, while the majority do not have problems. The main problems reported were fluctuations due to weather, and the problem that many of the processors are remote from the market and so may lose out to their more favourably

[1]See Economics of Quality at Sea, H Curtis and A Martin, Seafish, 2003

located competitors. A reduction in the number of suppliers may have lead some processors to comment that they have less choice in purchasing fish, and that there is less independence from the growers.

Chapter 3
Sales

This chapter looks at sales of fish by fish processors in terms of types of customer and their location in the UK, as well as issues processors face when selling fish.

CHAPTER 3 – SALES

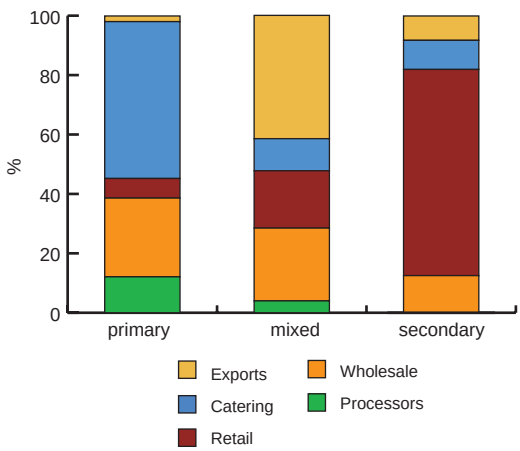
This chapter looks at sales of fish by fish processors in terms of types of customer and their location in the UK, as well as issues processors face when selling fish.

3.1 Overview

Total UK consumer purchases of fish and fish-based products were estimated to be around £2.2 billion in retail in 2003 and around £2.6 billion in foodservice (provision of food out of home)[1]. The majority of these seafood purchases in the UK will have been further processed in the UK, with a relatively small proportion of sales being generated from imported fish ready to consume (such as tinned tuna). Unlike the 2000 survey, this survey does not include estimates of total sales by the industry. Based on previous research however, Seafish estimated that total sales by UK processors, including salmon and sales to other UK processors, was between £3.5bn and £4bn for 2003.

The results given in this section relate to the companies who participated in the survey, as do those given in Chapter 2.

Fig 3.1 Types of customer for sea fish processors



3.2 Sales by customer type

The largest customer group for primary processors in the survey sample is caterers, who buy 51% of sales by value, followed by wholesale (26%), other processors (12%), and retail (6%); only 2% of sales by primary processors were exports (Figure 3.1). This shows a large increase in the proportion of sales going to caterers compared to the results found by the 2000 study (up from 29%), and a large decrease in the proportion of exports (down from 22%). The increase in proportion of sales to caterers and a slight decrease to retail may reflect the fact that the primary processors are smaller on average than the mixed and secondary units, and therefore tend to be less inclined to compete with the larger companies to secure contracts with supermarkets, concentrating instead on supplying the more fragmented catering sector.

Approximately half of all exports are frozen, in which case processors supplying this route would be considered mixed processors, for whom exports are 40% of sales value. Any export of primary processed goods (such as fresh shellfish) by a processor which also freezes, would have been classed as exports by a mixed processor. The next largest customer groups for mixed processors are wholesalers (24%), retailers (19%) and caterers (11%). This is a marked change from the picture in 2000,

[1]Marketing Service Intelligence (MSI), published by Market Insight, Seafish

when supermarkets alone accounted for 24% of sales by mixed processors and exports were 19% of sales.

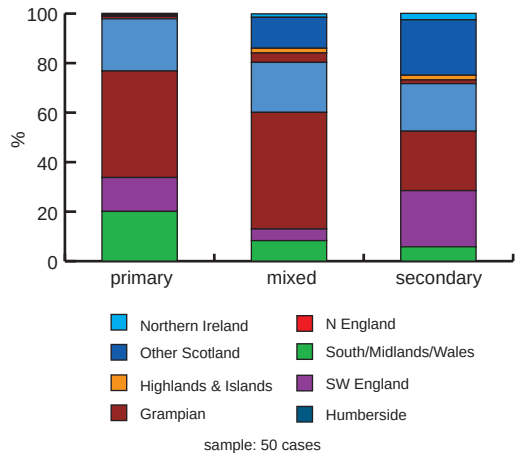
The largest customer group for secondary processors in the survey sample is retail (70%), followed by wholesale (13%), catering (10%) and exports (8%). This represents an increase of sales to retail from 48% in 1995 and a decrease of sales to exports from 19% identified in the 1995 survey (this information was not collected for secondary processors in 2000). The dominance of the supermarkets is not surprising, reflecting a concentration by secondary-only processors on fulfilling the stringent requirements of supermarkets in terms of quality, volume and consistency; the secondary processing sector has fewer units than the primary and mixed sectors, with a larger average size, and is largely geared to supply this market[2].

3.3 Sales by region of destination

Processors provided data on which region their UK customers were based in, by percentage of total sales value. Some sales will have been to other processors.

Although it was not offered as an option in the survey, some processors commented that they deliver to customers' central depots from where product is distributed all around the country. The 2004 survey had intended that these sales would be included in the region in which the depot is located. For all processor types, 40% of sales value goes to customers based in the region designated South, Midlands & Wales (Figure 3.2), which is where the majority of UK consumers lives. Primary processors sell 20% of their fish to Humberside for further processing. Secondary processors sell 20% each to South West England, North England and Other Scotland.

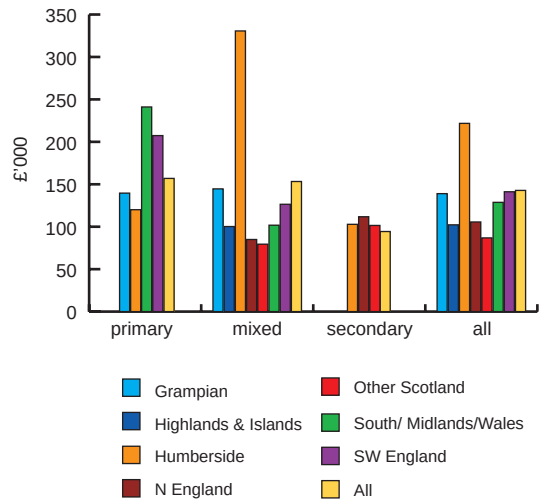
Fig 3.2 Sales by region of destination for sea fish processors



3.4 Productivity

Productivity, as measured by turnover per FTE ranged from around £14,000 to over £80,000 in the survey sample. Figure 3.3 shows the turnover per FTE job for the sample by region and process type. From this it can be seen that secondary processing has the lowest average turnover per FTE. The region with the highest turnover per FTE is Humberside, as was the case in the 1995 and 2000 surveys, which has been attributed to the predominant use of mechanised processing in the region. The region with the lowest sales per FTE job is Other Scotland. In previous surveys the region with the lowest turnover per FTE job was Northern Ireland. In this survey however, financial information was not collected for Northern Ireland processors and so it is possible that this is still the case in reality. The fish type with the lowest average turnover per FTE is shellfish, which is very labour-intensive to process. Pelagic fish has the highest average turnover per FTE, due to a high degree

Fig 3.3 Average turnover per FTE for sea fish processors by region and process type



[2]For more information on the value chain for cod, haddock & nephrops, refer to value chain report, Seafish 2004

of mechanisation. Turnover per employee therefore is more related to the labour intensity of processing than to the intrinsic value of the fish type.

The largest companies do not have the highest turnover per FTE. These companies have more non-processing (i.e. office or supervisory) staff, so the total value of sales has to be compared against a higher proportion of non-productive staff. Some of the smallest companies have no non-processing staff, as even the owner / manager processes fish.

3.5 Business expansion

Three quarters of processors interviewed are interested in expanding their businesses. A slightly smaller proportion said they have a policy of expansion, although some felt that policy was a strong word to describe their general intentions. These processors were then asked whether they were interested in expanding in terms of increased volume in the same markets, new markets geographically, moving into a different customer base, or developing new products. Of processors who are interested in expanding:

- 86% are interested in increasing volume in their current market. This is a natural way to grow a business. One mixed-species processor said they are looking to increase volumes while reducing their customer base "*We want to cherry pick the best customers and concentrate on quality.*"

- 50% are interested in new markets geographically.

- 50% are interested in developing a new customer base. One mixed-species processor interviewed is now selling direct to consumers at farmers' markets.

- 57% are interested in new products, although the type of product depended on the individual processor. One commented that it is very hard to be competitive with new products, so this is a difficult area to expand into.

A similar proportion of salmon processors are interested in expanding their business. Many of these see expansion as an integral part of survival. One salmon processor commented that it is "*the only way that the company can stay healthy and prosperous against the growing competition*". Processors' preferred methods of expansion were more or less evenly spread among the options: new markets geographically, increasing volumes in the same markets, and those developing new, usually value added, products. Some processors who deal exclusively with salmon are thinking about diversifying into new species or offering contracting services, such as packing, to other companies.

Processors wishing to expand their businesses face several issues. There are serious financial and logistical difficulties associated with relocating a business, once the maximum production has been reached on a particular site. One processor is making it a priority to redevelop their current site to improve efficiency. Others wish to control their cash flow and costs before attempting to expand. Business expansion is also subject to the availability of supplies and sufficient demand for the product. A key point that is sometimes lost in the desire to be bigger is that new business is only worth having if it increases, or at least maintains, the level of return on investment in the company – higher sales alone is not a valid measure of business success.

3.6 Marketing and positioning issues

Processors were asked whether they have any problems selling fish. Only 22% of sea fish processors answered yes, compared to the majority of processors who expressed difficulty in obtaining the raw material supplies that they need. One shellfish processor complained particularly of difficulty holding the correct stock to satisfy fluctuating customer demand. Processors' comments revealed resignation to market fluctuations. One mixed processor commented "*sometimes we sell the fish for less than we'd like, but we always sell it.*" This sentiment was shared by other processors.

The face-to-face interviews included questions about how the processors see their business in terms of position in the industry. The majority of processors consider other UK processors to be their competitors, and managers of the larger businesses named other companies from around the country who they consider to be their competitors. The smaller businesses are more likely to consider local companies, that is companies located in the same region of the UK, to be their competitors. Some mixed processors employing fewer than 26 FTEs, who sell direct to consumers, either through their own retail outlets or through a delivery service, count supermarkets and fishmongers among their competitors. These answers suggest that competition is deemed to be other businesses who might be targeting the same customer group, or who might be competing for the same supply of raw materials.

Processors were asked in interview about how they market their products. Several (33% of those interviewed) mentioned the annual European Seafood Exposition in Brussels as a key opportunity to promote their product, although hire of a stand is considered expensive. Other processors consider the presentation of the fish or developing a brand to be opportunities to differentiate their product. Some processors said a lack of accreditation in certain standards limits their ability to market themselves[3]. Other methods mentioned employing a salesman, and working with existing customers to make sure they are satisfied with the service they receive and the quality of the fish in order to get a good word-of-mouth reputation. Advertising is not a popular promotional tool

[3]For information about Seafish Quality Awards please contact Seafish Trade & Quality.

among processors as they are predominantly selling business-to-business and not direct to consumers. The key exceptions to this would be the major brands which are promoted direct to consumers using television advertising.

A significant minority (39%) of processors interviewed did not consider themselves to have any marketing problems or opportunities. These processors may find they need to think harder about this aspect of their business in order to remain profitable in a changing business environment where the products they are able to offer may change.

3.7 Sales issues in the salmon processing industry

Many salmon processors found business difficult from 1998 to 2003 as increases in volumes available meant that sales prices had to fall in order to persuade more consumers to eat more salmon, rather than alternative foods available. They also faced stiff competition from companies in Norway, Chile and the Faeroe Islands which are believed by processors in the UK to have an unfair advantage due to a lighter regulatory framework. Processors perceive that the US report warning of high levels of toxins in salmon, published in Science magazine in January 2004, affected sales significantly in the first quarter of 2004. There is little evidence of this however in sales and consumption figures.

Overall, the responses to the questions about sales and marketing suggest that salmon processors are, on the whole, more market-oriented than their sea fish counterparts. Processors commented on the problems of consumer perceptions of fish as difficult to prepare, and that they have concerns about the reputation of the firm if a batch of product is of low quality or is damaged in transit. Many of the processors supply very similar products, and it is difficult for them to achieve differentiation or recognition by the customer which makes price competition even more intense. There are high costs associated with marketing both niche and also mainstream products. Mainstream products often suffer price squeezes associated with promotions offered by retailers, such as buy one get one free offers. This suggests a closer relationship with their end customers than often exists in the sea fish sector and reflects a more vertically integrated industry at all stages of the chain. Some salmon processors commented that customers abroad are more willing to pay for quality fish, so they are looking to export more of their product.

Salmon processors also referred to a degree of competition for raw material supplies as well as sales.

The companies who process mainly salmon fall into various categories in terms of position within the industry:

- The largest firms compete on an international basis for contracts with the multiple retailers.

- The somewhat smaller firms, who cannot supply the quantities required by the supermarkets, compete for the smaller contracts with locally based retail and catering outlets.

- Specialist smokeries felt that they compete with each other to supply nationwide retailers, individual consumers (often via website sales) and export customers.

- There also seems to be competition for the niche markets as an increasing number of processors drop out of the race to sell high volumes at low prices.

On the whole, processors are not facing any major problems selling fish. The market for seafood in the UK is expanding, and there are opportunities for forward-looking businesses to exploit new markets. Increasing competition from processors abroad is mostly affecting the primary processing sector and in some ways presents an opportunity for the secondary processors to obtain new sources of supply.

Chapter 4 Business Management Issues

This chapter looks at business issues faced by both sea fish and salmon processors operating in the UK.

CHAPTER 4 – BUSINESS MANAGEMENT ISSUES

Fig 4.1 Primary Processors Credit Terms

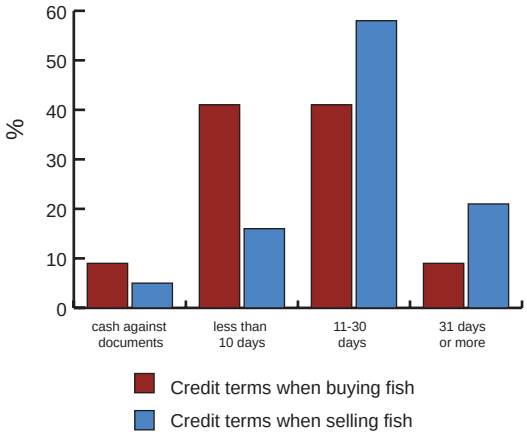


Fig 4.2 Mixed Processors Credit Terms

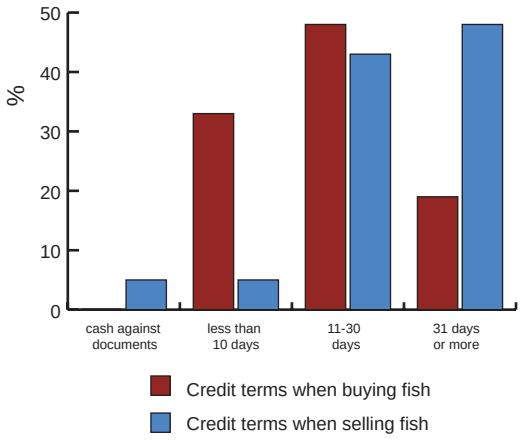
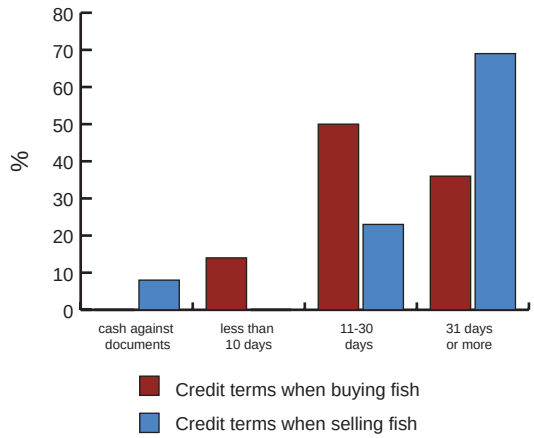


Fig 4.3 Secondary Processors Credit Terms



This chapter looks at business issues faced by both sea fish and salmon processors operating in the UK.

4.1 Credit terms

Both sea fish and salmon processors tend, on average, to give more credit than they receive. This is the same picture as was found in 2000, and is a situation which costs the processors money and restricts the amount of money available to spend on profit-generating activities. Some investment in improved credit control might benefit businesses in the industry, provided that improvements in cash flow resulted.

Figures 4.1, 4.2 & 4.3 show the average credit terms for primary, mixed and secondary processors in this survey. Half of primary processors in the sample typically receive 10 days or less and half receive 11 days or more credit when buying fish, while 79% give 11 days or more credit to their customers. Among mixed processors, 67% typically receive 11 days or more credit when buying fish, while 90% give 11 days or more credit to their customers. Among secondary processors, 56% of businesses receive 11 or more days credit for purchases and 92% give 11 days or more credit to their customers. So overall, primary processors tend to have to pay for their purchases in less time than mixed and secondary processors. Secondary processors tend to give the most credit to their customers. Several companies stated that different credit periods are given for different forms of fish (e.g. fresh/frozen), so an average figure hides the details, but the results demonstrate clearly that in general processors continue on average to give more credit than they receive. This reflects a market-driven valve chain with customers having more power to leverage terms than the processors.

4.2 Use of computers, e-mail and the internet

While the majority of companies now use computers, 7% of respondents said that they do not. These few businesses are small, primary, whitefish processors who will have a straightforward ordering and invoicing process. E-mail is also now used by most companies (78%), with those which do not use it fitting the same profile as those who do not use computers.

Among all processors surveyed, 57% have a website. This proportion varies significantly depending on the type of fish processed. Websites are most commonly maintained by shellfish-

only, salmon-only and mixed-species processors (more than 60% of each of these types of processors have a website). By contrast, only 33% of demersal-only processors have a website.

When looked at by company size, the highest percentage of websites was among companies with 26-50 FTEs (88%). This group of medium-sized processors is the most likely to be marketing a specialist product direct to the consumer, and using a website to do so. The very large companies whose customers are supermarkets or other multiple retailers or wholesalers tend not to find this publicity mechanism as beneficial, although some promote their branded products direct to consumers. The group with the lowest percentage of websites is the smallest companies (1-10 FTEs). This group tends to be the primary, whitefish processors, whose customers do not use the internet to search for potential new suppliers, so again, there is little advantage in having a website.

Processors were asked whether they sell via their website; however, this question appeared to cause some confusion, with one processor commenting *"it's not possible to sell via a website, only to advertise"*. This attitude reflects the fact that some businesses within the industry are not well acquainted with the possibilities of internet and other modern communications technology. Websites of those who said they sell via their website were checked and it was found that fewer than half of those making this claim actually offer the facility to place an order online, through the website or by email. Those that do mostly offer smoked salmon, although some shellfish is available.

Compared to the results of the 2000 survey, this survey shows that, as would be expected, use of modern communications and information technology is increasing, but also reveals that there are possibly some missed opportunities for businesses in terms of communicating with their direct and indirect customers. This area is expected to continue to grow as processors and their customers realise the potential of using web-based automatic ordering and invoicing.

4.3 Financial matters

Processors were asked in interview about matters relating to the financial management of their business. One third of sea fish processors and just over half of salmon processors feel that their business is struggling financially. The most common external factors given by sea fish processors were a high purchase price for fish due to fluctuating or low supply, and a low sales price due to the pressure of supermarkets and international competition. Internal causes acknowledged by processors related to production inefficiencies – one mixed-species processor has recently employed a consultant to advise on streamlining their production process. Options open to the business to improve matters

generally involved cutting costs; a couple of processors mentioned mechanisation as the way to do this.

Salmon processors blamed the following for their poor financial performance:

- foreign competition and the exchange rate
- tight margins and a poor sales price
- bad press due to health scare created by a U.S. report in early 2004
- problems of cash flow and late payment by customers
- bureaucracy and costs of quality testing
- threat of bioterrorism
- cost of employing and training quality staff

The problem of the health scare is not borne out in the sales figures, although it was mentioned repeatedly during interviews.

Options open to salmon businesses to improve matters are to constantly strive to improve efficiency, and reduce costs. Some companies feel that regulation to make the playing field with Norway and Chile more level would be useful, but that the government is not interested.

It is notable that when asked what they could do to improve business performance, companies referred to the operational aspects of their businesses and not to the strategic direction, new product development, marketing aspects or target customer group.

Most companies monitor sales daily, with more formal management meetings weekly or monthly to review overall performance. Just over half of processors have a formal budget each year.

Processors were asked in interview how they judge success for their business. Two thirds of processors judge their success by their net profit figure. One processor said *"by how soon I can retire"*. Several commented that their target is to break even, as competition is such that any higher profit target would be unreasonable. Clearly this aim can only be any good for the short term because a break-even position after cost of capital would mean that there is no economic value added as a result of the business activities.

The more successful companies generally aim to maintain or to improve on the previous year's profit margin. Some companies use cash flow or turnover as secondary indicators. Return on capital employed and return on investment were mentioned a few times

by salmon businesses (salmon businesses interviewed were on average larger than the sea fish companies interviewed).

Although it is legitimate for a business to have non-financial aims, it is important for managers to bear in mind that the capital employed in the business could be invested at no risk for a return in excess of 5%. In the long run, the business must generate higher returns than that in exchange for the greater risk borne by investors and lenders.

Chapter 5 Financial Performance of the Industry

This chapter presents the results of the analysis carried out on the financial data provided in the survey and gathered from published records.

CHAPTER 5 – FINANCIAL PERFORMANCE OF THE INDUSTRY

This chapter presents the results of the analysis carried out on the financial data provided in the survey and gathered from published records.

5.1 Data collection

The methods used for the financial data collection, analysis and presentation of results are consistent with those used in previous surveys in 2000 and 1995, and with the 2001 Costs and Earnings of the UK Sea Fish Processing Industry[1]. This ensures that results are comparable.

Financial data were collected direct from fish processors who completed the questionnaire and / or submitted copies of their accounts, and from published accounts of limited companies reported in the Merlin Scott Associates Fish Processing report. Data collected relate to the most recent complete business year (i.e. ending in late 2003 or in 2004).

Information in varying amounts of detail was obtained on 211 sea fish processing businesses, representing around 40% of sea fish processing businesses and around 70% of sea fish processing jobs. Since the only companies for whom published accounts are available are limited companies, there is a bias towards these companies in the sample. Limited companies are on average larger than partnerships and sole traders, so the smallest companies, for whom the only source of data is the companies themselves, are somewhat under-represented in the sample.

Because some of the questions were not answered by every processing unit, the analyses in this chapter are based on differing sample sizes. The number of companies supplying data for each question is shown in brackets after the figure to which the data applies.

Financial data cover entire companies and are not broken down by individual processing factories. If the company carries out activities other than processing, these activities are included in the financial data. These activities may be selling fish wholesale without processing, transport, retailing and processing of salmon and trout, but all companies generate over 50% of their sales from fish processing.

[1] H C Curtis, & J Bryson, Seafish, 2002

Financial information was not collected on companies located in Northern Ireland. A financial analysis of processing companies in Northern Ireland was carried out by Invest Northern Ireland in March 2003[2].

5.2 Cost ratios, margins and operating profits

Financial data were analysed for primary, mixed and secondary processors separately to find the average of the costs of sales as a proportion of turnover, and to give an indication of the profit margins achieved in each sector of 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. The ratio for each company was found and the average of the percentages is presented. Individual companies are encouraged to benchmark their own performance against these averages.

5.2.1 Primary processing sector

Fish purchases by primary processors were on average 74.6% of sales (Table 5.1), little change from 74.4% in 2000 and 72.9% in 1995 and 1986. This remains the single biggest cost for primary processors, many of which are small businesses with low overheads.

Operating profits as a percent of sales ranged from a minimum of –22.3% to a maximum of 23.8% (Figure 5.1). The average was 2.5%, an increase on the 1.1% recorded in 2000. The average total cost of sales was 97.7% of turnover, which suggests a 2.3% operating profit[3]. The increase in operating profit since 2000 appears to be due to a fall in total overheads as a percentage of sales. Average sales per business for primary processors is 47% higher in real terms (i.e. taking inflation into account) in this sample than it was in the 2000 survey. Overheads may not rise at the same rate as sales over just a four year period, so that an increase in sales on the same site can generate higher profits. Average sales in 2004 for those processors who were included in both samples were 1% higher than average sales for all primary processors in 2000, so the apparent very large increase in sales may be due to a greater bias towards limited companies in the 2004 sample, which is particularly evident in the primary sector.

[2]Invest Northern Ireland strategy for the fish processing industry in Northern Ireland
[3]This slight variation is due to a different sample of companies being used in each calculation

Table 5.1 Financial results reported for 2003/2004 for sea fish processors

Avg sales per business*	Primary Processors		Mixed Processors		Secondary Processors	
	£3,126,000	(20 cases)	£16,041,000	(66 cases)	£14,057,000	(21 cases)
	% sales	No. of cases	% sales	No. of cases	% sales	No. of cases
Avg cost of sales	**97.7**	**17**	**95.9**	**56**	**94.4**	**21**
Fish purchases	74.6	12	56.1	28	45.7	10
Wages & salaries	8.4	17	16.2	57	16.0	20
Transport	3.5	8	3.1	23	3.5	10
Energy	0.9	7	1.3	22	1.2	10
Water charges	0.2	5	0.5	20	0.4	9
Packaging	4.4	6	2.6	20	4.1	9
Non-fish raw materials	0.3	8	1.0	23	4.9	10
Other direct costs	0.2	8	1.2	23	2.4	10
Total direct costs	**88.1**	**17**	**83.3**	**57**	**78.1**	**21**
Rent and rates	1.1	9	2.3	22	1.4	10
Administration	0.8	7	3.4	20	3.1	9
Advertising	0.1	9	0.4	24	0.9	10
Repairs & maintenance	0.4	9	0.9	24	1.5	10
Insurance	0.4	9	0.5	24	1.0	10
Other overheads	1.2	9	1.9	24	4.5	10
Total overheads	**9.3**	**18**	**12.5**	**57**	**16.3**	**21**
Depreciation	0.7	9	0.9	23	1.6	10
Interest	0.5	17	0.9	53	1.1	18
Operating profit	**2.5**	**17**	**4.3**	**57**	**5.8**	**21**

* Figures rounded to the nearest 1,000

Wages and salaries were on average 8.4% of sales compared to 9.1% of sales in 2000. Both of these figures lie between the 8% found in 1986 and 10% found in 1995, and changes of this small magnitude are believed to be due to a different set of companies being included in the sample, and are not likely to be significant.

5.2.2 Mixed processing sector

Fish purchases by mixed processors were on average 56.1% of sales, compared to 65.2% in 2000 (see Table 5.1). This is in between the figures for primary and secondary processors, as would be expected. This sector includes some businesses which are mostly selling the products of primary processes and others which are mostly selling the products of secondary processes, although all are engaged in a combination of both types of process. This lower figure for 2004 may suggest that the 2004 sample includes a higher proportion of companies with a larger proportion of secondary processing. There are not enough data to establish whether fish purchases are a smaller proportion of costs for mixed processors in general in 2004 compared to 2000.

Wages and salaries for mixed processors were on average 16.2% of total sales, only slightly higher than the 15.3% found in 2000. This is higher than the level for primary processors, and similar to that for secondary processors. This reflects the fact that fish purchases make up a smaller proportion of sales for mixed and secondary processors than they do for primary processors, and also that mixed and secondary processors tend to be much larger than primary processors and have more non-processing staff, so the wage bill as a proportion of sales is inevitably higher.

Average operating profit for mixed processors in the 2004 sample was 2.9% compared to 4.3% of sales in 2000 and 3.0% found in 2001 (Figure 5.2). Total direct costs are a smaller proportion of sales than they were in 2000 for this group of companies, which may account for this increase in profit. However, although this is an improvement on previous figures, it is still too low to be considered healthy. While the industry continues to operate with margins of this level, it will remain difficult for businesses to realise an acceptable return on investment. New product development may also be limited due to lack of retained profits to invest and poor ability to borrow.

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

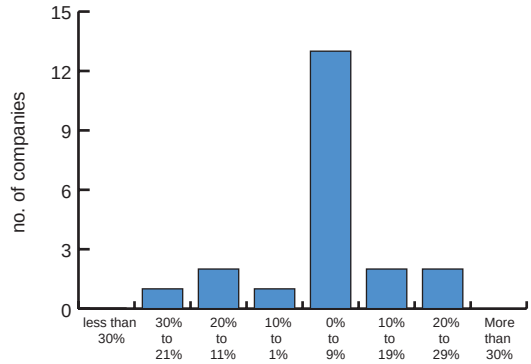
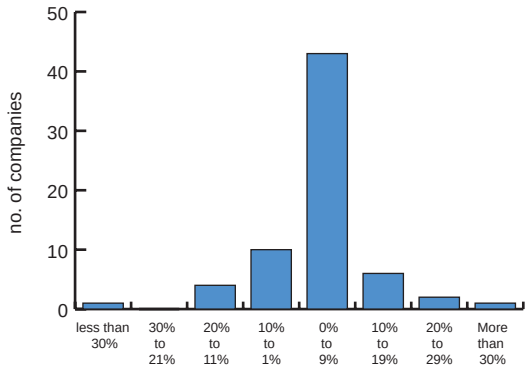


Fig 5.2 Operating profit as a percentage of sales for mixed processors

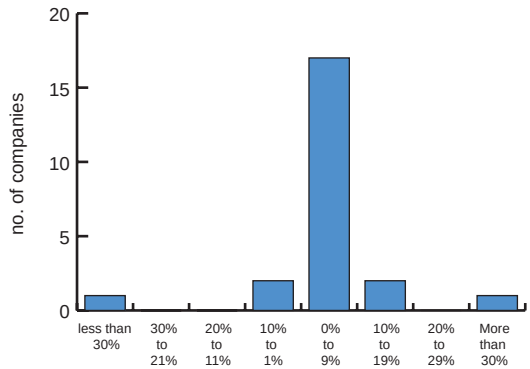


5.2.3 Secondary processing sector

Financial analysis of secondary processing companies was not carried out for the 2000 survey, however, they were included in the 2001 Costs and Earnings survey, so their performance in 2004 can be compared with their performance in 2000.

Fish purchases were 45.7% of sales (see Table 5.1). This is lower than for primary or mixed processors but is still the single highest cost of sales, and is comparable to the 49% found in 1995. Non-fish raw materials are nearly 5% of sales for this sector compared to 1% for mixed processors and 0.3% for primary processors.

Fig 5.3 Operating profit as a percentage of sales for secondary processors



Wages & salaries were 16.0% of sales on average. This compares to 12.3% in 2001, and is similar to the result for mixed processors.

Operating profit for secondary processors was 5.8% of sales (Figure 5.3). This compares to -0.2% in 2001, when secondary processors were found to be making lower profits than primary and mixed processors. The companies included in both samples showed an average profit of 2% in 2004. This suggests that a portion of the increase is due to the inclusion of different companies in the sample and some of the difference is indicative of genuinely better performance.

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 on average £6.00 per hour, more than their female equivalents at £5.64 per hour on average. The average hourly rate for females is 94% of the average male wage rate. This is similar to the differential found in 1995, and is lower than the differential found in 2000.

Table 5.2 Average hourly wage rates for processing staff

Region	full time male pay	full time female pay	part time male pay	part time female pay
Grampian	5.40	5.36	5.48	5.29
Highlands & Islands	6.05	5.61	5.81	5.80
Humberside	6.33	4.91	5.66	4.88
N England	5.07	*	*	*
Other Scotland	6.24	6.48	5.31	5.31
South, Midlands & Wales	6.85	6.31	5.43	5.27
SW England	6.50	5.68	5.67	*
UK	**6.00**	**5.64**	**5.63**	**5.47**
UK in 2000 terms	5.67	5.32	5.32	5.16

conversion to 2000 terms is multiply by 0.944 to remove the effect of inflation.

* fewer than 3 cases.

Hourly wage rates for part time staff are slightly lower than for full time staff. The average for male staff is £5.63 and for female staff it is £5.47, which is 97% of the average for part time male staff. Part time male pay has increased in real terms by more than 20% over the last four years, compared to 3% for full time males and 9% for each category of females. The gap between the four wage rates is now therefore smaller, with the lowest paid categories receiving the largest increases.

Regional analysis showed that male staff are paid the most in South, Midlands & Wales, and the lowest average rate for male staff is in North England. The highest average wage rate for female staff is in Other Scotland, and the lowest is in Humberside. South West England, which showed the highest wage rate for female staff in 2000, continues to pay staff relatively well.

There are still many firms that pay piece rates for filleters and other processing staff, which enable some staff to earn more than the basic hourly rate. In many cases these workers earn between £7.00 and £9.00 an hour while their less skilled co-workers are paid the minimum wage (currently £4.85 per hour). This pay method can also even out the gender bias found in hourly rates.

5.4 Output and value added

Total output from UK processors is the sum of total sales by all companies minus total sales to other UK processors, and so represents sales from the UK processing sector to businesses in the next stage of the supply chain (which includes overseas customers). Based on previous surveys, estimates of total consumer purchases[4] and adjustments for inflation, total output for UK processors in 2003 was estimated by Seafish to be of the order of £3.2 billion, including salmon[5].

Value added was calculated for this survey using the same definition used in previous surveys, namely the sum of wages and profit minus depreciation and interest for each company. Table 5.3 shows value added as a percentage of sales for those companies where all the necessary information was available. Secondary processors show the highest value added, as expected, as they also add greatest weight to the product. In regional terms, Highlands & Islands has the highest value added as a percentage of sales, and North England has the lowest. The highest real terms increase in value added per FTE job since 2000 was in Grampian (see Table 5.4), while the value added per FTE job for the combined region of South, Midlands & Wales and South West England is 27% lower in real terms than was found in the 2000 survey.

[4]By Taylor Nelson Sofres (TNS)
[5]Seafish Economics

Table 5.3 Value added as % of sales

	Average	No. of cases
Average of all sectors	**21.2**	**38**
Primary	11.6	8
Mixed	22.9	21
Secondary	25.8	9
Grampian	20.2	8
Highlands & Islands	25.6	7
Humberside	21.5	8
N England	15.0	4
Other Scotland	21.8	4
South, Midlands & Wales and SW England	20.7	7
Min. all sectors	**-20.0**	
Max. all sectors	**61.9**	

Value added = wages + profit - depreciation - interest

Table 5.5 Fixed asset turnover ratio

	Average	No. of cases
Average of all sectors	**12.3:1**	**34**
Primary	17.9:1	6
Mixed	11.7:1	20
Secondary	9.6:1	8
1 to 10	14.6:1	15
11 to 25	14.8:1	10
26 +	5.7:1	9
Min. all sectors	**1.5:1**	
Max. all sectors	**86.2:1**	

Fixed asset turnover = turnover / total fixed assets

5.5 Asset ratios

The fixed assets turnover (FAT) ratio has been calculated for each processor where sufficient data were available. This ratio is calculated by dividing turnover by total fixed assets, and is a measure of how capital intensive a firm is. Table 5.5 shows that primary processors have an average turnover of 17.9 times their average fixed assets, a ratio nearly twice that of secondary processors (9.6:1). This means that they are generating far more turnover per pound invested in fixed assets. This is to be expected as secondary processors are in general more highly mechanised than primary processors. This ratio is also smaller for larger companies, which is in line with the previous result, as secondary processors are on average larger than primary processors. Fixed assets include property as well as machinery, so this ratio depends a great deal on whether a business owns or rents the building which it occupies. Primary processors have fewer fixed assets, using less machinery for their processes than secondary and mixed processors, and are also less likely to own the building which they occupy. This sector of the industry is also the easiest for new starts to enter, with little investment required.

ROCE measures the effectiveness of a business in using all the financial resources at its disposal (invested capital and borrowings) to generate profit. It is a key measure of financial success for a business and it enables a comparison with how the invested capital could have performed if invested elsewhere, for example in the stock market or in a savings account. It is important for businesses to compare their own ROCE to the average in the industry. There will be certain aspects of every industry which determine the range and average ROCE for companies in that industry, so comparison within an industry is more useful than against businesses in general.

Table 5.6 shows the return on capital employed (ROCE) for primary, mixed and secondary processors and for processors by size. Here the range is much larger than for the other ratios. The ratio gives pre-tax profit as a percentage of net assets, so those companies making a loss will show a negative ROCE. The average ROCE for the companies in the sample is 20.1%, and the smallest companies have the largest ratio, because they have low levels of capital invested in what are usually primary processing companies. Their total turnover may be compared to capital employed of only a few thousand pounds.

5.6 Current ratios

The current ratio is a comparison of current assets to current liabilities which indicates the extent to which short term debts can be covered by current assets. Potential creditors usually look for a current ratio of 2:1, that is, current assets should be twice as much as current liabilities, although the standard varies from industry to industry. Table 5.7 shows current ratios for primary, mixed and secondary processors and by size of business unit. All sectors of the industry are showing current ratios of well over 2:1, which is a much healthier picture than was the case in 2000. Additionally, smaller companies have higher current ratios than larger businesses, which is the reverse of the case in 2000. If the current ratio is high, it may suggest that the business has cash which is not being used to generate profits, although this can be a temporary situation, for example, prior to a planned significant investment in new assets or new product development.

Overall, the financial performance of the companies in the 2004 sample is noticeably healthier than in 2000.

Table 5.6 Return on capital employed

	Average %	No. of cases
Average of all sectors	**20.1**	**120**
Primary	23.1	24
Mixed	16.2	71
Secondary	28.4	25
1 to 10	44.8	22
11 to 25	18.3	23
26 to 50	17.8	23
51 to 100	12.3	28
101+	10.6	24
Min. all sectors	**-420.9**	
Max. all sectors	**386.7**	

Return on capital employed = pre-tax profit / net assets * 100

Table 5.7 Current ratio

	Average %	No. of cases
Average of all sectors	**3.0:1**	**210**
Primary	2.9:1	69
Mixed	3.1:1	110
Secondary	3.0:1	31
1 to 10	3.1:1	68
11 to 25	3.1:1	51
26 to 50	3.1:1	35
51 to 100	2.7:1	32
101+	2.7:1	24
Min. all sectors	**0.0:1**	
Max. all sectors	**11.7:1**	

Current ratio = current assets / current liabilities

5.7 Salmon processors

The financial position of salmon processors is similar to that of sea fish processors; however, the sample of companies participating was quite small. A similar analysis was carried out for the salmon processors included in the 2001 survey, although a slightly different method was used to calculate the averages.

Fish purchases constitute around 40% of the value of sales for mixed salmon processors in the sample (Table 5.8). This is lower than the 48% found in the 2001 survey, and significantly lower than the values for primary and mixed processors in the sea fish sample.

The slightly higher wage bills (around 23% compared to 16% for mixed processors in the sea fish sample and 20% for salmon in the 2001 survey) may be due to the sample containing a disproportionate number of large companies, which, as is discussed in section 3.4, tend to have more non-productive office staff than smaller companies. Overheads are a similar proportion of sales to previous results (around 15% compared to 12.5% for mixed processors in the sea fish sample and 19% in the 2001 survey).

Operating profits for the primary sector were 10% of sales. This figure is higher than for any other sector of the industry, which is probably due to the small sample size. Operating profits were 2% of sales for mixed salmon processors, which is slightly lower than the 2.9% achieved by mixed sea fish processors, but slightly higher than the pre-tax profit of 2% reported in the 2001 survey.

Value added as a percentage of sales is 59% higher for salmon processors than for sea fish processors in the 2004 sample (Table 5.9), reflecting a greater value added product range for salmon. Average sales per business is similar for primary salmon and sea fish processors, but mixed salmon processors have an average turnover of half that of mixed sea fish processors. The average current ratio is somewhat lower than for sea fish processors, at 1.84:1, which may be a reflection of recent problems in the salmon sector.

On the whole, salmon processors have a similar financial profile to the sea fish processors, and face many of the same issues.

Table 5.8 Financial results reported for 2003/2004 for salmon processors

	Primary Processors		Mixed Processors	
	£3,364,000	(6 cases)	£8,353,000	(12 cases)
	% sales	No. of cases	% sales	No. of cases
Average cost of sales	**71.9**	**4**	**97.7**	**11**
Fish purchases		*	42.9	5
Wages & Salaries	23.8	4	22.8	11
Transport	3.3	3	4.7	4
Energy	0.5	3	0.8	4
Water charges		*	0.3	4
Packaging		*	6.3	4
Non-fish raw materials	2.4	3	1.7	4
Other direct costs	0.0	3	3.1	4
Total Direct Costs	**58.4**	**4**	**81.0**	**11**
Rent and rates	0.8	3	1.0	4
Administration	1.1	3	3.6	4
Advertising	0.2	3	0.5	4
Repairs & maintenance	0.9	3	1.2	4
Insurance	1.0	3	1.6	4
Other overheads	5.0	3	0.8	4
Total Overheads	**13.5**	**4**	**16.8**	**11**
Depreciation	2.6	3	2.7	4
Interest	0.3	4	1.3	11
Operating profit	**10.6**	**4**	**2.3**	**10**

[1] Figures rounded to the nearest 1,000

* fewer than 3 cases

Table 5.9 Ratio analysis for salmon processors

	Average	No. of cases
Value added per FTE job	£20,965	7
Value added as % of sales	33.6	7
Fixed asset turnover ratio	12.1:1	8
Return on capital employed	19.56%	17
Current ratio	1.8:1	28
Operating profit as % of sales	6.1	16
Turnover per FTE	£76,512	20

Chapter 6
Methods

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

CHAPTER 6 – METHODS

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

6.1 Telephone survey

The base population of sea fish processing units was taken from the database created for the 2000 Survey of the UK Sea Fish Processing Industry, which had been updated in 2001 and since then on an ongoing basis and from a database of salmon processors which was provided by Macpherson Research, who had developed it for the 2001 salmon survey. These sources were updated and supplemented by membership lists of trade associations, yellow pages on the web and other web sources.

During March and April 2004, each processor was telephoned, and a member of Seafish staff explained what the survey was about, how the data would be used, and asked the following questions:

1. type of processing carried out (primary, secondary)
2. type of fish processed (white, pelagic, shell, salmon)
3. number of full and part time, permanent and seasonal, male and female employees
4. company ownership
5. company age
6. 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, extensive efforts were made to trace their current contact details, and for some companies this effort continued into September 2004. Over 700 organisations were telephoned and 649 processors were identified, although a few of these ceased trading during the period of the survey. Of the total, 76 were classed as salmon processors, because salmon processing generated more than 50% of their turnover.

Companies with over 100 employees were asked to respond in writing to confirm their employee numbers, in order to reduce the risk of a single error having a significant impact on the estimated total employment figures.

More time has been dedicated in this survey to checking the accuracy of data acquired and this has been aided by the availability for the first time of the electronic database of information used in the previous survey. This has led to the identification of a small number of businesses which were not included in the 2000 survey but which were trading in 2000, and this improvement is partly responsible for the increase in the total number of sea fish processing units since the 2000 survey.

6.2 Postal survey

The questionnaire was mailed to each company which had agreed during the telephone survey to complete it, a total of 536 questionnaires. Questionnaires contained assurances that information provided would be kept confidential and that no individual firm would be identified in the report to be produced. A copy of the questionnaire is included in the appendix. 88 completed forms were returned, although in some cases not all of the questions had been answered.

Firms which completed the questionnaire will receive a free copy of this published report, and those which provided full financial details received a 2004 Sea Fish Wall Map, when it was published in October 2004[1].

The forms returned provided a sample broken down as shown in Tables 6.1 & 6.2. Primary processors were not particularly well represented and it is therefore necessary to use some caution when considering some of the results by sector. Similarly, in the regional breakdown, Northern Ireland and North West England and the South, Midlands & Wales regions were not well represented. Highlands and Islands was the region with the highest sampling ratio and firms employing between 51 and 100 FTE staff were the size category giving the highest sampling ratio.

[1]This map is also available to purchase. Please contact Seafish for more information.

Table 6.1 Sample distribution and ratios for the postal questionnaire - sea fish processors

Process Type	Population	Sample	Sampling Ratio (%)
Primary	226	19	8
Mixed	283	43	15
Secondary	64	13	20
Total	**573**	**75**	**13**
Region	**Population**	**Sample**	**Sampling Ratio (%)**
Grampian	117	17	15
Highlands & Islands	38	12	32
Humberside	119	15	13
N England	68	6	9
Northern Ireland	30	2	7
Other Scotland	75	8	11
South, Midlands & Wales	75	6	8
SW England	51	9	18
Total	**573**	**75**	**13**
Unit Size (FTE)	**Population**	**Sample**	**Sampling Ratio (%)**
1-10	307	30	10
11-25	121	23	19
26-50	63	6	10
51-100	48	11	23
101+	34	5	15
Total	**573**	**75**	**13**
Type of Fish Processed	**Population**	**Sample**	**Sampling Ratio (%)**
Demersal only	181	21	12
Pelagic only	20	2	10
Shellfish only	93	13	14
Mixed species	279	39	14
Total	**573**	**75**	**13**

Table 6.2 Sample distribution and ratios for the postal questionnaire - salmon processors

Process Type	Population	Sample	Sampling Ratio (%)
Primary	24	6	25
Mixed	36	5	14
Secondary	16	2	13
Total	**76**	**13**	**17**

6.3 Face-to-face Interviews

43 in-depth interviews were carried out throughout the UK during the period June to August.

Interviews with sea fish processors were carried out by Seafish staff and interviews with salmon processors were carried out by Macpherson Research staff. A schedule of questions was followed, and the postal questionnaire was completed with those processors who had not already returned it. Interviewees were assured that their answers would be kept confidential, and all quotations in this report have been paraphrased to protect anonymity.

The regional and sectoral distribution of the interviews is shown in Tables 6.3 & 6.4.

Table 6.3 Sample distribution for face-to-face interviews - sea fish processors

Process Type	Sample
Primary	4
Mixed	12
Secondary	2
Total	**18**
Region	**Sample**
Grampian	8
Highlands & Islands	5
Humberside	0
N England	0
Northern Ireland	0
Other Scotland	5
South, Midlands & Wales	0
SW England	0
Total	**18**

Table 6.4 Sample distribution for face-to-face interviews - salmon processors

Process Type	Sample
Primary	9
Mixed	15
Secondary	1
Total	**25**
Region	**Sample**
Grampian	2
Highlands & Islands	11
Humberside	0
N England	2
Northern Ireland	0
Other Scotland	8
South, Midlands & Wales	1
SW England	1
Total	**25**

6.4 Published Financial Data

To supplement and verify financial data collected in the questionnaires, published accounts of limited companies were collected via the Merlin Scott Fish Processing Industry Report and from the Companies House Direct website. Information from these sources was included for each processor available.

6.5 Statistical Analysis

Analysis in this report is based on answers given in the questionnaires and interviews. Results therefore relate to the sample of companies who took part - estimates were not made for the remaining companies, in the way that they were for the 2000 survey because it was felt that the time required for comparable analysis was out of proportion to the benefit of being able to directly compare results. Further details of statistical analysis are available on request from Seafish Economics at the Sea Fish Industry Authority in Edinburgh.

Appendix

Table 1.1 Sea fish processing - Employment figures reported during Seafish surveys 1986, 1995, 2000 & 2004

	1986	1995	2000	2004
No. of UK Employees*	19,359	19,659	22,255	18,180
No. of processing plants	988	719	541	573
Avg employees per plant	19.6	27.3	41.1	31.7

* Full-time equivalents

Table 1.2 Sea fish employees and processing units by type of processing, 2000 & 2004

	No. of FTEs		No. of units		Average unit size		% of all FTEs		% of all units	
	2000	2004	2000	2004	2000	2004	2000	2004	2000	2004
Primary	2,695	2,812	206	226	13.1	12.4	12	15	38	39
Mixed	11,465	10,025	263	283	43.6	35.4	52	55	49	49
Secondary	8,096	5,343	72	64	112.4	83.5	36	29	13	11
Total	**22,256**	**18,180**	**541**	**573**	**41.1**	**31.7**	**100**	**100**	**100**	**100**

Table 1.3 Sea fish employees and units by type of processing and unit size, 2004

	Unit size (FTEs)	No. of FTEs	No. of units	% of all FTEs	% of all units
Primary	1-10	804	156	4	27
	11-25	662	42	4	7
	26-50	737	21	4	4
	51-100	358	5	2	1
	101+	251	2	1	0
	Total	**2,812**	**226**	**15**	**39**
Mixed	1-10	687	130	4	23
	11-25	1,074	66	6	12
	26-50	1,208	32	7	6
	51-100	2,537	36	14	6
	101+	4,518	19	25	3
	Total	**10,025**	**283**	**55**	**49**
Secondary	1-10	89	21	0	4
	11-25	228	13	1	2
	26-50	403	10	2	2
	51-100	490	7	3	1
	101+	4,133	13	23	2
	Total	**5,343**	**64**	**29**	**11**
Total	1-10	1,579	307	9	54
	11-25	1,964	121	11	21
	26-50	2,349	63	13	11
	51-100	3,385	48	19	8
	101+	8,903	34	49	6
	Total	**18,180**	**573**	**100**	**100**

No. of FTEs given to the nearest whole number

Table 1.4 Company ownership of sea fish processing units, 2004

Company Ownership	No. of FTEs	No. of units	Average unit size	% of all FTEs	% of all units
Partnership	1,085	115	9.4	6	20
Private Limited	11,069	305	36.3	61	53
Sole Trader	735	122	6.0	4	21
Subsidiary	5,290	31	170.7	29	5
Total	**18,180**	**573**	**31.7**	**100**	**100**

Table 1.5 Age structure of sea fish processing units, 2004

Age of Unit	No. of units	% of all units
5 yrs or less	32	6
6 - 10 years	69	12
11 - 15 years	76	13
16 - 25 years	163	28
26 - 50 years	126	22
51 - 100 years	88	15
over 100 years	19	3
Total	**573**	**100**

Table 1.6 Process type of sea fish firms aged 5 years or less

	No. of firms	% of all firms
Primary	13	39
Secondary	4	12
Mixed	16	49
Total	**33**	**100**

Table 1.7 Sea fish employees and units by type of processing and region, 2004

	Region	No. of FTEs	No. of units	Average unit size	% of all FTEs	% of all units
Primary	Grampian	651	39	16.7	3.6	7
	Highlands & Islands	143	8	17.8	0.8	1
	Humberside	558	64	8.7	3.1	11
	N England	260	30	8.7	1.4	5
	Northern Ireland	94	9	10.4	0.5	2
	Other Scotland	390	22	17.7	2.1	4
	South, Midlands & Wales	485	32	15.2	2.7	6
	SW England	231	22	10.5	1.3	4
	UK	**2,812**	**226**	**12.4**	**15.5**	**39**
Mixed	Grampian	3,083	68	45.3	17.0	12
	Highlands & Islands	580	27	21.5	3.2	5
	Humberside	2,350	38	61.8	12.9	7
	N England	485	29	16.7	2.7	5
	Northern Ireland	560	20	28.0	3.1	3
	Other Scotland	1,258	46	27.3	6.9	8
	South, Midlands & Wales	786	30	26.2	4.3	5
	SW England	923	25	36.9	5.1	4
	UK	**10,025**	**283**	**35.4**	**55.1**	**49**
Secondary	Grampian	672	10	67.2	3.7	2
	Highlands & Islands	71	3	23.7	0.4	1
	Humberside	2,209	17	130.0	12.2	3
	N England	1,006	9	111.8	5.5	2
	Northern Ireland	70	1	70.0	0.4	0
	Other Scotland	220	7	31.4	1.2	1
	South, Midlands & Wales	1,069	13	82.3	5.9	2
	SW England	26	4	6.5	0.1	1
	UK	**5,343**	**64**	**83.5**	**29.4**	**11**
Total	Grampian	4,406	117	37.7	24.2	20
	Highlands & Islands	794	38	20.9	4.4	7
	Humberside	5,117	119	43.0	28.1	21
	N England	1,750	68	25.7	9.6	12
	Northern Ireland	724	30	24.1	4.0	5
	Other Scotland	1,868	75	24.9	10.3	13
	South, Midlands & Wales	2,340	75	31.2	12.9	13
	SW England	1,180	51	23.1	6.5	9
	UK	**18,180**	**573**	**31.7**	**100**	**100**

Table 1.8 Gender distribution of sea fish employees by region, 2004

Region	Male Employees %	Female Employees %
Grampian	49	51
Highlands & Islands	56	44
Humberside	66	34
N England	74	26
Northern Ireland	55	45
Other Scotland	63	37
South, Midlands & Wales	65	35
SW England	69	31
UK	**61**	**39**

Figures are not adjusted for FTE

Table 1.9 Gender distribution of sea fish employees by type of fish processed, 2004

	Male Employees %	Female Employees %
Primary	61	39
Mixed	55	45
Secondary	71	29
Total	**61**	**39**

Figures are adjusted for FTE

Table 1.10 Sea fish employment and units by type of fish processed, 2004

	No. of FTEs	No. of units	% of all FTEs	% of all units
Demersal only	4,335	181	24	32
Pelagic only	762	20	4	3
Shellfish only	3,487	93	19	16
Mixed species	9,596	279	53	49
Total	**18,180**	**573**	**100**	**100**

Table 1.13 Salmon employees and units by type of processing and region, 2004

	Region	No. of FTEs	No. of units	Average unit size	% of all FTEs	% of all units
Primary	Highlands & Islands and Grampian	589	12	49.1	13.2	15.8
	Other Scotland	300	5	60.0	6.7	6.6
	England, Wales and Northern Ireland	246	7	35.1	5.5	9.2
	UK	**1,135**	**24**	**47.3**	**25.4**	**31.6**
Mixed	Highlands & Islands and Grampian	1,103	15	73.6	24.7	19.7
	Other Scotland	1,637	13	125.9	36.7	17.1
	England, Wales and Northern Ireland	263	8	32.9	5.9	10.5
	UK	**3,004**	**36**	**83.4**	**67.3**	**47.4**
Secondary	Highlands & Islands and Grampian	104	6	17.3	2.3	7.9
	Other Scotland	116	4	29.0	2.6	5.3
	England, Wales and Northern Ireland	103	6	17.1	2.3	7.9
	UK	**322**	**16**	**20.2**	**7.2**	**21.1**
Total	Highlands & Islands and Grampian	1,796	33	54.4	40.3	43.4
	Other Scotland	2,053	22	93.3	46.0	28.9
	England, Wales and Northern Ireland	612	21	29.2	13.7	27.6
	UK	**4,462**	**76**	**58.7**	**100.0**	**100.0**

Table 1.14 Company ownership structure of salmon processing units, 2004

Company Ownership	No. of FTEs	No. of units	Average Unit Size	% of all FTEs	% of all units
Partnership	34	6	5.7	1	8
Private Limited	4,101	54	75.9	92	71
Sole Trader	66	11	6.0	1	14
Subsidiary	260	5	51.9	6	7
Total	**4,462**	**76**	**58.7**	**100**	**100**

Table 2.1 UK Landings by UK vessels from 1995 to 2003

	1995	1996	1997	1998	1999	2000	2001	2002	2003
Demersal	325	335	328	319	283	227	196	178	143
Pelagic	276	170	139	109	107	110	127	157	172
Shellfish	125	132	126	124	117	127	136	131	129
Total	**726**	**636**	**593**	**552**	**507**	**465**	**458**	**466**	**445**

('000 tonnes liveweight)

Table 2.2 Fish supplies available for processing in the UK

	Year	UK Landings by UK Vessels	Imports	Farmed
Demersal	1998	319	444	0
	1999	283	447	0
	2000	227	465	0
	2001	196	511	0
	2002	178	474	0
	2003	143	505	0
Pelagic	1998	109	22	0
	1999	107	28	0
	2000	110	24	0
	2001	127	36	0
	2002	157	39	0
	2003	172	31	0
Shellfish	1998	124	42	12
	1999	117	37	11
	2000	127	39	16
	2001	136	43	19
	2002	131	48	18
	2003	129	50	27
Salmon	1998	0	47	111
	1999	0	65	127
	2000	0	70	129
	2001	0	75	139
	2002	0	52	145
	2003	0	45	173

('000 tonnes liveweight)

Table 2.3 Sources of supply for sea fish processors

Supply Type	primary	mixed	secondary
Landings at auction	24.0	23.0	1.9
Overland at auction	17.9	7.6	0.8
Direct contract	27.0	43.8	9.4
Direct imports	26.8	14.3	70.3
Fish processors	0.2	5.6	8.5
Sub contractors	2.2	0.5	0.0
Fish merchants	1.9	5.1	9.1

% by value of purchases coming from each source
sample: 57 cases
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, including 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 by your company on a sub-contract basis)
Fish merchants (wholesale fish merchants or commodity traders)

Table 2.4 Supplies by region of origin for sea fish processors

Region	primary	mixed	secondary
Humberside	12.2	3.0	3.7
SW England	21.7	16.1	4.8
South, Midlands & Wales	2.4	1.1	0.1
N England	3.0	2.9	0.1
Grampian	19.9	53.5	11.3
Highlands & Islands	11.4	15.7	6.4
Other Scotland	4.1	4.4	12.4
Northern Ireland	0.0	0.0	2.1
EU imports	2.7	0.5	3.8
non EU imports	22.7	2.9	55.3

% by value of purchases coming from each source
sample: 50 cases

Fig 2.7 Sea fish landings & imports in the UK

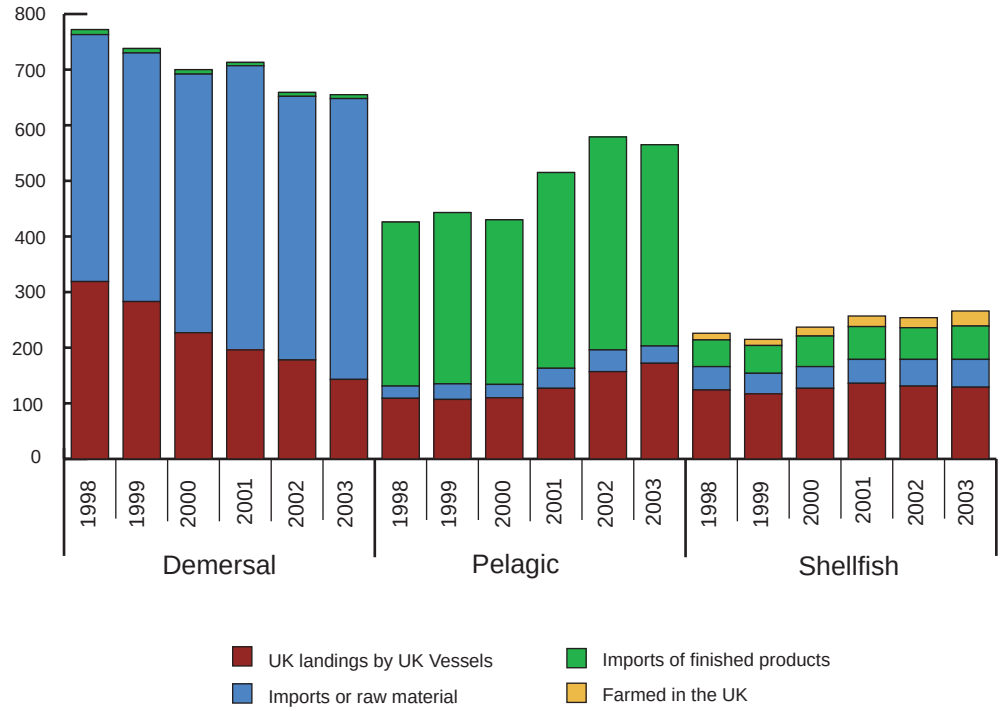


Table 3.1 Types of customer for sea fish processors

% of sales value	primary	mixed	secondary
Processors	12.1	4.0	0.0
Wholesale	26.5	24.5	12.5
Retail	6.6	19.3	69.4
Catering	52.8	10.8	9.8
Exports	1.9	41.5	8.2

Table 3.2 Sales by region of destination for sea fish processors

% of sales value	primary	mixed	secondary
Humberside	12.2	3.0	3.7
SW England	21.7	16.1	4.8
South, Midlands & Wales	2.4	1.1	0.1
N England	3.0	2.9	0.1
Grampian	19.9	53.5	11.3
Highlands & Islands	11.4	15.7	6.4
Other Scotland	4.1	4.4	12.4
Northern Ireland	0.0	0.0	2.1
EU imports	2.7	0.5	3.8
non EU imports	22.7	2.9	55.3

Table 3.3 Turnover per FTE for sea fish processors by region and process type

	primary		mixed		secondary		all sectors	
	Avg(£)	cases	Avg(£)	cases	Avg(£)	cases	Avg(£)	cases
Grampian	139,589	3	144,595	20		*	138,975	25
Highlands & Islands		*	100,209	11		*	102,238	15
Humberside	120,050	7	330,649	12	102,825	5	221,761	24
N England		*	84,962	3	111,757	4	105,597	8
Northern Ireland		*		*		*		*
Other Scotland		*	79,423	8	101,502	4	86,843	13
South, Midlands & Wales	241,088	3	101,794	8		*	128,719	13
SW England	207,365	3	126,438	7		*	141,183	12
UK	**156,922**	**20**	**153,274**	**70**	**94,349**	**21**	**142,784**	**111**

* fewer than 3 cases available

Table 5.4 Value added per FTE job – sea fish processors

	Average	No. of cases
Average of all sectors	**£21,335**	**38**
Primary	£13,667	8
Mixed	£22,487	21
Secondary	£25,461	9
Grampian	£24,165	8
Highlands & Islands	£18,327	7
Humberside	£29,985	8
N England	£11,993	4
Other Scotland	£27,793	4
South, Midlands & Wales and SW England	£12,870	7
Min. all sectors	**-£58,182**	
Max. all sectors	**£84,147**	
Average of all sectors in 2000 terms	£20,137	

conversion to 2000 terms is multiply by 0.944

Postal Questionnaire

Sea Fish Industry Authority
UK Fish Processing Survey, 2004
Sea fish / sea fish & salmon processors

Thank you for agreeing to complete this questionnaire.

The value of the industry report depends on the accuracy of the information gathered – we appreciate the time and care you take. We are offering a free 2004 Seafood wall map to companies who complete the form, including financial details.

Please complete the questionnaire and return it in the prepaid envelope to the address below by **30 July 2004**. Some companies will also be asked to take part in an interview.

Rachel White
Seafish
18 Logie Mill
Logie Green Road
Edinburgh EH7 4HG

If you have any questions, please contact Rachel White at the above address; by telephone on 0131 524 8659 or on r_white@seafish.co.uk.

To receive a **free** copy of the final industry report, please tick ❑

- **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.**
- **In order to protect your confidentiality, please do not write your company name on questionnaire. Your responses will be identified by the code number XXX**

Before completing the questionnaire, please see final page for map & definitions.

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. Are there any particular skills shortages in your workforce?
❑ Yes ❑ No
3. a) If yes, what are they? _____
_____
_____

4. What is the average pay rate for your fish processing staff?
Please tick appropriate rate: ❑ per hour ❑ per week ❑ per year

	Male	Female
Full time	£	£
Part time	£	£

Communications

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

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

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

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

Sources of Supply

9. What are the three factors which most affect your company's purchase of sea fish? Please enter 1,2 & 3 in order of importance.

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

10. Has the supply of sea fish changed over the last 5 years? ❑Yes ❑No
If yes, in what way? _____
_____
_____

11. What percentage (by cost) of your **sea fish** (not salmon) supply in your last complete business year came from:

_____% Landings at auction (from UK or foreign vessels)
_____% Overland at auction (overland or consigned fish, including 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 by your company on a sub-contract basis)
_____% Fish merchants (wholesale fish merchants or commodity traders)
_____% Other (please specify) _____
100 %

12. Please enter the approximate percentage (by cost) of your **sea fish** (not salmon) purchases obtained from each of the following regions last business year. Please see definitions for how we define each region.

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

Customer Base / Sales

13. How much fish did your company process in your last complete business year? Please see definitions for how we define each type of fish.

	Cost of supplies for processing (£)	Value of sales (£)
Demersal / white fish		
Pelagic		
Shellfish		
Salmon & Trout		
Offal		
Totals	£	

14. Where are your **sea fish** customers based?
Please tell us the approximate percentage (by value) of your **UK sales** of processed sea fish that was sold to customers in each of the following regions in the last business year. Please see definitions for how we define each region.

Humberside	____%	Highlands & Islands	____%
SW England	____%	Other Scotland	____%
South / Midlands / Wales	____%	Northern Ireland	____%
N England	____%		
Grampian	____%	Total:	100 %

15. **Who are your customers?**

Please tell us what percentage (by value) of the processed sea fish and salmon sales from your site in the last year went to each of the following types of outlet:

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.

		sea fish	salmon
Processors		%	%
Wholesale	Merchants at inland markets (e.g. Billingsgate)	%	%
	Frozen food wholesalers/catering distributors	%	%
Retail	Fishmongers	%	%
	Market stalls and mobile sales	%	%
	Supermarkets	%	%
	Freezer centres	%	%
Catering	Institutional & industrial caterers (e.g. schools, prisons, hospitals)	%	%
	Fish friers	%	%
	Pubs, hotels & restaurants (incl. chains)	%	%
Other	Factory gate sales	%	%
	Exports to EU countries	%	%
	Exports to non-EU countries	%	%
	Other _____	%	%
	Total	100 %	100 %

16. What other activities does your company carry out?

(e.g. wholesale/trade of unprocessed fish, retail, transport, processing of non-fish foods)

_____

_____

Financial

Some of the information requested here is sensitive. Information will be kept confidential and your company will not be identified in the report. This information is important in allowing us to show regional and sectoral differences and trends in financial performance since 2000.

If you prefer, you can submit your detailed profit & loss account and balance sheet from your management accounts for questions 21 - 23. Please feel free to remove your company name and write on the ID number on the front of this questionnaire.

17. What was total company turnover in your last complete business year?
£_____

18. What proportion (by value) of your company's turnover is from processing each of these types of fish?
sea fish _____% salmon _____ % trout _____ %

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

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

20. What sales credit terms does your company **most often** give when selling products?

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

21. Please state your company's total direct costs of sales, for all activities, for the last complete business year. Please include directors' salaries and owners' takings in wages.

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	£

22. Please state your company's overheads for the last year.

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

23. Please tell us the figures in your company's balance sheet.

		Last year / '03
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)	£

24. Please state the month of your business year end: _____

Thank you for your time.

Definitions

All questions relate to your most recently completed business year.

Sea fish

In this questionnaire the term sea fish refers to all demersal/white fish, pelagic fish and shellfish. It excludes salmon and trout.

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

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

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

Regions

Please see map for how Seafish defines the regions of the UK. Please note also that the EU is defined as the EU-15 countries only, since this survey relates to the previous business year.

European Union comprises: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Italy, Luxembourg, Netherlands, Portugal, Republic of Ireland, Spain & Sweden.

Non EU includes: Norway, Faroes, Greenland, Iceland, Turkey