Seafish Levy Review

Response to voluntary non-statutory consultation

December 2023

seafish

Executive Summary

The Seafish levy is a fee collected on the first sale of seafood in the UK. It applies to seafood that is either domestically landed or imported into the UK. Seafish uses this levy income to deliver projects and services to support the UK seafood industry. The levy was last amended in 1999 and in 2022/2023 Seafish collected £7.2m in levy income.

The Seafish Board undertook an informal consultation on proposed changes to the levy during March and April 2023. These proposed levy changes included increasing levy rates for existing species, applying an annual 2% inflationary uplift, and including imported canned, bottled, and preserved products in the levy. The changes are needed to ensure Seafish can continue to deliver valuable support to the seafood industry, and to enhance support in crucial areas that stakeholders have said are important.

Stakeholders were invited to share their views on the proposed changes in a series of workshops and via an online survey. A wide range of views were received. Some of these were supportive, while others opposed some or all of the changes.

The Seafish Board has reviewed the consultation responses and is proposing to amend some of the levy changes to take account of the feedback received.

- Proposing a new levy category for cockles, mussels, whelks, and pelagic species with a lower levy rate of 0.5p per kg. Previously the proposal had been to set it at 1p per kg. For all other species the proposed new levy rate is 1p per kg.
- Retaining the two original fishmeal categories, but applying a levy increase across each category. Previously the Board had considered combining the levy categories.

In response to the request for greater transparency on the levy Seafish collects and how it is spent, Seafish has provided more information on current levy income and expenditure and on our future levy requirements. To continue to deliver existing services Seafish will require an annual levy income of £9.1m in future years but will need £11m to deliver the additional support we are being asked to provide.

The Seafish Board appreciates that amending levy rates will mean increased costs, for businesses but this is the first change in 25 years, and the UK seafood industry will benefit from the additional support that Seafish provides.

The revised suite of levy changes are still proposals and no decisions have been made yet. Stakeholders will have another opportunity to share their views on the proposed changes as part of the formal statutory consultation process. This is expected in Spring 2024. Final decisions will be made by Ministers, and we don’t expect anything to change before the 2025/2026 financial year.

Introduction

This document provides a summary of the responses received on the recent voluntary non-statutory consultation (the informal consultation) on the proposed changes to the Seafish levy and details the Seafish Board's response.

Levy payers and stakeholders were consulted on proposed changes to the Seafish levy during a six-week period in early 2023. This consultation included 6 stakeholder workshops, an online survey, and an invitation to share views directly with Seafish. Details of the consultation proposal can be found HERE.

Given the importance of the Seafish levy, the Seafish Board undertook this informal consultation to gather initial stakeholder views on the proposed changes. A final statutory consultation is expected to take place in early 2024.

The Seafish Board is grateful to everyone who took the time to respond and to share their views and suggestions.

Background

Seafish is a non-departmental public body (NDPB) that works to support the UK seafood industry across the seafood supply chain. We are sponsored by Defra but also report to all three devolved administrations.

The Seafish Strategic Review in 2021 provided a clear acknowledgment from stakeholders, levy payers and non-levy payers alike, that there is a strong case for Seafish to continue to support the UK seafood industry, that it needs to be placed on a sound financial footing, and that the levy system should be updated to provide for this. This was caveated by many contributors that any future levy rate increases should be reasonable. A key recommendation from the Strategic Review was that the levy system should be updated.

What is the Seafish Levy

Seafish's primary source of income is via a levy which is a fee collected on the first sale of seafood in the UK. It applies to seafood that is either domestically landed or imported into the UK. The payment of levy is a legal requirement under the Fisheries Act 1981. The revenue is used by Seafish to deliver projects, services, and to provide support to the UK seafood industry. There are currently 735 levy payers.

Levy rates are applied across seven categories of sea fish and sea fish products[1]; current rates are under one penny per kilogram and range from 0.258p to 0.903p (per whole fish), depending on the category of seafood. Levy rates also have a conversion factor applied to convert processed seafood back to the whole fish equivalent, so that the rates can be applied accurately. There is also a cap on levy rates in legislation. This

[1] Seafish uses the term seafood and seafood products interchangeably with sea fish and sea fish products as per the Fisheries Act 1981.

was set in 1990 at 2p per kg and its purpose is to constrain excessive increases to levy rates.

There are certain species and products that are not currently included in the levy because they are excluded by legislation. This includes salmon, trout, and farmed whitefish species such as tilapia and pangasius.

Until 2020 Seafish levy income fluctuated around £8.3m - since then levy income has declined, reflecting the impacts of Covid and trade disruption on the seafood sector, and the growth in consumption of species not included in the levy (e.g. salmon, and farmed freshwater whitefish).

In response, Seafish has taken steps to minimise the impact of this decline in income. Over the last four years the Seafish Board has made decisions on reducing staff numbers (in 2019 Seafish had 105 FTEs currently there are 85 FTEs), moving into smaller offices in Grimsby, stopping our consumer marketing programme, and exiting our final salary pension scheme.

In the financial year 2022/2023 levy income was £7.2m. Figure 1 below details the levy income on domestic landed and imported seafood, and across the different parts of the UK.

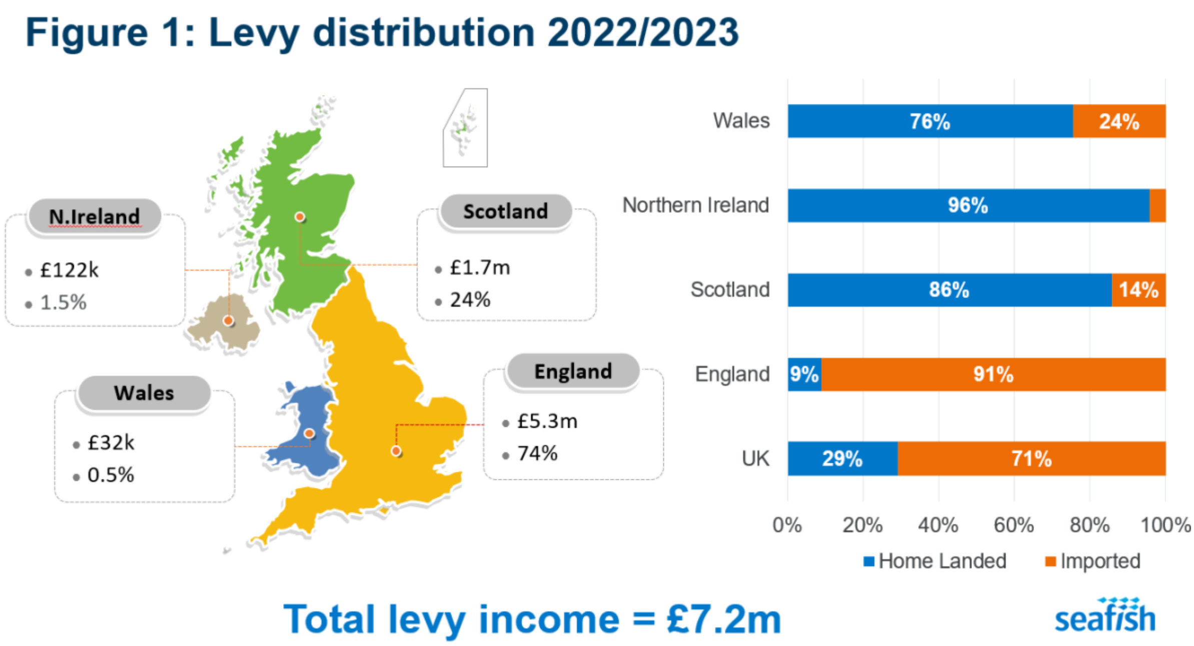

Figure 1: Levy income on domestic landed and imported seafood across the four jurisdictions in the UK.

In addition to the levy income Seafish routinely sources additional funding support from charitable organisations and government grant programmes to leverage levy income and to finance its activities. This has become more important over the last five years as the amount and the value of levy has declined while real term costs have increased. In recent years Seafish has also been commissioned by government, across the UK, to deliver work on its behalf – this work is not funded by levy. While this additional income is welcomed it is a temporary and inconsistent source of funding, and there are limits on what it can be used for. In 2022/23 Seafish secured £2.95m in non-levy income.

Why is the Seafish Board reviewing the levy?

The levy provides Seafish with its main source of funding which it uses to deliver services and support to the seafood industry across the UK.

Levy rates were last changed in 1999 and since that time Seafish has operated with the same flat levy income, without an inflationary increase. On a like for like basis, £7.8m of levy in 1999 would be worth £16.8m in 2022 had CPI inflationary adjustments been applied.

A lot has changed in the last 25 years – costs have risen, and the issues facing the seafood sector have increased in complexity and in impact, and in turn the demands on Seafish have increased. Without an increase in levy rates it will become more difficult for Seafish to continue to provide the breadth of support that industry is asking for.

An increase in levy will mean that Seafish can continue to work to support the UK seafood industry and to increase our support in the areas that businesses have said are important (international trade, reputation, fisheries management, safety, and climate change).

The Seafish Board is leading the levy review and is guided by a set of principles which include that:

- the levy should be efficient to collect;
- the system should be resilient to change;
- it should be fair and equitable in how rates are set and how levy is collected;
- it is simple to understand; and
- it enables Seafish to collect the funds it requires.

What amendments did the Seafish Board consult on?

The Seafish Board consulted on a carefully curated package of proposed measures to ensure that (1) the overall levy burden was manageable for industry and (2) that Seafish could secure sufficient funding to deliver value to industry. The original consultation proposals (see Annex 1) included:

- A single levy rate of 1p per kg to apply to all species, alongside an annual inflationary uplift of 2%. For some species the levy increase would be phased over a period of up to 8 years.
- Canned, bottled, and preserved products within the scope of the levy for the first time.
- Administrative improvements in how the levy is collected.

How did stakeholders engage with the informal consultation?

The informal consultation ran from 13 March to 25 April 2023. The consultation proposal and accompanying information were hosted on the Seafish website. There was also direct engagement with levy payers, Seafish panel and advisory committee members, and key stakeholders to alert them to the informal consultation and to invite their participation.

Levy payers and stakeholders were invited to attend workshops, and to provide their views via an online survey. Stakeholders also had the opportunity to engage directly with Seafish either via email submissions or in meetings.

Workshops:

Six independently facilitated workshops were held during the first week of the consultation (13– 17 March 2023). 103 members of the industry participated in these sessions. These sessions were also attended by Seafish Board members, and observers from UK government and the devolved administrations. The workshops provided an opportunity to discuss the proposed levy amendments relating to (1) the inclusion of canned, bottled, and preserved products, (2) applying a single levy rate across all species, and (3) introducing an inflationary adjustment. A summary of the feedback from the workshops, including the polling results is in Annex 2.

Online Survey:

The Online Survey, which was independently hosted, was open throughout the consultation and closed on 24 April 2023. It consisted of 15 questions and responses were provided anonymously. The survey was promoted on the Seafish website and across social media. 96 stakeholders completed the survey, and these results were independently analysed.[2]

The survey highlighted that those who pay the levy were less likely to be supportive of the proposed changes, but over half of the respondents were supportive or neutral. While the views of levy payers are important, Seafish works to support the industry as a whole, levy payers and non-levy payers alike.[3]

A summary of the responses is presented below in Figures 2 and 3, and the full survey results can be found in Annex 3 which can be found on the Seafish website HERE.

Direct submission

Seafish also received 15 detailed written submissions, over and above responses to the online survey, including three submissions from the canned and bottled import sector. Some of these submissions were from stakeholders that attended workshops or had met with Seafish during the consultation period. The views presented in these submissions are also reflected in the analysis of the issues raised, as detailed in the following section.

[2] 204 participants started the survey but did not complete it – these responses were not included in the final analysis.
[3] Refers to non-levy paying businesses that deal with sea fish and sea fish products in scope of the levy.

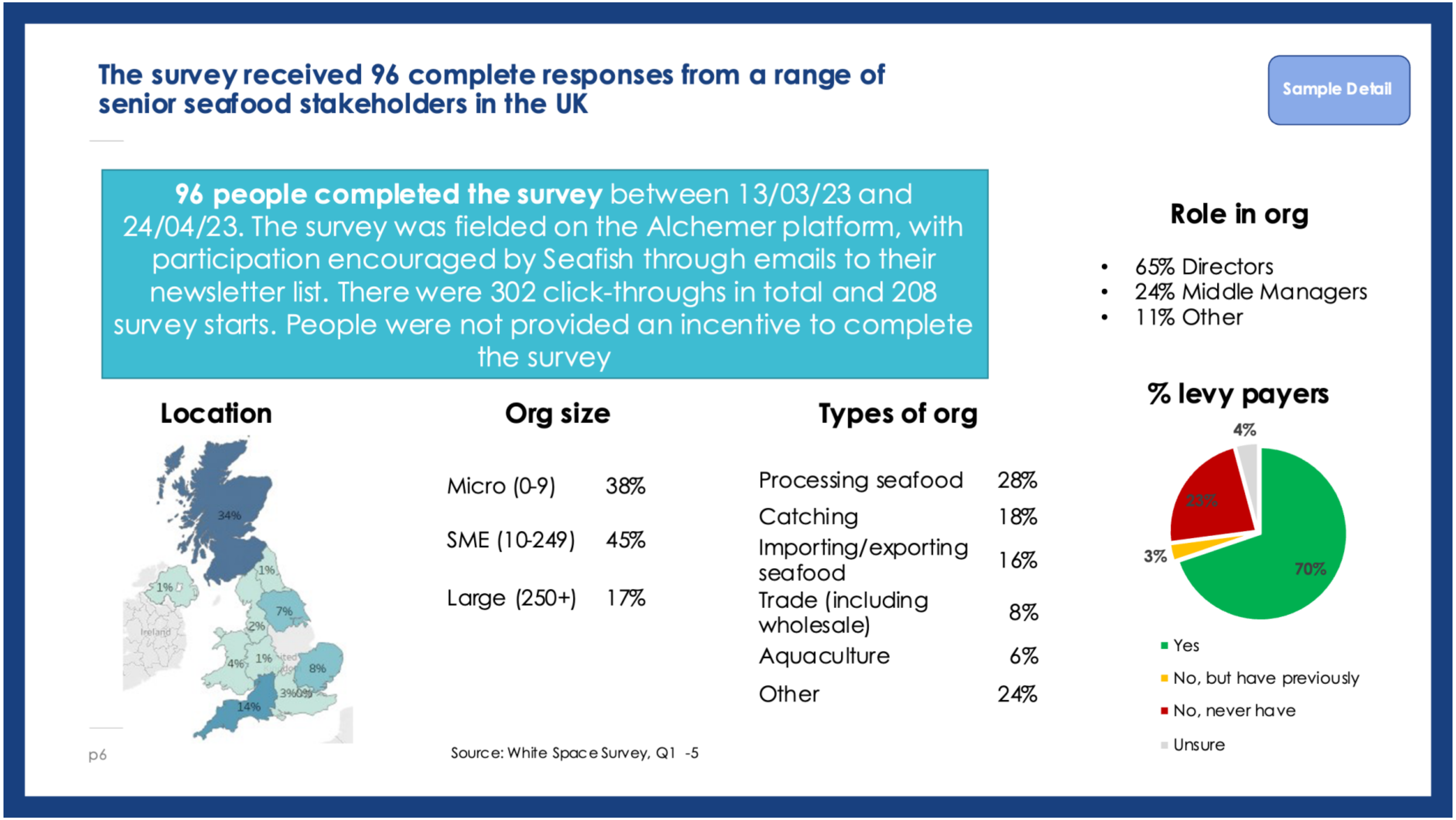

Figure 2: Summary of the participation in the Seafish Levy Review online survey.

The majority of respondents do not oppose the proposed changes to the Seafish Levy

Summary Conclusions

A minority of respondents were unsupportive of the proposed group of changes

45% of respondents were unsupportive / extremely unsupportive of the changes

SMEs and processing companies were most likely to be unsupportive

People supportive of the proposed changes included both current levy payers and non-payers

We would expect this survey to over-represent the level of unsupportive feeling in the whole population of stakeholders. People who feel strongly about the proposed changes are more likely to be motivated to complete the survey

Elements which had more support:

	Of all respondents:
Increasing the scope of the Levy	
• Including canned, bottled & pouched products	73% Supportive or Neutral
Simplifying the Levy	
• Grouping seafood products into Cat. 1	60% Supportive or Neutral
Online Administration	
• Make & submit returns online	90% Supportive or Neutral

Respondents could see the benefits of a simpler system that was easier to engage with

Elements which had less support:

	Of all respondents:
Changes to the levy rate for Cat. 1	
• Base rate for Cat. 1 set at 1p/kg	47% Unsupportive
• Automatic inflationary adjustment	49% Unsupportive

Concerns about cost increases at a time when some are struggling

Builds to proposals included adding salmon to the levy, and ensuring the levy administration is made simpler than now – particularly around reducing form filling and not increasing the amount of information that needs to be provided

Some proposals received a large 'neutral' response. This appears to be because they would not be relevant to some respondents – e.g. definition of wholesale and Cat. 2 rate and phasing

p8

Source: White Space Survey

Respondents who answered 'Don't Know' were excluded

Figure 3: Summary of responses received from the Seafish Levy Review online survey.

How has the Seafish Board taken account of the issues raised?

Feedback received during the informal consultation coalesced around eleven key themes. These are summarised below, including details of how the Seafish Board has taken account of this feedback in determining the revised package of levy proposals.

1: Exclusion of salmon from the levy

Summary: This issue was raised consistently during the consultation process, dominating the workshops and survey responses. There was considerable frustration that salmon and trout remain out of scope, with references also made to freshwater prawns and pangasius (67% of survey respondents did not support the exclusion of salmon from the levy). Views shared include that (1) without salmon it is impossible for the levy to be fair and equitable, (2) that it is unfair to continue to load costs on one part of the sector while salmon remains out of scope. However, some of the larger processing companies highlighted that the inclusion of salmon would be a considerable burden on their business, and their preference is that it remains out of scope.

Assessment: Salmon, trout and other freshwater farmed species cannot lawfully be included in the proposals because they are explicitly excluded under the Fisheries Act 1981. There is no scope to amend the primary legislation at this time, and so these species are out of scope of the review. The Seafish Board has made a clear commitment that it will continue to progress this issue with its sponsor departments in due course, but not as part of this current levy review.

2: Increase in levy on certain species is unreasonable

Summary: Existing pelagic, mussel and whelk levy payers were strongly opposed to the proposed increase to levy rates, even under a phased arrangement, as the scale of the increase was perceived to be too large. Seafish had consulted on increasing the levy rates for these species from 0.258p per kg for pelagics, cockles, and mussels to 1p, and from 0.415p per kg for whelks to 1p. The views shared include that these species traditionally have a lower market value, which is reflected in the existing low levy rates. Across the industry workshops, 20% of participants were ‘not at all supportive’ of the levy rate increases and a further 29% were ‘mainly unsupportive’. The online survey responses mirrored this with 40% of responses unsupportive or extremely unsupportive of the creation of a single levy category and 47% unsupportive or extremely unsupportive of the proposed single levy rate of 1p per kg.

Feedback received also highlighted that the phased levy increase equates to almost a 300% increase for some species, and that standardising the levy rate, such that the same rate applies to low value and high value species, is neither fair nor equitable.

Assessment: The Seafish Board recognises these concerns. The mussel sector has faced significant trade challenges in recent years which have been further compounded by issues with shellfish water quality; overall production has fallen sharply, and industry has reported that the future viability of several businesses is in doubt. The Board also recognised that parts of the pelagic sector are highly profitable but acknowledged that the pelagic processing sector does not have the same profitability profile as the catching sector and therefore would be less able to absorb the proposed cost increase.

Having carefully considered these points, the Seafish Board agreed that it would be fairer if a reduced rate of 0.5p per kg applied to these lower value species (as opposed to the proposed 1p per kg for other species). The amended rate would apply in Year 1 for whelks (current levy rate is 0.451p/kg) but would be phased in over three years for cockles, mussels, and pelagic species. This reflects that these species are starting from a rate of 0.258p/kg and the phased approach would allow time for these businesses to adjust to the increase.

3: A single levy rate is an over-simplification

Summary: There were strong views, including from members of the pelagic, cockle, mussel, and whelk sectors (those parts of the industry facing the greatest increase in levy rates), that applying a single levy rate is an unhelpful oversimplification of the levy system. It was argued that it would be fairer to set the levy with reference to the value of products rather than the volume traded. Adopting this approach would reduce the perceived disproportionate rate of increase being imposed on pelagic, cockles, mussels, and whelks, as the weighted average value per kg in these categories is substantially lower than in the demersal and shellfish categories.

Assessment: The Seafish Board did consider the feasibility of setting levy rates based on value rather than the current volume arrangement (as the Fisheries Act 1981 allows) but concluded that with almost 100 different commercial species this approach would be complex and relies on regularly collating and analysing accurate market price information. This would create a complex levy system for both Seafish and levy payers, which does not fit with the principle that levy should be straightforward and efficient for businesses to calculate and for the Board to collect.

In response the Board is now proposing two levy rates which will apply as follows:

- Category 1: To include all sea fish species and shellfish species, other than those included in Category 2 below, with a levy rate of 1p per kg.
- Category 2: To include cockles, mussels, whelk, and pelagic species with a levy rate of 0.5p per kg.

These rates have been set in line with the levy review principles and were informed by an analysis of the market value of the species across each category. This analysis highlighted that the average value of cockles, mussels, whelk, and pelagic species is 49.9% of the combined average value of the species included in Category 1. On that basis the Board is proposing that the rate for Category 2 is set at half the levy rate of Category 1 species.

The Board also considers that the revised proposal to reduce the scale of the levy increase for cockles, mussels, whelks, and pelagic species should address much of this concern, whilst maintaining the desired efficiency.

4: Cost of living crises and business affordability

Summary: Robust views were shared that at a time when industry is facing severe economic pressure it is inappropriate for Seafish to seek an increase to levy rates. Stakeholders highlighted that increased production costs, plastic packaging tax, energy price increases, coupled with the reduction in quotas, spatial squeeze, and limited increase in market sales have together created extremely difficult operating conditions. It would be difficult for businesses to absorb a levy increase on top of this.

The potential impact that a levy increase could have on consumers was also made, particularly by the canned tuna sector. Tuna importers highlighted that these changes could lead to price increases on an important low-cost food product, which could disproportionally impact those households most affected by current cost of living pressures.

Assessment: The Seafish Board has been aware from the outset that proposing an increase to levy rates during the current economic climate would be unwelcome, and throughout the consultation has been particularly sensitive to this issue. In reviewing the feedback received, the Board considered that the proposed levy amendments would not take effect until at least 2025, by which time the current economic pressures are expected to have abated as per Bank of England forecasts.[4] [5]

The Seafish Board also considered that (1) the levy changes are a modest increase on an already low base, and (2) they will be the first change to levy rates in over twenty-five years. The proposed levy rate changes will also remain well below the 2p per kg levy cap which was set in 1990. This levy cap was introduced to act as a limit on excessive increases to the Seafish levy. Even with the proposed levy rate changes and the proposed inflationary adjustment it would be 2060 before this cap would be reached, which the Seafish Board considers is not unreasonable.

In terms of the impact on consumers, Seafish analysis shows that the levy increases would translate to an additional 0.057 of a penny on a pack of 12 pollock fishfingers (0.02% of retail price), and 0.28 of a penny on a can of tuna (0.22%). The price of a fish supper would increase by 0.041 of a penny based on a 170g haddock fillet (less than 0.01%). While the Seafish Board appreciates that the levy increase will mean an increased cost for business, the effect of this on consumers should be negligible.

5: Value for money

Summary: There was a common theme across the consultation responses that Seafish does not deliver sufficient value in return for the existing levy. The pelagic processing sector were especially vocal on this point. This was frequently the

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[4] Bank of England Inflation Explainer HERE

[5] The Institute for Fiscal Studies UK Outlook from October 2023 reports that GDP is expected to grow in 2025 HERE

'immediate' reaction when the proposed levy amendments were first raised. During further discussions there were many occasions when members of industry acknowledged the valuable work that Seafish delivers, the support it provides to industry, and the need for it to continue. These views were also reflected in some of the submissions received. Alongside this there was agreement that the new Corporate Plan is focused on the right issues.

Related to this was the need for greater transparency on the levy Seafish collects and how it is spent.

Assessment: The Seafish Board appreciates that any proposal to increase levy is likely to result in a strong negative reaction from industry and has every sympathy with that position. The more robust responses came from those parts of the industry that would be the most affected by the changes, again this was expected, and it is hoped that the proposal to further revise the levy rate for cockles, mussels, whelks, and pelagic species will alleviate these concerns.

The Board acknowledges the need to improve transparency on how Seafish spends the current levy, how it uses the levy to leverage additional funding to support the industry, and how it will spend any additional levy. Increased transparency should mean that the value Seafish provides to the UK seafood sector is more readily apparent.

In response, an overview of Seafish income and expenditure for 2023-2024 is detailed in Figures 4a & 4b below. Further information on how additional levy income will be spent can be found in Figure 6.

The Seafish Board is strongly of the view that the seafood sector does derive value from the services and support that Seafish delivers. Collectively Seafish provides a one-stop shop for a broad range of expertise that is relevant to businesses operating across the UK seafood supply chain. This expertise includes gear technology, safety training, fisheries management, economic analysis, spatial analysis, convening and facilitation skills, and market insight and advice.

There are also clear economies of scale associated with Seafish delivering a programme of outputs and services that benefit wider supply chain businesses. The cost of individual businesses purchasing these services would likely be more expensive than the contribution they are making via the levy.

Some examples, both generic and specific, include:

- If we assume that our International Trade work programme (Trade Facilitation, Trade Promotion and Trade Analysis) supports 2% of UK international seafood trade per annum this would account for approx. **£70m** of value that the seafood sector secures from Seafish's work in this area.
- Seafish provides specific regulatory advice relating to food safety and trade issues, to on average 15 businesses per month. These enquiries can range from 1 to 21 hours. Equivalent regulatory advice is available from consultants at a conservative cost of £300 per hour. Assuming an average of 6 hours per enquiry the equivalent annual cost to seafood businesses would be £324,000.

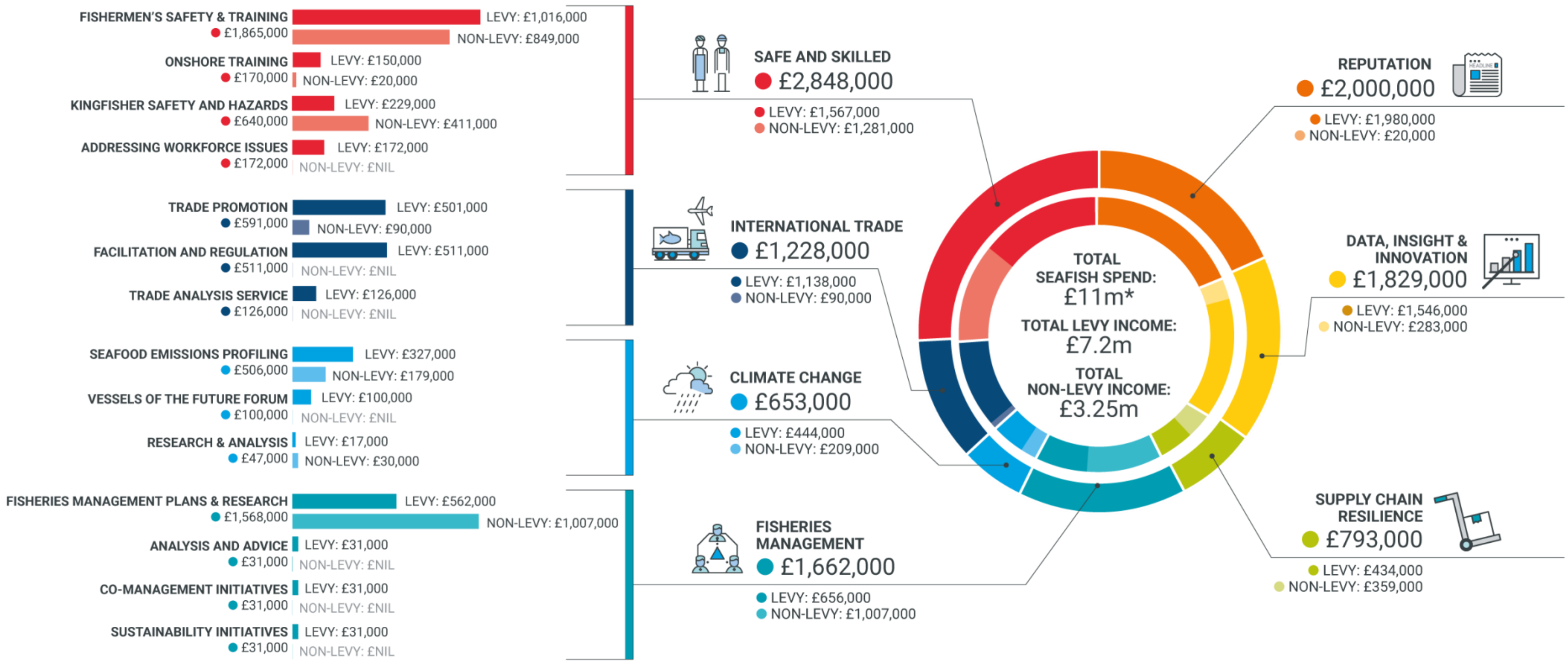
Seafish also makes these findings freely available to other seafood businesses via our newsletters and blogs. If for every enquiry there is at least two additional businesses benefiting from the analysis and advice, then we conservatively estimate the value from this service to seafood businesses would be **£972,000** annually.

- Issues tied to industry reputation like environmental and social concerns are now front and centre in business strategies. The rise of social media, capable of spreading negative events rapidly has intensified this shift. The most recent estimates of the total value of seafood consumed in the UK this year is £9.2 billion. A significant reputational challenge to the seafood industry (or a combination of challenges) could have a material impact on consumer confidence. If consumers vote with their feet and the value of seafood consumed decreases by 0.01%, this would equate to a loss of **£920,000**. Seafish's Reputation work programme is focused on delivering proactive reputation support for the seafood sector that translates into improved consumer confidence and increased sales.[6] A small improvement in industry reputation can potentially make a big impact on value.
- Seafish purchases seafood market data from third party organisations and makes it available to industry via a bespoke market insight portal. We estimate that if individual businesses were to source the same information, the annual cost could range from £40,000 to £120,000 (Kantar Marketplace | Plans). There are 396 portal users representing 72 businesses; and we estimate that we are providing benefits worth between £2.9m and **£8.6m** per annum.
- Seafish Visa/Immigration Guides (direct cost to levy £40k): Seafish analysis estimates that if 200 vessel operators (>450 vessels are estimated to employ non UK crew) and 150 processing companies were to source similar legal advice the total cost would be **£7m** (assuming the average cost of legal advice is £20k).
- Seafish Emissions Profile Tool: The total direct cost of the Seafood Carbon Emissions Profiling Tool (SEPT) over five-years is £395. The SEPT tool will be freely available to UK seafood businesses. The cost for individual seafood businesses to access equivalent information if the SEPT was unavailable would conservatively be in the region of £15k per business. Assuming 250 businesses become active SEPT users (the tool allows for 500 individual business users) this would generate a potential minimum sector-wide saving of just under **£3.5m.**

[6] Seafish has recently benchmarked media sentiment in the seafood industry and over 12 months from April 2022 to March 2023, media sentiment has been 32% positive, 41% negative and 20% balanced (remaining 7% is neutral).

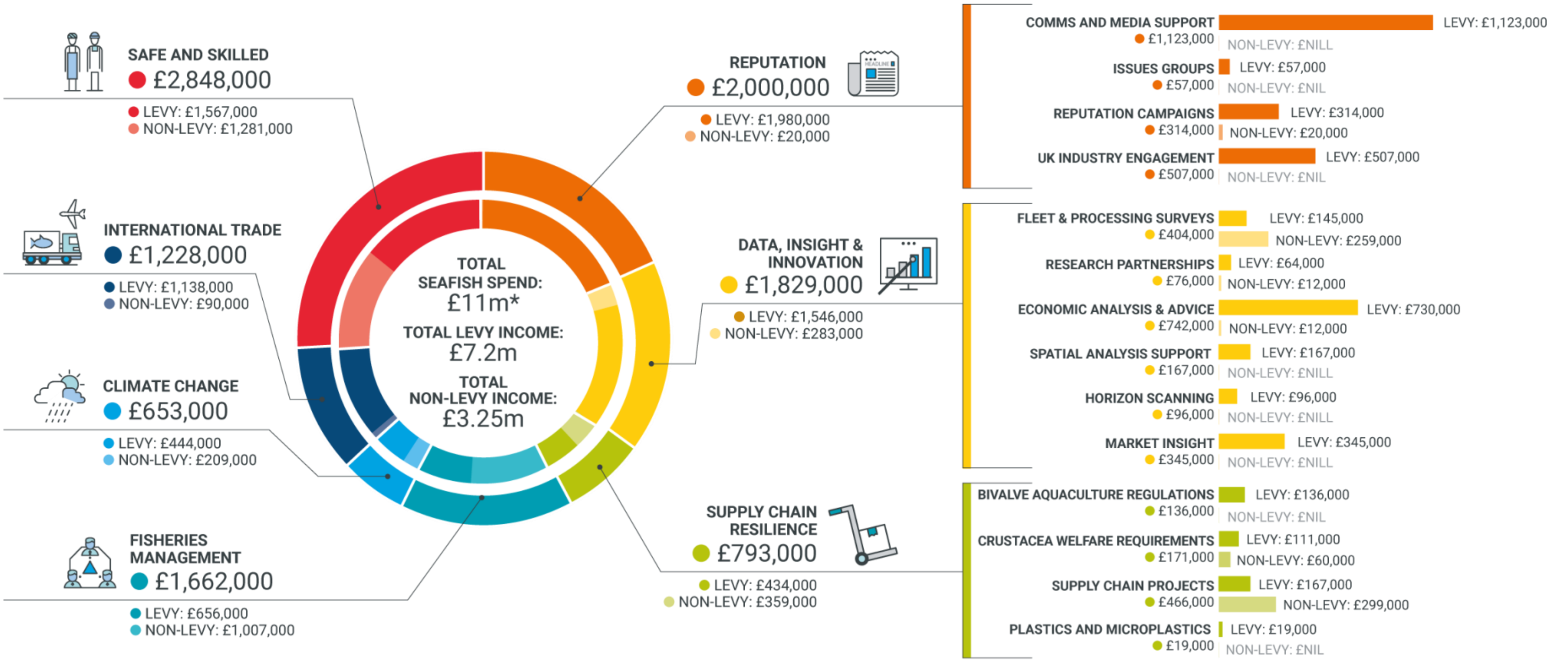
If the proposed levy amendments are not realised, then there would be material changes to the structure and future capability of Seafish, which in turn will impact our ability to deliver the many, varied, and valuable services we provide.

FIGURE 4a: SEAFISH SPEND FOR 2023-2024 BY CORPORATE PLAN PRIORITY (PART 1)



* Seafish has a budgeted deficit of £565k in the current financial year.

FIGURE 4b: SEAFISH SPEND FOR 2023-2024 BY CORPORATE PLAN PRIORITY (PART 2)



* Seafish has a budgeted deficit of £565k in the current financial year.

6: Including canned, bottled, and preserved products in the levy

Summary: There was a robust response from canned, bottled, and preserved importers that a levy on these products is not warranted because this sector does not compete with UK businesses, and the issues it faces are beyond Seafish's remit.

This view was shared primarily by canned tuna importers. In contrast, existing levy payers welcomed the inclusion of canned, bottled, and preserved products with 45% of respondents in the online survey supportive of the proposed change, and with 70% support amongst larger companies.

Assessment: The rationale for the current exclusion of canned, bottled, and preserved products is not wholly clear. However, a review of papers held in the National Records of Scotland uncovered that it likely dates to a review of one of Seafish's predecessor organisations, the White Fish Authority in 1969. During that review, and following consultation via a Gazette Notice published in 1969, the decision was taken to exclude these products because (1) they were traditionally sold through grocers rather than wet fish shops and it was perceived at that time that the retail sector did not benefit from the services provided by the White Fish Authority and (2) because much of the imported canned product was salmon, which was already excluded from the levy. This exclusion has carried through to the present day despite the significant changes in the canned, bottled, and preserved sector and in the retail sector.

While the reluctance on the part of canned, bottled and preserved producers to the inclusion of these products in the levy is understandable, the Seafish Board considers that (1) the species used in these products already attract a levy which is applied on imported whole or processed product, and (2) many of the issues relevant to the canned, bottled and preserved sector (including the canned tuna sector) are areas that Seafish is already actively engaged in because they are important to the wider seafood supply chain. Furthermore, the majority of Seafish levy is already collected on imported product, including whole tuna and sardines.

As such the Seafish Board considers that Seafish already delivers a range of services that are relevant to importers of canned, bottled and preserved products. These include:

- Safe & Skilled: Our ethics and welfare work programmes include overseas supply chains so the analysis and advice we provide is directly relevant to businesses importing all types of sea fish and sea fish products, including those which are canned and bottled, to the UK. Canned and bottled importers are also involved in the Seafish-supported Seafood Ethics Action Alliance.
- International Trade: Our trade facilitation work assists businesses to navigate import requirements, and to adapt to the increasing risk of disruption from regulatory divergence between the UK and import markets.
- Climate Change: The Seafish Emissions Profiling Tool (SEPT) will include ambient (canned/preserved) seafood products. The expectation is that UK retailers will require suppliers, including suppliers of imported product, to demonstrate they understand their products carbon profile and that they are actively taking steps to reduce emissions. The SEPT will enable canned and bottled importers to meet this requirement.

- Fisheries Management: Producing sustainability assessments for key species to support businesses to meet retailer responsible sourcing commitments.
- Supply Chain Resilience: Our issue specific research and analysis on topics such as microplastics, food safety, animal welfare etc. are equally relevant to imported seafood as they are to seafood landed and produced domestically. Seafish also regularly convenes forums and workshops to address supply chain challenges such as the North Atlantic Pelagic Advocacy group.
- Data & Insight: Our economic analysis and our advice on market trends and business performance are available to all businesses across the seafood supply chain.
- Reputation: Our reputation workstreams, including our Common Language Groups, focus on improving understanding of the seafood industry and proactively delivering media campaigns to defend the sector when its reputation is unfairly challenged. Seafood importers, regardless of the species or product, benefit from this work.

In response the Board considers it appropriate to include canned, bottled, and preserved products in the levy and to proactively address the situation where similar products manufactured in the UK attract a levy, while the equivalent imported products do not. However, the Board recognises that further engagement with the canned, bottled, and preserved sector is required so that these businesses fully understand the support and services that Seafish can provide, and in turn Seafish can deliver further support targeted to their needs.

7: Fishmeal

Summary: Neither of the proposed changes to the levy rates for fishmeal (moving to a single rate for both imported fishmeal and domestic fish landings destined for fishmeal and applying a single rate of 0.315p per kg) were supported by stakeholders. The proposal to apply a single rate was considered especially problematic as it would equate to a 10-fold increase in the levy rate on domestic landings destined for fishmeal production.

Assessment: The Seafish Board has acknowledged these points and, in response, proposes to retain the two original fishmeal categories. However, the Board also considers that the levy rates for fishmeal should increase to reflect the increase across levy rates more generally, and the growth in the value of fish meal in recent years. The World Bank Fishmeal production statistics highlight that in 2003 the value was $600 per metric tonne while in 2022 it was $1,700 per metric tonne, representing a 200% increase.[7]

As such the proposed levy rate adjustments would see the rate for imported fish meal increase from 0.175p per kg to 0.315p per kg (an 80% increase), and the levy rate for fish destined for meal to increase from 0.0315p per kg to 0.05p per kg (a 59% increase).

[7]https://wits.worldbank.org/trade/comtrade/en/country/ALL/year/2022/tradeflow/Imports/partner/WLD/product/230120#

Both increases are far below the proportionate increase in value of the fishmeal over the same 20 year period.

8: Inflationary adjustment

Summary: The consultation sought feedback on the proposal to introduce an annual inflationary uplift of 2% per annum. Feedback from the online survey showed that 49% of stakeholders did not support the measure, and this figure was higher amongst processing businesses (72% unsupportive). Stakeholder feedback included that (1) it reduces the incentive for Seafish to be more efficient, (2) that it would be more appropriate to link levy rates to market prices, and (3) the proposed levy rate increases are sufficient.

Assessment: The Seafish Board proposed this amendment because the Fisheries Act 1981 does not permit Seafish to adjust levy rates (upwards or downwards) outside the formal Statutory Instrument process. This creates a challenge for Seafish, as there are often long periods without a formal review, resulting in a real-term decline in levy income. This means the levy is worth less each year which in turn means we are able deliver less to the seafood industry.

Levy rates were last amended in 1999 and if rates had moved with inflation, then Seafish's levy income would now be worth £16.8m, more than double the current value. The lack of a regular inflationary increase also means that when the Seafish Board does review the levy, the potential rate increases are more significant than they would have been if there had been a small annual uplift in between review periods.

To address this discrepancy, the Board is proposing to apply a fixed annual inflationary adjustment of 2%. This will mean that levy rates will increase by 2% each year. If the levy rate is 1p per kg in Year 1 it will be 1.02p per kg in Year 2. The proposed increase is significantly lower than the current rate of inflation. It also reflects the long term target of the Bank of England, thereby drawing an appropriate balance between the increased cost, and mitigating against a real term decline in levy income while minimising business uncertainty around future levy increases.

9: Filing and submitting levy returns

Summary: In general the feedback on the proposed changes to filing and submitting levy returns were either positive or neutral. 72% of respondents supported an online levy system but on the condition that it is simple to use and reduces the administrative burden for businesses.

On the proposal to increase the granularity of information on the levy return, 48% of respondents were supportive or extremely supportive, while 28% were unsupportive or extremely unsupportive. Levels of support for this change were lower amongst businesses involved in importing or exporting seafood, who were concerned that submitting information on country of origin could be time consuming.

Assessment: The Seafish Board agrees that simplicity and ease of use should be at the core of any changes to the completion and filing of levy returns. Any such changes will be made with the input of levy payers to ensure these requirements are met.

10: *De minimis* threshold

Summary: Feedback on the proposed *de minimis t*hreshold, to be set at £100 and below which a levy would not be recovered, was largely positive. Feedback from the online survey highlighted that 51% of survey responses were extremely supportive or supportive, and a further 33% were neutral.

Assessment: In proposing this change the Seafish Board recognises that recovering levy below a certain limit is inefficient and not the best use of Seafish resources. It also places an administrative and financial burden on small businesses. Based on levy payments during the 2022/2023 financial year the application of a *de minimis* threshold would mean 161 businesses would no longer pay levy. Collectively this accounts for £4,300 or 0.06% of levy collected and 22% of levy payers.

Under this proposal, businesses will be required to submit an annual return to Seafish, which will be used for auditing purposes, but if the levy due is under £100 it will not be collected. Fish procured via auction will be subject to levy, and the *de minimis* threshold will apply to the overall auction activity rather than to a single sale. The Board is also proposing that Seafish will periodically audit businesses that benefit from the *de minimis* threshold to ensure the system is not being abused.

11: Seafish finances

Summary: There was some feedback questioning the validity of a levy increase when Seafish's financial accounts consistently report that it is operating a surplus

Assessment: This reflects an area of confusion around Seafish's financial accounts where '*total comprehensive net income*' is confused with the '*operating activity*' of Seafish. Total comprehensive net income includes large notional, non-cash movements relating to pensions and asset valuations. The operating activity, i.e., income and expenditure has been broadly break-even, although in 2022/2023 Seafish is expecting a deficit of almost £500k. This Board acknowledges that more should be done to provide greater transparency on Seafish income and expenditure to avoid such. The information presented in Figures 4a & 4b and Figure 6 seeks to achieve this.

Conclusion:

The Seafish Board acknowledges that the proposed levy amendments were not universally popular. However it must be understood that levy income has been in decline in real terms over the last 5 years, driven by Covid, trade disruption and the continued decline in seafood consumption in the UK. Further, the lack of any inflationary adjustment means that the purchasing power of the levy is half of what it was in 1999. This position is no longer tenable and if Seafish is to continue to deliver support to businesses across the 'sea fish industry', levy rates would need to increase. The Board is mindful of the burden this could create and has made every effort to ensure that the proposed increases are justified, proportionate, fair and otherwise reasonable – if not necessarily welcome.

Any additional levy collected will be used to benefit seafood businesses across the supply chain. During the online survey stakeholders were invited to highlight the areas that would be a high priority for their business over the next 3 to 5 years (see Figure5 below). The responses confirmed support for the existing corporate plan priorities, and highlighted further areas where Seafish support would be welcome.

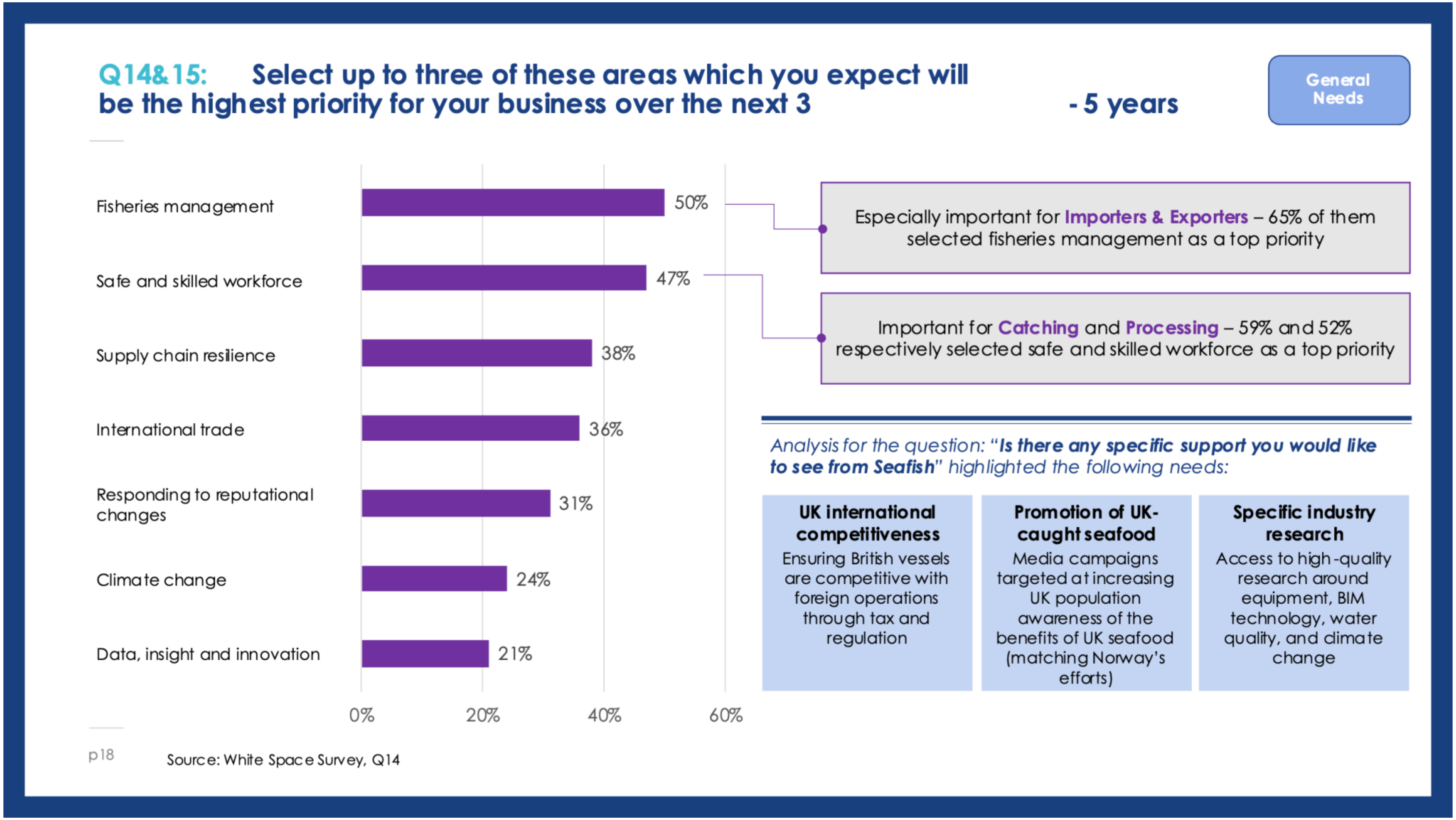


Figure 5: Overview of priority areas as selected by survey responses

What does the revised package of proposed levy changes look like?

After consideration of the issues raised during the informal consultation, the Seafish Board is now proposing the following amendments to the levy system, noting that these proposals are still to be formally consulted on and will be subject to Ministerial approval:

Levy Rates and Scope

1. A new base levy rate of 1p/kg (an increase from 0.903p/kg) to apply to those species currently included in the sea fish and shellfish categories. This would see an increase of 10% across most sea fish species (i.e. the species that account for ~90% of current levy income). This new rate would apply in year one.
2. A new category should be created for cockles, mussels, whelks, and pelagic species and a single rate of 0.5p/kg to apply to species in that category. This increase would apply in Year 1 for whelks (current levy rate is 0.4515p/kg) but would be phased over three years for cockles, mussels, and pelagic species to reflect that these species are currently on a lower rate of 0.258p/kg, so that the change is gradual.
3. That canned, bottled, and preserved imported products would be included in the levy.
4. The two original fishmeal categories are retained, imported fishmeal and fish destined for fishmeal, but the levy rates would be amended as follows:
    a. The levy rate for imported fish meal would increase from 0.175p/kg to 0.315p/kg.
    b. The levy rate for fish destined for meal would increase from 0.0315p/kg to 0.05p/kg.
5. The proposed annual inflationary uplift of 2% would apply.
6. The proposed amendments to the conversion factors would apply as per Table 1 below.

Table 1: Description of proposed revised conversion rates for finfish and shellfish

Finfish		Shellfish		Cockles & Mussels	
Product State	**Conversion Rate**	**Product State**	**Conversion Rate**	**Product State**	**Conversion Rate**
Whole fish or Head on gutted	X 1	Whole	X 1	Whole	X 1
Headed and gutted	X 1.33	Other than whole	X 2	Other than whole	X 3.5
Fillet	X 2.5				
Other	X 2				

7. The Seafish Board also proposes the following administrative changes to the levy:
    a. Implement a *de minimis* amount below which levy is not required to be paid – the proposed *de minimis* amount would be set at £100 per financial year (which currently equates to either 10 tonnes or 20 tonnes of seafood depending on the species).
    b. Enabling levy payers to make and submit returns online. Seafish does not yet have an online levy portal, but this amendment will allow this change to be introduced in the future.
    c. Amend the definition of "wholesale merchant" in regulations to make it explicit that a person is a wholesale merchant where that person is acting as an agent or auctioneer of fish and not exclusively their own landed fish.
    d. To address current inconsistencies it will be made explicit in regulations that all persons who are engaged in the sea fish industry as importers/wholesalers are required to comply with the levy requirements, whether or not they are also the ultimate retailer.
    e. Require businesses when completing their levy return to provide information on the species on which levy is due, and the origin of the sea fish; domestic or imported including country of origin. This change will provide a valuable source of information of the operation of the seafood supply chain that does not currently exist. It will also improve our ability to audit levy payers. The introduction of these reporting requirements, if approved, may be phased.
    f. Confirm that levy is due on all seafood domestically landed into the UK, regardless of its destination. This will confirm that product that is transhipped out of the UK after landing will be required to pay levy.

How will the additional levy be used?

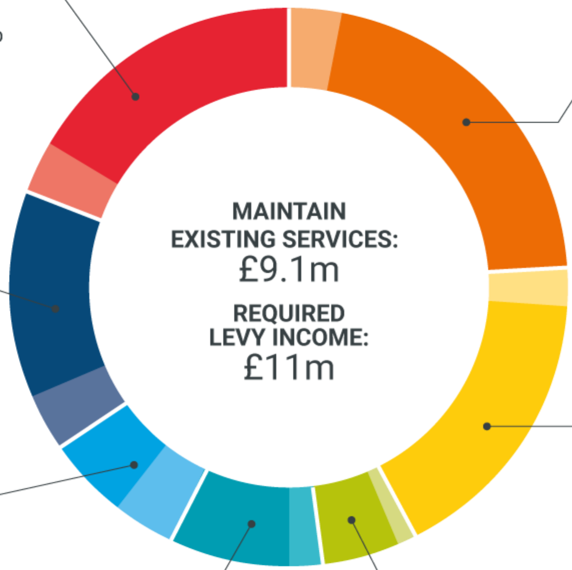
Amending the levy rates would mean that Seafish can maintain, as a minimum, the current level of support it provides to the seafood sector. Seafish will require an annual levy income of £9.12m per year to maintain business as usual services in future years.

The levy amendments would also mean that Seafish can provide additional support in the areas that businesses have said are important (international trade, reputation, fisheries management, safety, and climate change). This additional support will include:

- Dedicated on the ground fishing safety advisers to support the UK fishing fleet, and increased capability to support businesses to tackle labour issues, whether that's recruitment challenges or addressing welfare and ethical issues across the supply chain.
- Delivering more international trade promotion activity, and additional resources to (1) assist businesses in overcoming trade barriers and (2) produce trade analysis to support decision making.
- A fully funded fisheries management team that facilitates industry involvement in fisheries management decision making and provides the analysis and advice to enable changes to be made. Any work that Seafish is commissioned to deliver on Fisheries Management Plans on behalf of government is not funded from levy.
- Additional expertise to help businesses across the supply chain to respond and adapt to the climate change emergency by improving carbon literacy, advising businesses on how to reduce their emissions, and monitoring and reporting on where and how businesses will need to adapt.
- More capacity to proactively support the industry in challenging misinformation on issues affecting industry reputation and in turn consumer demand.
- Improving how we assist seafood business to respond to emerging issues whether that's geopolitical or economic events, environmental factors, or consumer issues.
- Additional economic analysis expertise to respond to industry queries and expanding our spatial analysis capability to assist businesses with decision making.

The levy required to continue to maintain existing services and to also deliver the new services is £11m per year. See Image 5.

FIGURE 6: SEAFISH FUTURE LEVY REQUIREMENTS



SAFE AND SKILLED

- MAINTAIN EXISTING SERVICES: £1,840,000
- REQUIRED LEVY INCOME: £2,136,000
- Quayside support on safety issues.
- Connecting the national Fishing Industry Safety Group to regional safety groups.
- Increase our fishing safety campaigns.
- Help with labour access and welfare issues.

INTERNATIONAL TRADE

- MAINTAIN EXISTING SERVICES: £1,335,000
- REQUIRED LEVY INCOME: £1,713,000
- Additional international trade shows and doing more to promote seafood in export markets.
- More capacity to help businesses deal with trade barriers.
- Additional trade analysis and insight support.

CLIMATE CHANGE

- MAINTAIN EXISTING SERVICES: £521,000
- REQUIRED LEVY INCOME: £916,000
- Expert advice of climate change mitigation and adaptaion.

FISHERIES MANAGEMENT

- MAINTAIN EXISTING SERVICES: £770,000
- REQUIRED LEVY INCOME: £980,000
- Coordinating industry science partnerships.
- More independent analysis and advice on fisheries issues.
- Helping businesses to meet their responsible sourcing requirements.

REPUTATION

- MAINTAIN EXISTING SERVICES: £2,325,000
- REQUIRED LEVY INCOME: £2,642,000
- Pitching more good news stories to the media and additional in house design capability.

DATA, INSIGHT & INNOVATION

- MAINTAIN EXISTING SERVICES: £1,815,000
- REQUIRED LEVY INCOME: £2,058,000
- A new spatial analysis service.
- Research and analysis on emerging issues, and trends.
- Bolstering our economic modelling and analysis capability.

SUPPLY CHAIN RESILIENCE

- MAINTAIN EXISTING SERVICES: £509,000
- REQUIRED LEVY INCOME: £619,000
- No additional levy required.

What happens next?

The Seafish Board consulted on the proposed changes during March and April 2023. The Board has considered the feedback received and in response has made further changes to the proposed levy amendments.

There will be another opportunity to share your views in early 2024 when the Seafish Board formally consults on this revised package of changes in line with Schedule 2 of the Fisheries Act 1981. We will share details when the consultation opens, but you can also find up to date information at www.seafish.org

Annex 1: Seafish Levy Review - Original proposals consulted on during the informal consultation

Levy rates:

1. Establishing two levy categories in place of the seven that exist currently:
    - Category 1: All seafood species and their products
    - Category 2: Fishmeal
2. Establish a single base levy rate for all seafood species to be set at 1p/kg.
3. Establish a single levy rate for fishmeal to be set at 0.350p/kg.
4. Apply a phased increase in levy for three of the current levy categories – pelagic, cockles and mussels, whelks.
5. Apply an automatic inflationary adjustment to the levy each financial year which will be set at 2%.
6. Levy will apply to imported products such as tinned tuna, mackerel products and bottled anchovies etc. under the following rates:
    a. Canned, bottled, and pouched pelagic species (mackerel/anchovies) will have the current pelagic rate applied (of 0.258p/kg whole fish) with the associated phased increase detailed above.
    b. All other canned, bottled, and pouched products, including tuna products, will have a single levy rate of 1p/per kg of whole fish which will apply from the first year the amendments take effect.
7. Streamline conversion factor product states so that four categories will apply to each Finfish species. The current shellfish product state categories would remain unchanged, including those set for cockles and mussels. See table below.

Table 2: Description of proposed conversion rates for finfish and shellfish

Finfish		Shellfish		Cockles & Mussels	
Product State	**Conversion Rate**	**Product State**	**Conversion Rate**	**Product State**	**Conversion Rate**
Whole Fish or Head on Gutted	X 1	Whole	X 1	Whole	X 1
Headed and gutted	X 1.33 (75% yield)	Other than whole	X 2 (50% yield)	Other than whole	X 3.5 (28.6% yield)
Fillet	X 2.5 (40% yield)				
Other	X 2 (50% yield)				

8. Implement the following administrative changes to the levy system.
    a. Implement a *de minimis* of £100 below which levy is not required to be paid.
    b. Enable levy payers to make and submit returns online.

c. Amend the definition of "wholesale merchant" in regulation to make it explicit that a person is a wholesale merchant where that person is acting as an agent or auctioneer of fish and not exclusively their own landed fish.
d. To address inconsistency make it clear in the new statutory instrument that all persons who are engaged in the sea fish industry as importer/wholesaler are required to comply with the levy requirements, whether or not they are also the ultimate retailer.
e. Require businesses when completing their levy return to list the individual species on which levy is due, and the origin of the sea fish; domestic or imported including country of origin.
f. Confirm that levy is due on all seafood domestically landed into the UK, regardless of its destination.

Executive summary

From the **85** workshop attendees, **5** main themes were identified.

Points of Principle

Theme	Sample views
Absence of Salmon & Trout in the Levy was not seen to meet the principle of fairness and equity. The extension to include bottled & canned products was not seen to tackle this main disparity and the review aim to 'level up' the industry contribution levels.	*"The fact that salmon and trout are not included is the elephant in the room"* *"Feels we're tinkering round the edges"* *"We need to include salmon now, otherwise it'll carry on for another 10 years"* *"Spurdog (legislative) changes were made in 3 months, why are we not tackling Salmon now?"* *"Seafish have taken the easy route, the biggest contributor (over 200,000 tonnes in the industry) is not included"*
The rationale for a Single Rate Levy with a Phased Introduction, based on a **Volume Increase** per kg was also challenged in terms of equitability. The counter principle that more profitable species should carry an equitable burden of levy, was repeatably tabled.	*"It remains unfair for shellfish; don't we want more shellfish sold in the UK?"* *"Not fair to have mussels levied at the same rate as products that are selling for much higher prices"* *"Phasing the levy on cockles over 5 years is too harsh"* *"Profit levels on different products should influence the levy contribution rates"*

Summary Sense: "the Levy proposal is not touching the fundamentals that will impact equitability"

Executive summary continued

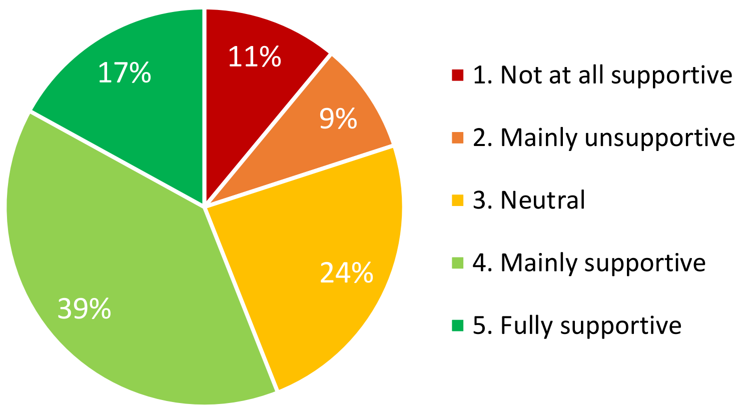
Factors Challenged

Theme	Sample views
Affordability of the levy change was posed, due to increased operating costs across the industry. The balance of increased production costs, plastic tax, energy price increases, coupled with the reduction in quotas, spatial squeeze and no increase in the volume of market sales was evidenced in the consultation discussions.	*"This will have huge affect on us at a time where energy costs have increased 300%, production costs are rising and quotas are reducing"* *"Ultimately the cost will be passed onto customers however times are already tough for them"* *"Contracts have already been fixed for years ahead, with already tight margins. This change could possibly cost us hundreds of thousands"* *"Has the model reviewed affordability factors? (e.g. 300% increase over 8 years for Pelagic)"*
Financial Modelling of the proposed changes was consistently described as an 'over-simplification'. Further consultations by species groups were requested to explore this further to meet specific sector needs, before support to the recommendations would be made.	*"Agree that the rates should increase however can we afford a 300% increase? The proposed phasing for pelagics needs more realism"* *"With this sharp increase, there will be casualties. Some companies won't survive"* *"As an overhead in the industry, what does Seafish need to fund itself to meet its 7 strategic aims?"* *"What other funding does Seafish receive or alternatively could build?"*
Seafish's Service Offering and perceived value for money, remained unclear for some organisations.	*"Fish and chips feel underrepresented by Seafish"* *"Don't see value for money in the support offered to my area verses the increases proposed"* *"In terms of 'value', I don't have sight of the support and services provided"*

Summary Sense: "Existing Levy contributors are being further penalised during a challenging period in the industry, when other critical players receive the benefits of Seafish with no contribution"

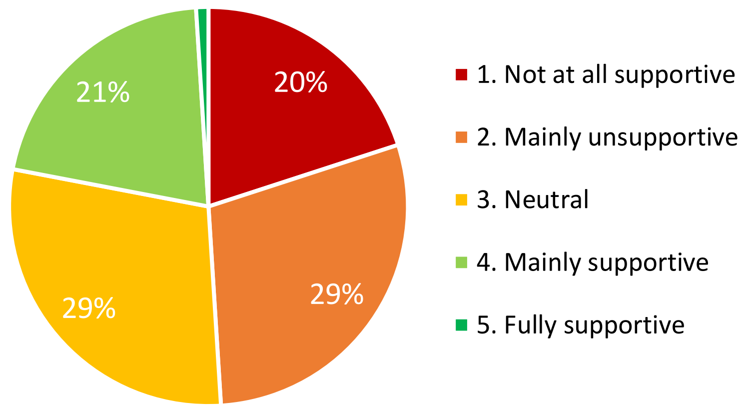
Polling results

Describe your level of support for the proposed changes to the **products included** in the levy.



	1	2	3	4	5
Group 1	23%	8%	8%	38%	23%
Group 2			20%	50%	30%
Group 3	18%		18%	55%	9%
Group 4	9%	18%	64%		9%
Group 5		11%	0%	67%	22%
Group 6	17%	22%	33%	22%	6%
Average	**11%**	**9%**	**24%**	**39%**	**17%**

Describe your level of support for the proposed **changes to the current levy**.



	1	2	3	4	5
Group 1	50%	14%	36%		
Group 2			30%	60%	10%
Group 3	18%	36%	36%	9%	
Group 4		50%	40%	10%	
Group 5	25%	25%	12%	37%	
Group 6	27%	47%	20%	7%	
Average	**20%**	**29%**	**29%**	**21%**	**1%**

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