Market Insight Factsheet

Seafood consumption (2019)

This factsheet provides insight and trends around the fall in seafood consumption in the UK, up to June 2019

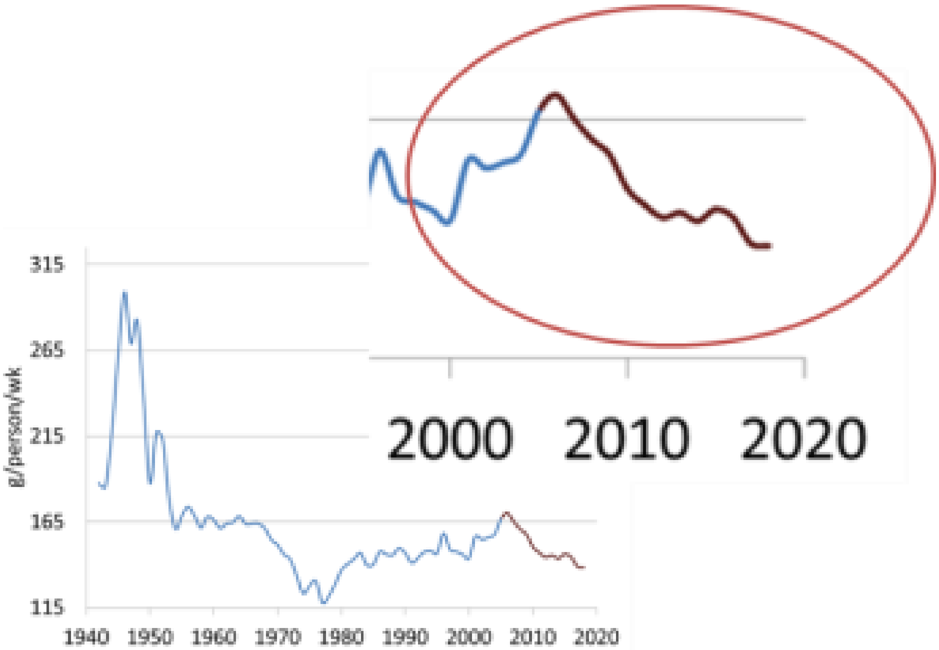
Seafood consumption has been in general decline since 2007 and unless the decline slows, seafood eaten ‘in home ’is projected to hit a new record low before 2040. The decline is being driven by a fall in retail, seafood consumption; which has declined by -25% over the past 10 years, equating to around £5.5bn lost out of retail seafood sales. Seafood consumption in foodservice has remained more resilient, remaining flat and returning to growth in recent years.

UK seafood consumption (both in and out of home) stood at 152.8g /person/wk. in 2018 resulting in the UK population only eating around half of the amount of seafood recommended by health professionals.

Since the decline began, three key unusual retail shopper trends have been observed; a growth in the chilled seafood consumption, growth in farmed species consumption and growth of seafood sales in the quality focused retailers; all three trends command higher average price for seafood at a time where consumer personal finances are under pressure.

Long term trends in seafood consumption

Long Term in Home Seafood Consumption Trends (1940 to 2018)



The Defra Family Food dataset offers the best insight into long term seafood consumption trends. Seafood consumption 'in home' was at its peak (300g per person per week) just after the Second World War, as other proteins were still rationed. Consumption then declined, to its lowest level to date in the mid 1970's, coinciding with the UK falling into recession.

Consumption began to rise throughout the 1980s as Britain became more prosperous; helped by a growing awareness of the health benefits of seafood, and technological breakthroughs in aquaculture bringing species including salmon and warm water prawns into the mainstream. Seafood consumption continued to grow until Britain fell into recession again in 2007 and has been in general decline since, struggling to offer the value for money to compete effectively against other animal and plant proteins.

> Seafood consumption 'in home' has been in general decline since 2007 and unless the decline slows, is projected to hit a new record low before 2040

Where consumers buy seafood

The majority of seafood consumed in the UK is purchased through retail. By weight, nearly 70% of the seafood purchased is through 'supermarkets' or multiple retailers, with around 30% sold through food service outlets.

> 95% of seafood in multiple retail is sold prepack, rather than from the fish counter.
> (In June 2019 (+2pp vs YA)

Within supermarkets, the traditional counter display has been in long term decline. This decline is driven by with shoppers reporting wanting to be in and out of store as quickly as possible and being intimidated by having to ask the fishmonger. Some retailers have already made the decision to remove seafood counters from store, at the current rate of change it is likely that others may soon follow. This puts more emphasis on the need to provide prepack products which meet shopper requirements around minimising handling and preparation.

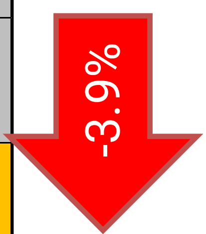
Within foodservice, the quick service restaurant channel (QSR) which incorporates both fast food and traditional fish & chip shops is the dominant channel for seafood. Continuing to grow through austerity due to an attractive, more affordable price point.

Benchmarking Seafood Consumption

The latest Defra Family Food dataset data shows that in 2017/18, total UK seafood consumption (both in and out of home) stood at 152.8g /person/wk. down -3.9% vs 2 years ago. This equates to just over one (1.09), 140g portion per person per week. This means that most people are only eating around half of the amount of seafood recommended by health professionals.

Total UK Seafood Consumption 2018 (Defra Family Food)

	2016	2017	2018
TOTAL SEAFOOD CONSUMPTION (grams/person/week)	159.06	153.83	152.79
SEAFOOD PORTIONS/ PERSON/ WEEK (140g portion)	1.14	1.10	1.09



Because of the protein and large number of essential nutrients contained in fish and shellfish, many experts recommend that we try to eat at least two portions of seafood every week. This recommendation has been made by the Scientific Advisory Committee on Nutrition (SACN), which advises the Food Standards Agency (FSA).

The SACN also suggest that at least one of our weekly portions of seafood should be oil-rich, such as trout, mackerel or herring. By encouraging the general public to increase their consumption by this achievable amount, the nation's general health would improve. Realistically seafood consumption needs to double to meet this.

In the UK people are only eating around half of the amount of seafood recommended by health professionals.

Seafood sales in retail

The overall decline in UK seafood consumption is being driven by a fall in retail purchases, which has declined by -25% over the past 10 years, equating to around £5.5bn lost out of retail seafood sales. In the 52 wks to June 2019, UK retail seafood sales were worth £3.8bn (+0.2%) with a volume of 392,000 tonnes (-0.9%).

Three key retail trends emerged during the decline, which are key to understanding why seafood consumption is falling and the high importance seafood shoppers place on freshness quality as part of the value for money equation and trigger to purchace.

TREND 1: **Growth in chilled seafood consumption**	**Trend 2:** **Growth in farmed seafood consumption**	**TREND 3:** **Growth of seafood consumption in quality focused retailers**

TREND 1: Growth in chilled seafood consumption

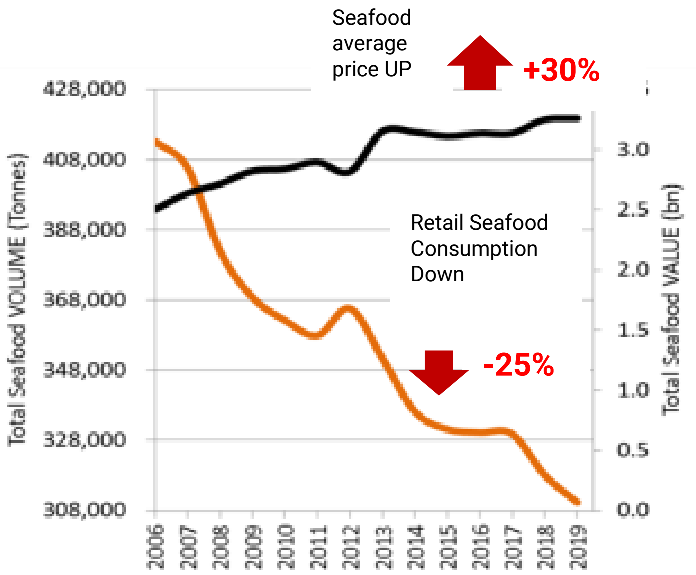
The Defra Family Food dataset shows the overall seafood consumption decline is being driven by a significant fall in seafood eaten in home; whilst seafood consumption out of home (foodservice) has remained flat.

The chilled seafood sector has continued to grow despite having an average price over twice that of frozen and ambient.

Total seafood in GB retail declined by -25% from 2006 to 2019. Nielsen data can be used to identify where the consumption decline is occurring within retail.

Surprisingly in a period where most shoppers finances are under pressure it is the significantly cheaper frozen and ambient sectors where consumption has declined. The chilled seafood sector has continued to grow despite having an average price over twice that of frozen and ambient. This is due to the way seafood shoppers perceive chilled as better/fresher and therefore better value for money. IGD surveys show chilled seafood shoppers continually prioritise taste and quality above price

Long Term Retail Total Seafood Consumption Trend

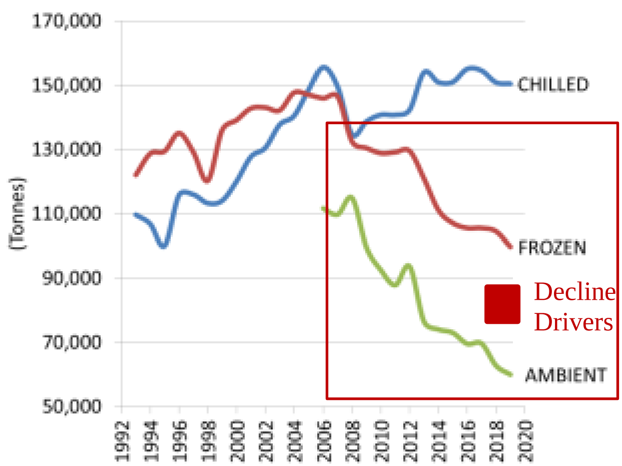


Nielsen Scantrack GB YE 15.06.19

Over the long term (10yrs to 15th June 2019) chilled natural, meals, sushi, cakes, breaded, battered and fingers segments have driven chilled seafood consumption; chilled fingers achieving a 960% increase in volume, albeit starting from a small base.

The only chilled segments in decline over the same period were chilled prepared, and sauce. Cheaper "other" seafood where the species is not identified declined as shoppers' premiumised; along with traditional chilled species like chilled trout coldwater prawns, plaice, mackerel and tuna falling out of favour in full decline.

Long Term Retail Seafood Sector Consumption Trends



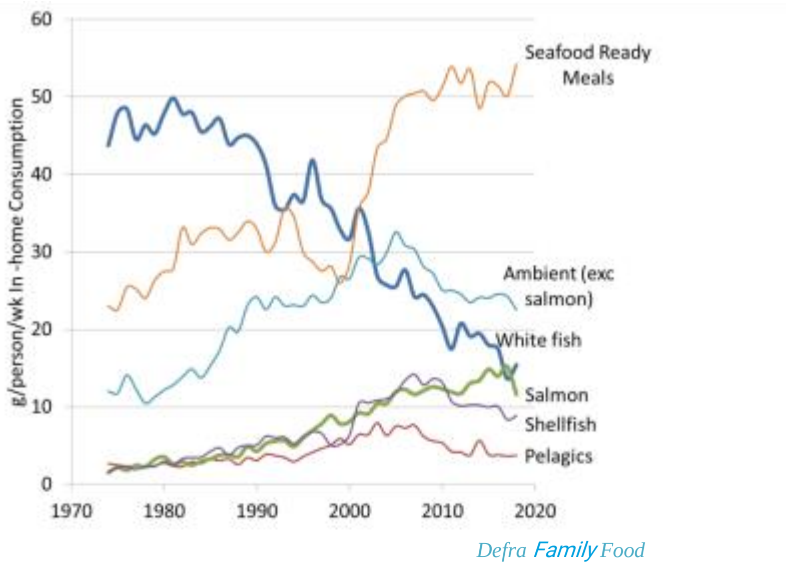
Nielsen Scantrack GB YE 15.06.19

Trend 2: Growth in Farmed Seafood Consumption

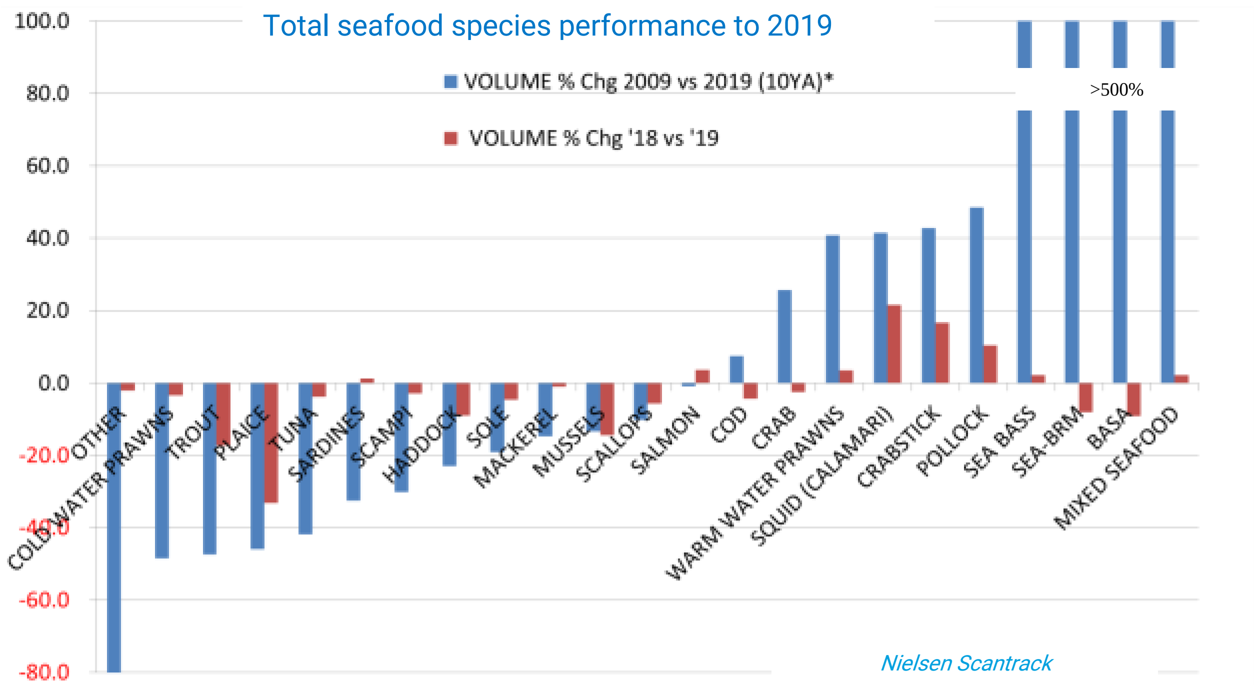
The past 40 years has seen a significant change in the type of seafood we eat in the UK. Since the 1970s, there has been a shift away from traditional wild caught, white fish species such as cod and haddock towards farmed seafood species such as salmon and warm water prawns. And more recently, the farmed 'white fish' species, basa, seabass and sea bream, have become popular alternatives to the traditional white fish species.

Farmed seafood sales have continued to grow despite having an average price typically over twice that of cod or haddock

Medium Term UK 'In Home' Seafood Species Trends



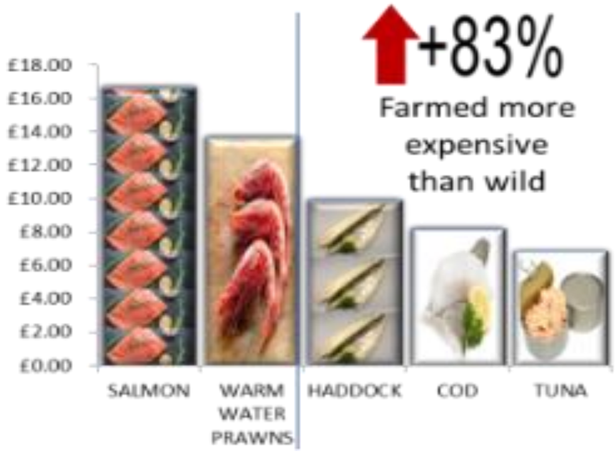
This shift can also be seen in the Nielsen retail data. It may be a surprise for UK shoppers to know how much of the seafood they purchase is farmed, and indeed which species are farmed. Many shoppers are aware of the existence of farmed salmon and prawns, but most assume their purchases are wild.



Farmed seafood dominates seafood sales in UK retail, with salmon and warm water prawns ranking as the two most popular species and both continue to grow share. It is estimated that farmed seafood currently makes up 55.4% of value and 38.2% by volume of the UK top five bestselling seafood species, up 18% from 2009 to 2019.

In the 52 weeks to 15 June 2019, UK top 5 farmed seafood totals were worth £1.4bn with 88,301 tonnes. (Nielsen). Many shoppers see farmed seafood as a cheap alternative but in reality many of the farmed species have an average price over double that of cod or haddock. The average price of the top 5 farmed species at £15.13/kg is 83% higher than the average price of the wild caught top 5 (£8.27).

Average Price of Farmed vs Wild in Top 5 Total Retail 2019



Nielsen Scantrack YE 15.06.19

Farmed seafood likely meets the taste and consistency expectations for seafood shoppers, remaining value for money despite the high average price.

Trend 3: Rise in seafood sales from quality focused retailers

Quality focused retailers have grown GB market share of seafood sales despite a significantly higher average price than competitors.

Over the past ten years, discounters have shown the highest growth in seafood share, growing from a small base. Aldi has seen the largest growth from a 1.5% share in 2008 to 10.7% in 2019; the quality and 'Britishness' and value messages resonating with shoppers.
The biggest surprise is that the premium quality orientated retailers like M&S, Waitrose and the

Quality focused retailers show strong growth despite high average price

		Seafood % Share of trade			
	% Share of Total Grocery	**March '08**	**Dec 19**	**Share Growth (% Chg)**	**Seafood £/kg**
ALDI	8.7	1.5	11.5	**667**	£6.77
LIDL	6.6	2.8	7.7	**175**	£7.42
WAITROSE	4.3	5.4	7.8	**44**	£14.86
TOTAL COOP	5.1	2.1	2.9	**38**	£10.78
MARKS AND SPENCERS	3.4	5.4	6.7	**24**	£13.66
ICELAND	2.4	4.1	3.9	-5	£6.27
MORRISONS	9.9	11.1	9.3	-16	£9.06
TESCO	27.2	25.9	21.6	-17	£9.11
TOTAL SAINSBURY	14.9	17.8	14.3	-20	£10.62
ASDA	14	12.7	8.3	-35	£7.92

Nielsen Homescan YE 28.12.19

Co-operative have also grown share as, despite selling seafood with an average price twice that of the discounters, shoppers hunt for quality.

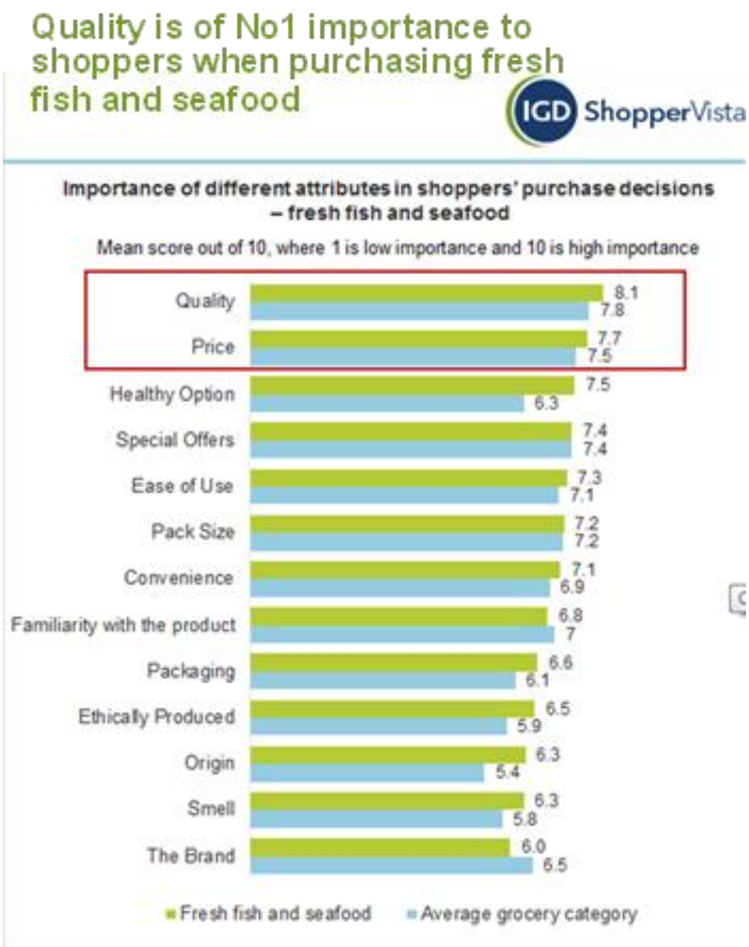
> The biggest surprise is that the premium quality orientated retailers like M&S, Waitrose and the Co-operative have also grown seafood share as dispite selling seafood with an average price twice that of the discounters, as shoppers hunt for quality.

The premium retailers also overtrade in seafood, which means their share of seafood sales value is higher than their share of the FMCG market overall.

Tesco is currently the largest GB seafood retailer, followed by Sainsbury's, Aldi, Morrisons and Asda.

Reversing the seafood consumption decline in retail

It is often assumed that seafood consumption decline in times of recession is solely down to average price.



However, whilst high average price is a factor and undoubtedly has an important effect, it is only part of the picture. Shoppers' relationship with seafood is a complex one and quality or value for money is key. Seafood is relatively unique as a category, the Institute of Grocery and Distribution (IGD) insight shows that seafood shoppers persistently rank quality/taste above price and sustainability credentials, and openly state that they are prepared to pay more for better quality seafood. When it comes to seafood and consumption it's about overall value for money not simply the price.

There has never been a more challenging retail environment for seafood which has experienced long periods of sustained price inflation. In 1998 the average price of seafood was twice that of meat, compared to four times in 2018. Now more than ever, shoppers need a reason to choose seafood over lower priced proteins and the heavily promoted Vegan/vegetarian options.

After taste, health remains the strongest category lever for seafood. Seafood has a unique advantage over the other mainstream proteins, as the only natural source (along with marine algae) of the long-chain omega-3 fatty acids EPA (eicosapentaenoic acid) and DHA (docosahexaenoic acid) which are the active benefit giving components of Omega 3 and Omega 6 oils.

Growing the seafood category and driving consumption is challenging but achievable though the following:

- Prioritising taste and quality that meets shoppers value for money expectations
- Promoting the health benefits of seafood as natural source of EPA,DHA and protein
- Providing seafood recipe inspiration
- Dispelling the myths around seafood being time consuming and difficult to cook
- Dispelling the misconceptions that frozen and ambient seafood is second best to chilled

Successful retail seafood products will target growing sectors and segments, reflect trending foodservice flavours and formats and be sold through a product relevant retailer, targeting evolving shopper missions and store formats.

The approach to optimise impact is different for the different seafood sectors. Sector specific information can be found in relevant factsheets:

• Seafood in multiple retail (2019) • Chilled Seafood in Multiple Retail (2019) • Frozen Seafood in Multiple Retail (2019)	• Farmed Seafood in Multiple Retail (2019) • Q2 2019 Category insight report (seafood businesses only)

Seafood purchases in foodservice

Seafood consumption in foodservice has proved to be resilient, remaining flat and even returning to growth over the last 3 years as consumers continue to eat out despite building financial and political pressure surrounding the build up to Brexit. NPD Crest data can be used to track servings which can be used to estimate consumption.

In the 52 weeks to September 2019, consumers were eating out more often, buying more seafood with each visit. Seafood in foodservice was worth an estimated £4.8bn (+2%) with 1.2bn (+1.3%) servings which equates to approx. 168,000t (industry standard 140g portion size)

Quick service restaurants take the largest share (31%), of annual seafood servings with the other channels including fish & chip shops taking a similar 12-16% share each. The most popular format for seafood in foodservice is fried fish, with around 36% of the total servings of seafood being consumed in this format. However, the more premium species such as shellfish have returned to growth. Seafood appetisers and ethnic dishes are trending well particularly sushi appetisers, the fastest growing dish on the UK menu

Overall, total protein continues to out perform vegetarian options in foodservice, with servings up 2.7% when compared to nonprotein (+0.9%). Poultry continues to be the largest and fastest growing group. Going forward, seaood will have to work hard to compete. One of the biggest challenges is that seafood continues to attract an older and more affluent consumer. A key opportunity is to attract younger consumers and grow share in the huge QSR channel which has shown consistent long term servings growth, and is likey to continue to do so, as the UK and other countries slide slowly into a global recession.

Key Foodservice trends

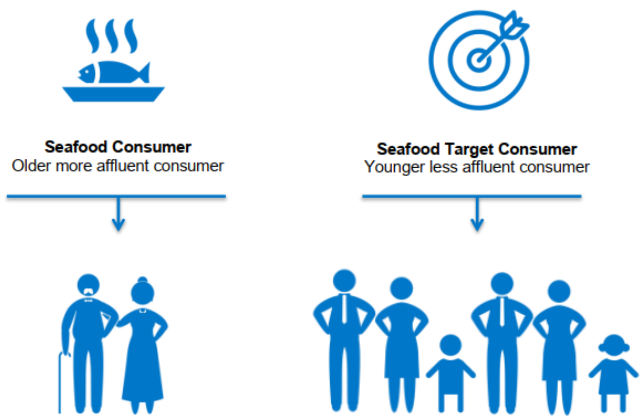
Small plates
The incidence of small plates continued to grow with the 4+ item sampler proving the most popular, with the top species featured on small plate menus being prawns.

Breaded seafood
This trend continues to grow, the fastest growing flavour being coriander and the fastest growing protein being soft shelled crab.

Flavours
Garlic, followed by tomato and chilli, are the most common flavours paired with seafood and continue to gain share across seafood menus.

Motivation

Across all six channels, socialising is still the most important motivation when choosing to consume seafood OOH. Seafood is not perceived as convenient, functional or as a treat and wouldn't be considered as an 'on the go' option compared with other OOH foods.



Key Facts:

- Seafood consumption ‘in home’ has been in general decline since 2007 and is projected to hit a new record low before 2040.
- The majority of seafood consumed is purchased through retail. By weight, nearly 70% of the seafood consumed is purchased through multiple retailers, with around 30% through food service
- Within supermarkets, the traditional counter display has been in long term decline; 95% of seafood is sold prepackaged , rather than from the fish counter. (June 2019)
- UK seafood consumption (both in and out of home) stood at 152.8g /person/wk. down -3.9% vs 2 years ago. (Defra Family Food dataset 2017/18)
- In the UK people are only eating around half of the amount of seafood recommended by health professionals.
- Overall seafood consumption decline is being driven by a significant fall in seafood eaten in home
- Total seafood in GB retail declined by -25% from 2006 to 2019. (Nielsen)
- Seafood has experienced long periods of sustained price inflation. In 1998 the average price of seafood was twice that of meat, compared to four times in 2018.
- Growing the seafood the category and driving consumption is challenging but achievable
- Successful retail seafood products will target growing sectors and segments, reflect trending foodservice flavours and formats and be sold through a product relevant retailer, targeting evolving shopper missions and store formats.
- Seafood consumption in foodservice has proved to be resilient, remaining flat and even returning to growth over the last 3 years as consumers continue to eat out despite building financial and political pressure surrounding the build up to Brexit
- In the 52 weeks to September 2019, consumers were eating out more often, buying more seafood with each visit. Seafood in foodservice was worth an estimated £4.8bn (+2%) with 1.2bn (+1.3%) servings
- Seafood appetisers and ethnic dishes are trending well particularly sushi appetisers, the fastest growing dish on the UK menu
- One of the biggest challenges for foodservice is that seafood continues to attract an older and more affluent consumer. A key opportunity is to attract younger consumers and grow share in the huge QSR channel

Sources: (%) values represent change from the previous year unless otherwise stated

- Defra Family Food Datasets 2017/18
- IGD Identifying challenges and opportunities within fresh fish 2019
- Seafood Trends Across U.K Restaurants – Technomic July 2019
- Seafish Market Insight Factsheet: Seafood in Foodservice 2019
- Nielsen Scantrack – UK EPOS from key retailers (including composite data from discounters Aldi & Lidl and N. Ireland) excludes seafood sandwiches
- Nielsen Homescan – GB (including discounters) consumer panel of 15,000 households excludes seafood sandwiches

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