

UK seafood industry response to WTO conditions – UK shellfish exporters and others

This note provides a summary of potential responses shellfish exporters and others can take in response to WTO conditions. This is based on desk research and consultation with 16 UK shellfish exporters during October-December 2018.

1.1 Business readiness for WTO conditions and response options - shellfish operators

Business understanding of, and clarity of operating under, WTO conditions ranges from being quite unclear, through to quite clear:

- Tariffs - most expect to see tariffs, although many are not sure what these could be.
- NTMs - most expect additional requirements, but have poor knowledge of the specifics, those already exposed to 3rd country trade are more clearly sighted.
- Enforcement – most expect institutions to be ill equipped to handle additional requirements.

Likewise, business readiness ranges from being quite unready to quite ready. Some operators:

- Await clarity from the Government before considering their options.
- Have worked through the merits of different options, but will not activate investments until there is clarity from Government.
- Are advancing longer term plans and view Brexit as one part of a longer term path where UK serves growing world demand for seafood.

There is a marked difference between those that are more exposed to change and are juggling more e.g. *“as a live operator we need to be able to respond to continuously changing circumstances and are applying that same reasoning to Brexit”*.

- Smaller, more narrowly focussed, operators are more clearly at risk.
- Medium operators, with several trades (particularly trading into non-EU countries), have options.
- Larger, more integrated, operators taking a bigger global view; diversifying out, advancing longer-term plans.

Options for response, amongst shellfish exporters, include several courses of action over the short, medium and long term periods. Industry operators may wish to consider these and others:

- Near term: protect and defend existing options¹

¹ Information resources are available through the Seafish website (<https://www.seafish.org/changing-landscapes>), immediate advice and guidance is available via the Seafish EU exit guide (<https://www.seafish.org/article/preparing-your-business-for-eu-exit>) and UK Government (<https://www.gov.uk/guidance/exporting-and-importing-fish-if-theres-no-brexit-deal>)

- Understanding the potential changes, challenges and options
- Checking tariff rates applicable to exported products
- Reviewing relevant non-tariff measures
- Checking enforcement requirements
- Liaising with customers, suppliers and service providers (e.g. Bank, freight company)
- Hiring additional staff – to handle extra paperwork for EU exports.
- Closure – to avoid costs.
- Medium term: broadening options, prospecting new avenues
 - Changing transport mode (e.g. from road to air) – to ease critical time periods.
 - Increasing control of supply chain – vertical integration, or in the case of ‘live’ product consider ‘holding ponds’ as an additional stage in the chain.
 - Relocating, or establishing additional, facilities in the EU (e.g. to Republic of Ireland, France) – to avoid additional costs.
- Longer term: reorienting towards new options, working through strategic investments.
 - Moving into different formats (e.g. processing):
 - This could ease critical time periods, but could be lower value markets.
 - This would require significant capital outlay in terms of processing facilities but also market development “*you need £1m to begin*”.
 - Moving from ‘live’ to a processed product with stabilised quality would be a fundamental change, and one which may be beyond some ‘live’ operators.

Constraints on the above options relate to timeframe and resources. Investing in these changes could require significant resources in the short term with potential return in the long run. As a consequence, response may differ by operator:

- Smaller operations (with some owners nearing retirement) may opt to close
- Medium size operations (with more resources and a generational timeframe) may opt to invest in various responses and change their orientation to suit a post-EU world.
- Traders/wholesalers (with systems and resources able to efficiently manage cross-border trade) may have buying opportunities.

Where these constraints and responses lead to mid-size companies buying out smaller operations then this may contribute to longer term trends towards industry consolidation.

1.2 Business readiness for WTO conditions and response options - government and other institutions

Feedback from UK shellfish exporters highlights a strong view that Government communication and engagement could improve. If the downsides of Brexit are to be ameliorated then civil servants will need to work differently; with greater transparency, fleetness of foot, and an ‘enabling’ orientation.

Options suggested by shellfish exporters are listed here; many depend on time and resources.

- Documentation:
 - *Government need to introduce ‘super simple’ forms, that can be handled really easily e.g. Take a picture on the phone and send it through. These should require less than 30 minutes, not hours to fill it in (“we’re not importing drugs!”)*
 - *Address the lack of digital documentation. Could this be introduced, for example a digital pre-authorisation process?*
 - *Streamline Local Authority requirements. Could national agencies address Local Authority procedures, or help Local Authorities collaborate?*
- Government resources:
 - *Consider industry relief to balance tariff costs.*
 - *Invest in staff and staff resource.*
 - *Provide funding and make that easily available.*
 - *Create domestic demand e.g. pushing on public goods benefits of seafood (ecosystem benefits).*
- Enforcement:
 - *Increase resource for Customs, Local Authorities (Environmental health), and Chambers of commerce.*
- Change institutional practice:
 - *Government: engage with stakeholders and focus on enabling role; establishing what is possible and not possible (financial instruments – like farmers, trialling new products, facilities that require funding support, addressing internal bureaucracy could unlock aquaculture production).*
 - *Fish markets: consider starting and ending markets earlier to cope with potential delays at border. For example markets in Peterhead/Fraserburgh should open 1-2 hours earlier.*

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