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the support it needs to thrive.

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UK Seafood Trade Report: July to September 2023

Analysis by Joe Cooper

March 2024

Contents

Acknowledgements

Thank you to Business & Trade Statistics Ltd for providing monthly HMRC trade data and to the industry members and colleagues across Seafish for input and insights.

UK Seafood trade 2023 July - September (Q3) Update

This report covers the key trends in UK seafood trade on a quarterly basis for a calendar year. It focuses on emerging changes to seafood trade flows in and out of the UK. The Seafish trade reports also monitor the impact of national, international, and global events on trade opportunities, and provide regular insights and analysis of UK seafood trade statistics.

The four quarters to Q3 (Jul-Sep) 2023 are compared to the previous year in this report. The most recent and significant trends in UK seafood trade are also presented, providing a detailed view of impacts on the UK seafood sector.

UK seafood trade has been volatile since 2020 when the coronavirus pandemic caused unprecedented trade issues globally. In 2021, complications from the UK leaving the European Union (EU) added to existing challenges. At the start of 2022, the Russian invasion of Ukraine lead to higher prices in global markets and changes to trade flows of goods. At the same time, the UK was affected by a cost-of-living crisis as inflation soared above 10%. All these factors have, and continue to cause, significant disruption to the UK seafood supply chain.

Key points:

- The decline in import volume slowed as price inflation continued to ease.
- UK consumers continued to opt for cheaper whitefish alternatives, Alaska pollock, pangasius and frozen haddock show import volume growth while cod products and fresh haddock experience a decline. Changes to whitefish quotas are likely to emphasise these trends.
- The volume of seafood exported from the UK remained relatively flat for the first time since the UK left the EU. However, growth in pelagic exports replace some of the decline of demersal and salmon exports.
- The EU remains the largest market for UK seafood while demand for mackerel, herring and salmon grows in Asia.

Note:

Published HMRC overseas trade in goods statistics are provisional for up to 18 months and so can be updated within this time. Therefore, the analysis presented in this document is provisional and subject to change.

Imports

Imports to the UK in the 4 quarters to Q3 (Jul-Sep) 2023:

- £3.49bn (-2.9%)
- 606,539 tonnes (-8.4%)
- £5.75/kg average price (+6.0%)

Q3 (Jul-Sep) 2023 Import Overview

The rate of import volume decline slowed down this quarter. The total volume of imported seafood in the four quarters to Q3 2023 remained at similar levels to the previous quarter but in decline compared to the year before. Lower import volumes of cod, salmon and tuna drove this trend.

Over this 12-month period, the UK imported £3.49 billion of seafood, a decline of -2.9% compared to the year before (figure 1). The volume of seafood imported over the same time decreased -8.4% to 606,539 tonnes.

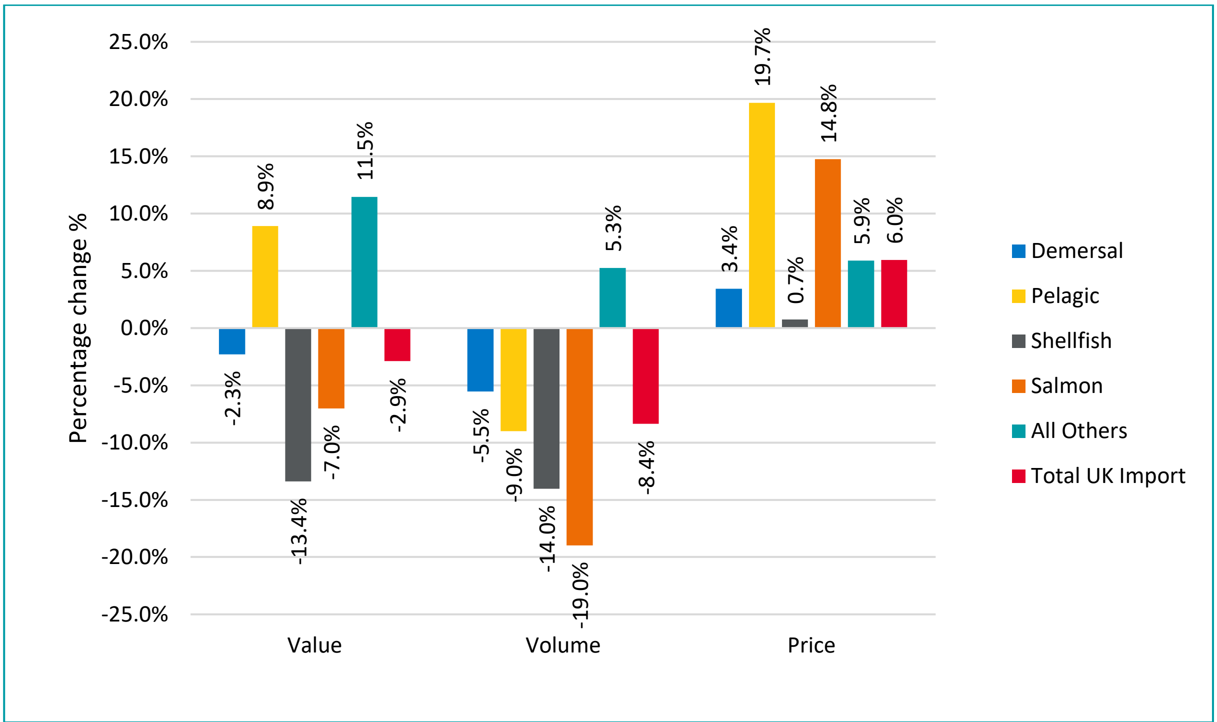

Figure 1: Annual change in seafood imports in the 4 quarters to Q3 (Jul-Sep) 2023 by species group. Showing the moving annual total to Q3 2023 compared to moving annual total to Q3 2022.

The average price for imported seafood in Q3 was lower than in Q2 yet remained above last year's prices. Price inflation eased to +6.0% down from +12.2% in the previous quarter, shown in figure 2. Imported seafood cost on average £0.32/kg more than it did a year ago.

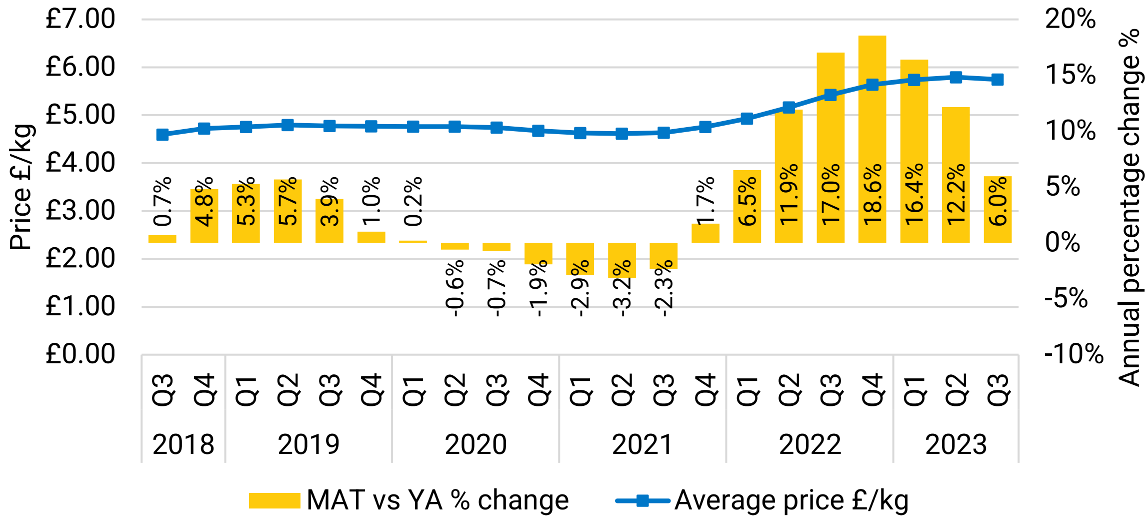

Figure 2: Moving average annual price of UK imported seafood products with year-on-year percentage change in price.

Average import prices were higher than a year ago for all species groups but price inflation slowed further this quarter for demersal, shellfish, salmon and "other" species groups. However, price inflation continued to grow for pelagic species products.

Key import data observations

Changes to whitefish supply:

In the UK, the supply of imported cod continued to fall, driving the overall decline in demersal import volume. Cod remained one of the highest value imported whitefish species, experiencing higher price inflation than other imported whitefish. Compared to a year ago, the UK imported 10,891 tonnes less (-12.2%) of cod products for an average of £0.56 more per kg (+9.0%). The average price of imported cod increased from £6.27/kg to £6.83/kg.

UK trade sanctions on Russia have effectively stopped direct consignments of cod and haddock from Russia while the proportion of these species imported from China and the EU have increased. In September 2023, the EU proposed to exclude all Russian and Belarusian whitefish from the next autonomous tariff quotas (ATQs) scheme starting in January 2024. This would effectively see a tariffs up to 13.7% imposed on Russian whitefish entering the EU and would potentially include Russian origin fish imported via China. These are the first seafood tariffs applied by the EU – in July 2022 the UK had implemented additional tariffs of 35% on direct imports of Russian seafood. This EU intervention is likely to increase the demand for Norwegian and Icelandic origin cod and haddock, further inflating prices.

As supply is squeezed, price inflation of imported cod is unlikely to ease in the coming year. Iceland's 2023/2024 fishing season began in September with only a 1% increase in cod quota compared to last year. In the Barents Sea, a reduction of 20% in the cod quota has been recommended for 2024.

Haddock supply has been slightly stronger than cod with import volumes also declining, but only by 3,479 tonnes (-6.0%). This was due to lower volumes of higher priced fresh/chilled haddock, but this decline was offset slightly by higher volumes of frozen haddock imported. The price of imported haddock cost £0.13 less per kg (-3.3%) than a year ago at £3.92/kg. Global haddock quota is also set to drop -5% overall, although this is not as severe as initially expected. A cut of -17% for Barents Sea haddock has been recommended while Iceland's haddock quota increased 23%.

As UK consumers turned to more affordable whitefish alternatives to cod, the import of Alaska pollock continued to grow. Alaska pollock imports increased +10.2% to 54,528 tonnes in the 4 quarters to Q3 2023 despite an average price rise of +4.9%. The proportion of Alaska pollock imported from the EU declined from 27% to 23% while imports from China increased from 61% to 73% in this period. The allowable catch of Alaska pollock in the Bering Sea is expected to rise for the 2024 season by 21% to 2.3 million tonnes, and indications are that the Barents Sea quota will also increase. In UK retail, Alaska pollock emerged as one of the only seafood species to show moderate volume growth as the price of frozen fingers dropped £0.40/kg (-7.3%). The price of imported Alaska pollock had risen compared to a year ago by

£0.16/kg (+4.9%) to £3.31/kg yet remained £3.52/kg cheaper than imported cod and £0.64/kg cheaper than imported haddock.

Pangasius catfish import volumes from Vietnam also increased +8.8% to 15,666 tonnes in the 4 quarters to Q3 2023. Average price declined by -0.2% for the same period. China, the main import market for Vietnam pangasius, imported lower volumes of pangasius in 2023. This was due to competition from Chinese farmed snakehead fish, a cheaper alternative that was in high supply and a consumer preference. As the market share of pangasius declined in China, it increased in the UK, where it remains one of the cheaper whitefish alternatives.

The additional 2,563 tonnes of Alaska pollock and 1,261 tonnes of pangasisus imported didn't replace the 10,891-tonne decline in cod volume. In response to challenging market conditions, the Norwegian Seafood Council (NSC) launched a whitepaper report, revealing opportunities to boost seafood consumption in UK households. The report highlighted that seafood is still a perfect option for consumers wanting healthy, sustainable and tasty meals. Adding that origin labelling is an opportunity to add value and meet requirements for transparency in the food supply chain. This is particularly reassuring for consumers prioritising value for money in terms of cost, sustainability and ethical choices.

Exports

Exports from the UK in the 4 quarters to Q3 (Jul-Sep) 2023:

- £1.73bn (-0.2%)
- 330,610 tonnes (-0.4%)
- £5.24/kg average price (+0.1%)

Q3 (Jul-Sep) 2023 Exports Overview

Total seafood exports from the UK remained relatively stable for the first time since the start of 2020. The value of seafood exported from the UK remained unchanged from the year before as there was little change in price and in volume exported. Higher volumes of cephalopods, trout and small pelagic species were exported while lower volumes of demersal species and salmon were exported (figure 3).

Export volume only declined by 1,250 tonnes (-0.4%) to 330,610 tonnes in the 4 quarters to Q3 2023. Annual export value declined by £4.4 million (-0.2%) to £1,730.9 million.

Figure 3: Annual change in seafood exports in the 4 quarters to Q3 (Jul-Sep) 2023 by species group. Moving annual total to Q3 2023 compared to moving annual total to Q3 2022.

The average price of exported seafood increased by £0.01/kg over the year as inflation eased to +0.1% down from +6.6% the previous quarter (figure 4). Even though, prices continued rising for salmon and demersal species, average seafood export prices were greatly impacted by the volume growth in pelagic species. The average price of exported pelagic species had come down to £1.53/kg from their highest point a year ago at £1.78/kg.

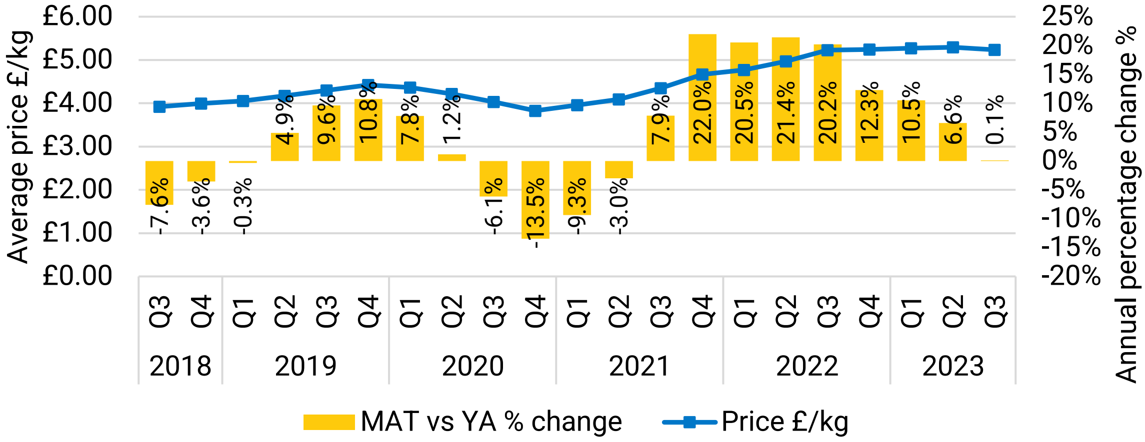

Figure 4: Moving average annual price of UK exported seafood products with year-on-year percentage change in price.

A higher proportion of seafood exports were destined for non-EU markets compared to the year before. Exports to USA, China, Vietnam, Japan and Taiwan experienced value growth as demand increased for salmon, mackerel, herring and trout.

Export volumes of demersal species continued in decline. The EU is the primary market for UK exported demersal species such as cod, saithe, hake, monkfish, sole and whiting. Most of these species were exported to the EU in lower volumes but at a higher average price than a year ago. Despite higher prices, a lower total value of most demersal species were exported compared the year before, apart from hake (+6.4%) and whiting (+35.6%). Some of this decline reflects lower TACs (total allowable catch), particularly for monkfish and sole. The decline in export was mirrored in UK landing data. In the 12 months to September 2023, a 12.4% lower volume of monkfish was landed and -18.4% lower volume of sole.

Key Export Observations

Growing demand from Asia

The market share of UK seafood exports destined for Asia increased from 11.4% to 13.8% in the 4 quarters to Q3 2023. Salmon exports had the biggest impact on the changing market with an increase of £21.5 million (+28.9%) to Asia, mainly to China (+34%), Taiwan (+140%) and to Japan (+302%) with exports to the Philippines in dropping (-65%). Value growth was mostly price driven as the total volume exported to Asia declined by 1,011 tonnes. Prices rose an average of 41% to £9.06/kg.

Despite price inflation, salmon consumption in China has grown and is expected to grow by 130,000 tonnes between 2021 and 2030. Demand from China in 2022 was still greatly impacted by the covid-19 pandemic, a positive trend is showing recovery towards pre-pandemic levels.

The Norwegian Seafood Council reports that Norwegian salmon exports to China in 2023 were higher than pre-pandemic levels following a recovering restaurant segment and emerging retail and e-commerce channels, particularly outside the largest cities.

Small pelagic species are also performing well in Asian markets. Japan and Vietnam overtook China as the largest destination in Asia for UK mackerel exports with exports to Vietnam likely processed and re-exported to Japan. Previously, much of the mackerel exported to China was for processing and re-export to Japan.

Mackerel exports to Asia increased by £5.7 million (+26.1%), due to volume growth (+27.8%). Despite Japan being a major producer of mackerel, it remains a significant import market for Atlantic mackerel (*Scomber scombrus*) a larger fattier species than the local Pacific chub mackerel (*Scomber japonicus*). Grilled mackerel is sold as boxed lunch products from supermarkets, convenience stores and take-out shops are popular in Japan.

Even with the growth in exports to Asia, mainland Europe remained the top destination for exports, holding a 69.3% share, down from 73.0% the year before. Exports of salmon to Europe decreased by £18.7 million (-4.2%) despite an increase to Republic of Ireland (+103.3%), Poland (+22.3%) and the Netherlands (+49.7%). France remained the top European country for salmon exports but experienced value decline of -11.2%. Continued price inflation at +10.6% pushed the price of exported salmon to Europe up to an average of £7.85/kg.

Trade requirements and delays resulting from UK leaving the EU have continued to impact exporters in cost and time, particularly in relation to providing paper based European Health Certificates (EHCs) when exporting live fish and aquaculture products to the EU. Digitisation of EHCs were expected to significantly ease this process but news came out in August 2023 that the government pilot scheme to trial the digital system, has ended without replacement. The digitisation of EHCs remains the ambition of the UK government to ease non-tariff barriers.

Shaping the seafood trade landscape

Noteworthy national and international developments from July to September 2023 influencing UK seafood trade opportunities.

New border controls implemented this quarter will impact seafood trade between Great Britain, Northern Ireland and the EU.

On the 29th August 2023, the UK Government published the Border Target Operating Model (BTOM) designed to provide proportionate protection from the human and animal health risks and fraud that imported seafood could create. The BTOM describes an approach to new border controls designed to simplify, reduce, digitise or remove paperwork requirements for imports while ensuring trade risk are minimised. The changes will also level the playing field of trade between GB and the EU, by addressing some of the disadvantages that British exporters have been facing since the UK's exit from the EU. The phased introduction will start in January 2024 with physical checks to begin in April 2024.

On September 30th, 2023, the Windsor Framework replaced the Northern Ireland Protocol, set to launch on October 1st, 2023. The deal impacts goods moving between Great Britain and Northern Ireland and creates a traffic light system. Goods remaining in Northern Ireland go through a green lane and don't require additional checks or paperwork, whereas goods for the EU go through a red lane and still require checks. Businesses prepared for physical inspections of goods heading to the Republic of Ireland as packaging labelled "Not for EU" appeared on goods in supermarkets in Northern Ireland.

Activities in China have also impacted UK seafood supply during this period. Retailers in the UK were examining allegations of forced labour in their seafood supply chains following an investigation by the Outlaw Ocean Project. The investigation documented forced labour of Uyghurs and other Muslim minorities in the Chinese fishing fleet and processing industry. The report also alleges that seafood from these processing factories is imported in EU, US and UK supply chains. This has led to UK retailers and suppliers reviewing their business relationships with Chinese processors accused of forced Uyghur labour.

Annex

Data Source

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

HMRC Overseas Trade in Goods Statistics are processed using the EUMOFA (EU Market Observatory for Fisheries and Aquaculture Products) methodology enabling allocation of each product to species, species groups, processing and preservation states as well as converting reported weight to live weight.

Please note that destination and origin countries are as reported and we don't correct the data to account for the Rotterdam effect[1]. Published HMRC trade data is provisional for up to 18 months and so can be updated within this time.

Values quoted are based on Cost, Insurance and Freight (CIF) delivery terms value for imports to the UK and the Free on Board (FOB) delivery terms value for exports from the UK.

Volumes refer to actual product weight of “goods” without packaging. Live weight conversions may be applied using conversion factors following the EU Market Observatory for Fisheries and Aquaculture (EUMOFA) methodology.

As of January 2021, there has been a break in the time series for UK export statistics and for import statistics as of January 2022. Following the ending of the free movement of people and goods and services between the UK and the EU, HMRC has revised the method of compiling GB - EU trade statistics, to use customs declarations rather than intrastat records. Records of trade between NI and the EU continue to be collected via intrastat records. UK-EU trade statistics from 2021, rely on the use of both customs declarations and intrastat records. For further details please see https://www.uktradeinfo.com/trade-data/help-with-using-our-data/#our-data-sources.

Country of Consignment/dispatch (COD): The country from which the goods were originally dispatched to the UK without any commercial transaction in any intermediate country (either with or without breaking bulk consignments during

[1] The Rotterdam effect refers to the distortion of official trade statistics when commodities passing through major ports en route to their final destination are mis-reported as consigned to or from that port.

transit). This is not necessarily the country of origin, manufacture or the last country from which the goods were shipped to the UK.

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Seafish species groups

Pelagic:
Anchovy, Blue Whiting, Herring, Horse mackerel, Mackerel, Misc. Pelagic, Sardine, Sprat, Swordfish, Tuna.

Demersal:
Alaska pollock, Cod, Coley, Dogfish, Grenadier, Haddock, Hake, Halibut, Ling, Megrim, Monkfish, Other flatfish, Other groundfish, Plaice, Pollack, Ray, Redfish, Seabass, Seabream, Shark, Sole, Toothfish, Turbot, Whiting.

Shellfish:
Clam, Shrimps & Prawns, Crabs, Crayfish, Cuttlefish, Lobster, Mussels, Nephrops, Octopus, Other cephalopods, Other crustaceans, Other molluscs and aquatic invertebrates, Oyster, Rock lobster and sea crawfish, Scallops, Sea cucumber, Squid, Whelk.

Salmon: Salmon.

All other:
Carp, Catfish, Caviar, livers and roes Cobia, Eels, Nile Perch, Other freshwater fish, Other marine fish, Other products, Other salmonids, Pink cusk-eel, Ray's Bream, Surimi, Tilapia, Trout.

Overall excludes: Non-food

Reference:

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

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