



Brexit : How should the seafood industry prepare?

## A UK Seafood Industry Perspective

2018 Norwegian-UK Seafood Summit

24th January 2018

NIGEL EDWARDS (Alliance Chair)



# The UK Seafood Industry Alliance

- A clear and compelling voice for UK seafood processors and traders, The major suppliers of own label and branded seafood to retailers, caterers and restaurants
- The key economic players in the UK industry who supply healthy, affordable and sustainable products, sourced and manufactured to the highest and most responsible standards
- Employ more people than the catching sector, add value and innovate to meet growing demand.



LYONS SEAFOODS



Nomad Foods  
Europe




*Joseph Robertson (Aberdeen) Ltd*  
45-47 Sinclair Rd  
Aberdeen  
AB11 9BG







£266m

100%  
Grimsby

1,000  
People



# TO BE COVERED

- Importance of Seafood Trade - A unique set of challenges
- Brexit Process Time Line
- Key numbers, Consumer Confidence and Impacts on Seafood Sales
- Transition and the Longer Term
- Addressing Market Implications and seeking Opportunities

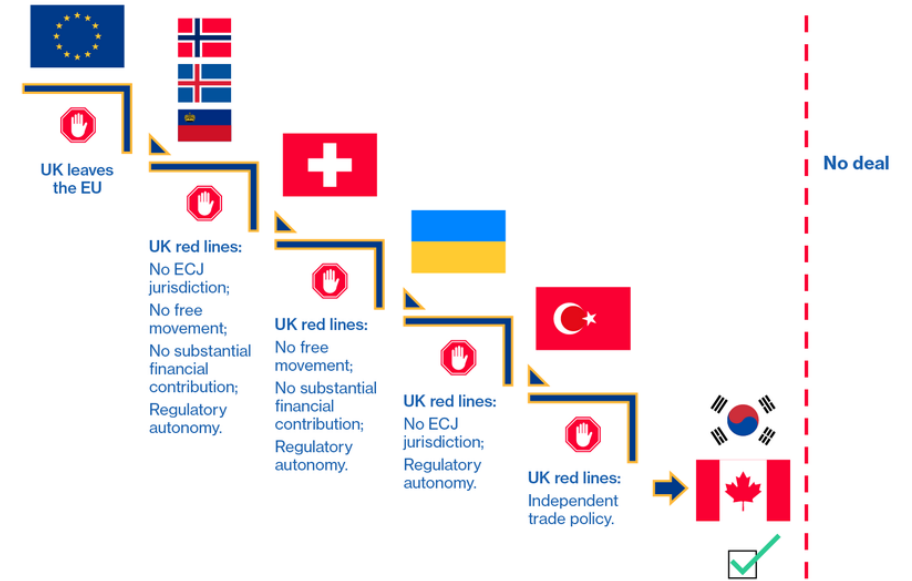


# A unique set of challenges

- For most other parts of the food industry, the primary impacts of Brexit relate to terms of **trade**, the availability of **labour** and future **regulation**
- But seafood has the added dimension of replacing the provisions of the EU's Common Fisheries Policy in relation to **access to waters** and **catch quotas**, as well as **conservation** of one of the planet's most valuable and renewable natural resources
- Retaining consumer confidence in sustainable and responsible fisheries management is vital to the success of the industry as a whole.

## Barrier's Stairway to Brexit

EU's negotiator says the U.K.'s red lines mean that only a dry trade deal is possible



Source: European Commission; slide presented by Michel Barrier to EU leaders

Bloomberg

## Environmental group aims to hold EU to CFP in 2018

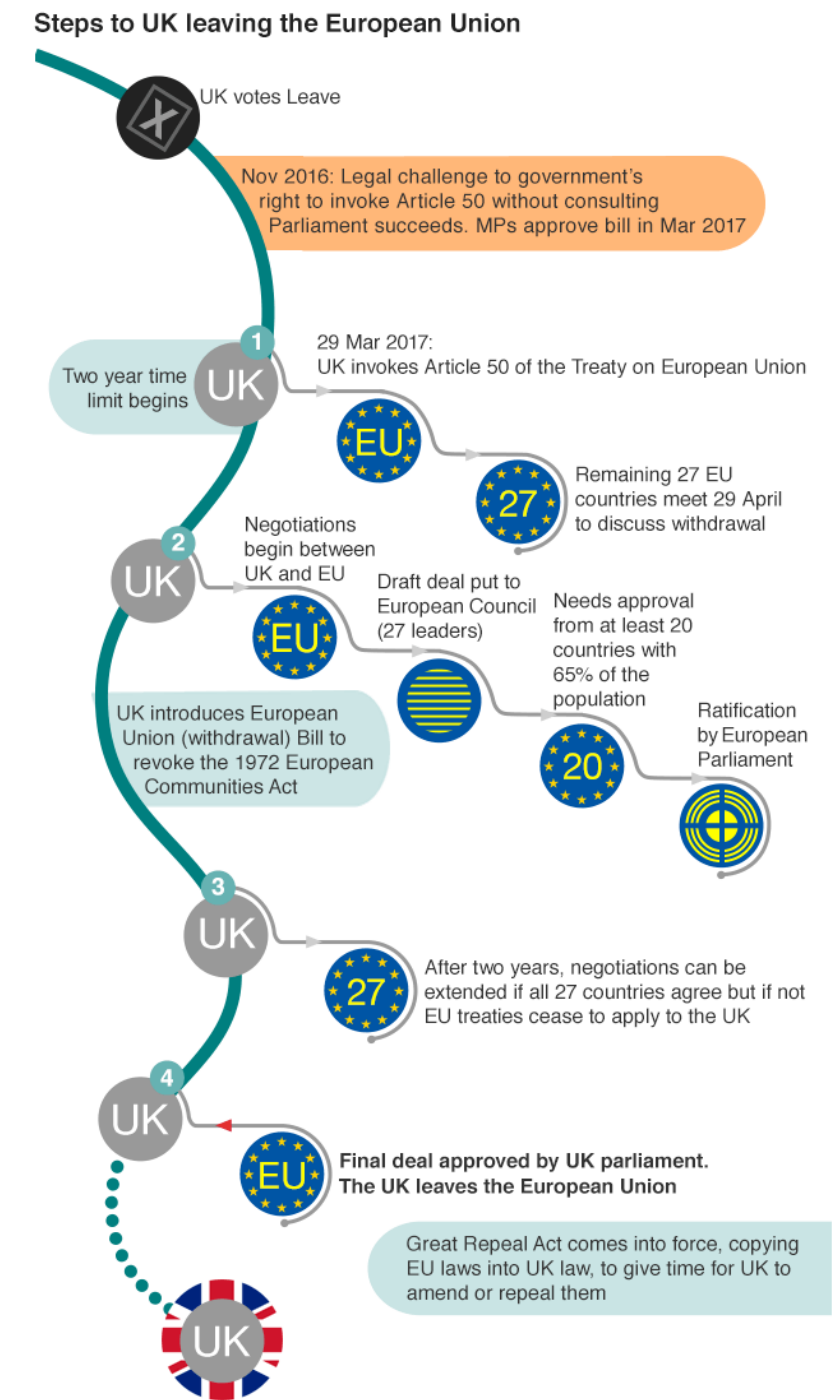
By Undercurrent News Sep. 6, 2017 08:58 BST





# The Brexit Process

- We are now at the “end of the beginning”
- The European Council agreed in December that “sufficient progress” had been made for talks to start on a future relationship
- Withdrawal Agreement and Terms of transition needed “as early as possible” in 2018
- The European Council “Guidelines” - discussions on trade start after approval of a negotiating mandate
- Transitional arrangements could be an *extension* of membership on current terms or *implementation* period



# The Supply Paradox

- In the UK, we export most of what we catch and import most of what we eat
- Most imports come from outside the EU
- Most of the markets for our own fleet are in EU
- Asymmetric trade flows risk complicate the negotiation of the future trade relationships, with the EU and beyond
- New tariff or non-tariff barriers to trade, or new border or customs controls, could have significant effects on wider international supply chains





# Key numbers

- Total UK imports (2015 wfe) = **1.28 million tonnes (value £2.63 bn)**
- Total UK exports (2015 wfe) = **891.000 tonnes (value £1.52 bn)**

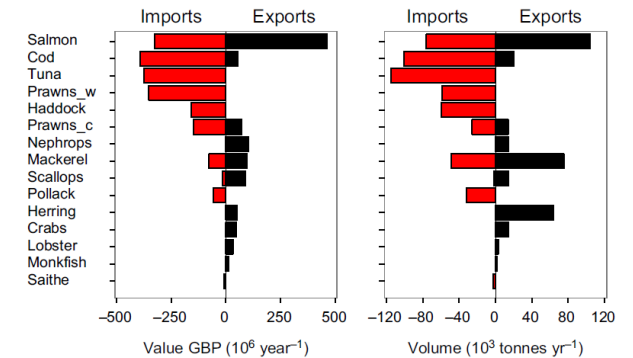
## Import dependency (UK)

- Cod – consumption **250,000 tonnes** (of which UK = **8%**, Norway = **28%**)
- Haddock – consumption **145,000 tonnes** (of which UK = **23%**, Norway = **40%**)
- Salmon – consumption **165,000 tonnes** (of which UK = **45%**, Norway = **45%**)

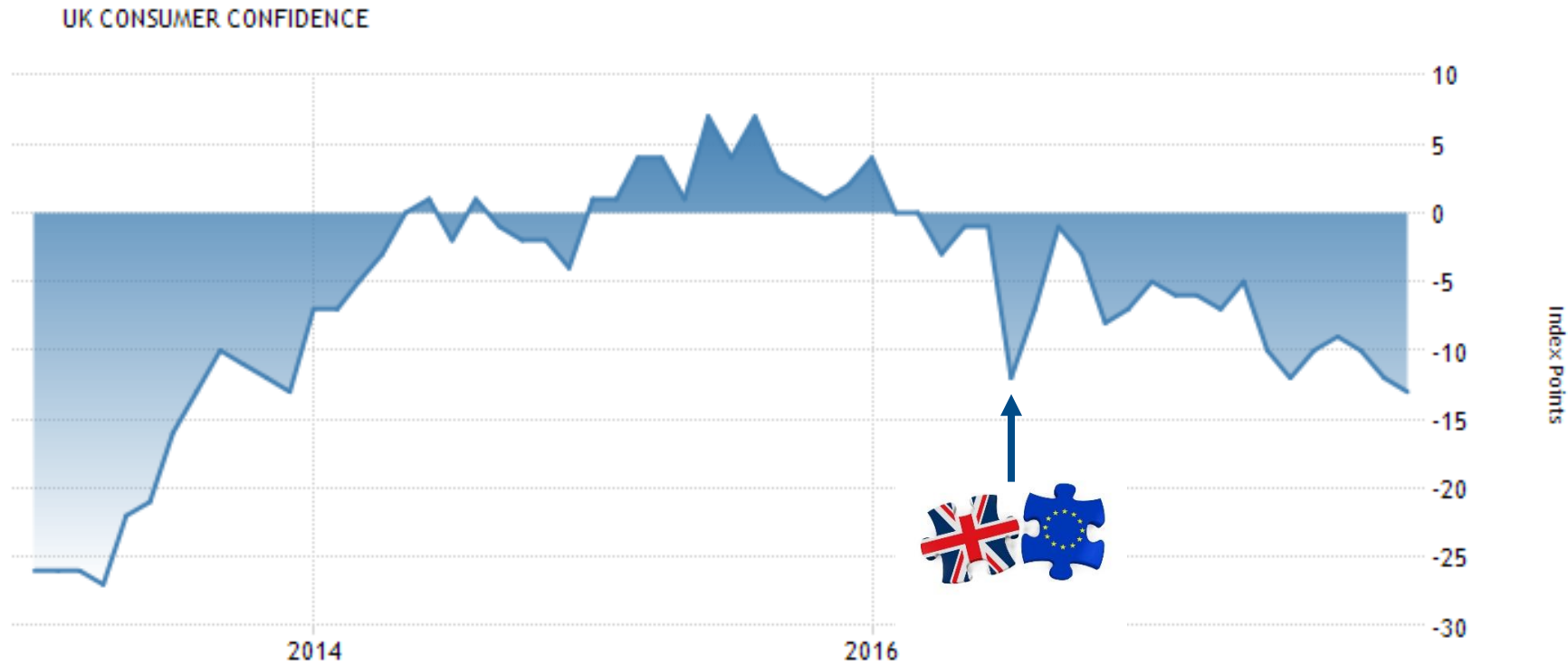
# UK Imports - data reliability

- Top five source countries are: China, Iceland, Norway, Germany and Denmark. Of these China, Denmark and Germany are mainly first stage processors and/or transit hubs.
- We use the most accurate and robust information available - HMRC trade data, EUMOFA intra-EU trade data, and data collected from UK seafood firms.
- HMRC data does not record the entire supply chain, only the last country in which a product was cleared or first country after export
- No official data is recorded to track trade flows between EU member states

Aquatic food security *S Jennings et al.*



# UK Consumer Confidence fell in December 2017 to its lowest level in 4 years



SOURCE: TRADINGECONOMICS.COM | GFK NOP (UK)

Households starting to feel that their personal financial situation has worsened and being less keen to make big purchases

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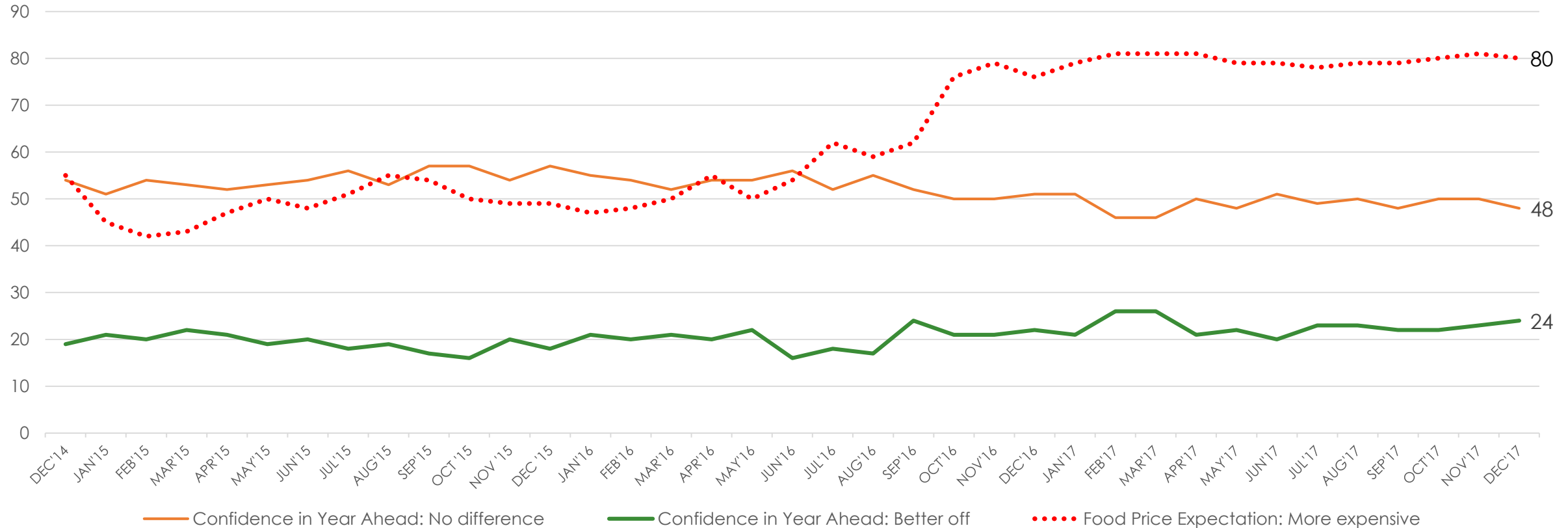
5 January 2018

f t b e Share



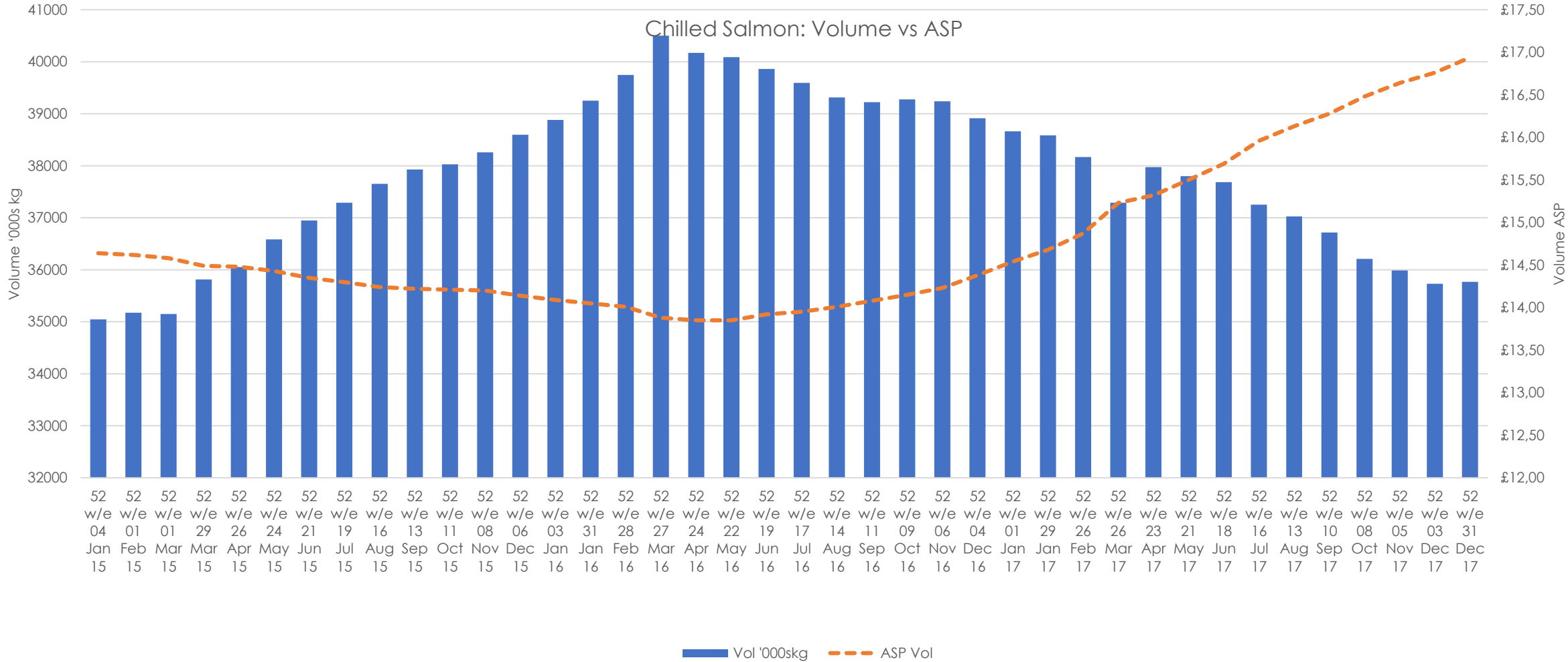
# However, consumers seem to have developed strong coping strategies since the economic downturn in 2008 when it comes to grocery shopping...

...80% of shoppers expect grocery food prices to increase over the next year, but because of these previously adopted coping strategies, the majority of shoppers expect to be better off or see no change





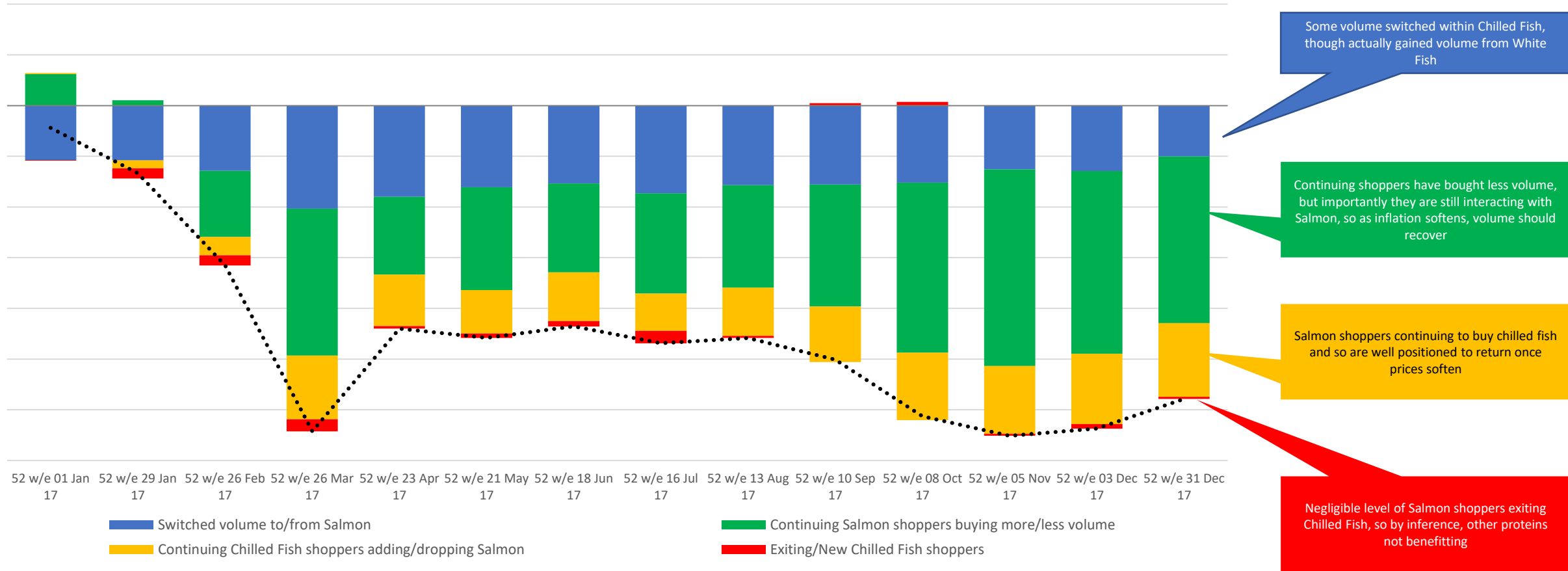
# Salmon volumes have fallen as prices have risen



Source: Kantar Worldpanel  
Salmon Universe: Prime, Smoked, Ready to Eat, Ready to Cook

# However shoppers have coped by adapting their purchased volumes to fit within a budget

Chilled Salmon Source of Change - YOY Volume



Some volume switched within Chilled Fish, though actually gained volume from White Fish

Continuing shoppers have bought less volume, but importantly they are still interacting with Salmon, so as inflation softens, volume should recover

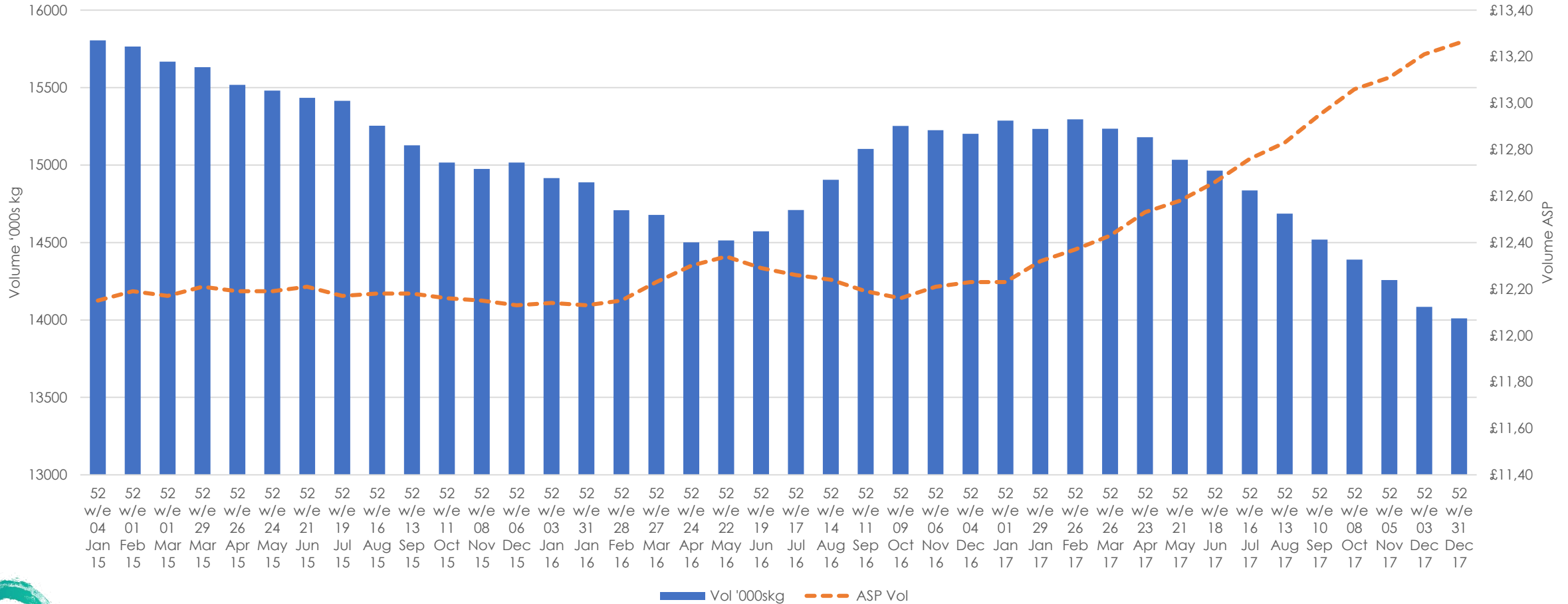
Salmon shoppers continuing to buy chilled fish and so are well positioned to return once prices soften

Negligible level of Salmon shoppers exiting Chilled Fish, so by inference, other proteins not benefitting



# As with Salmon, there's a clear link on White Fish between ASPs and volumes

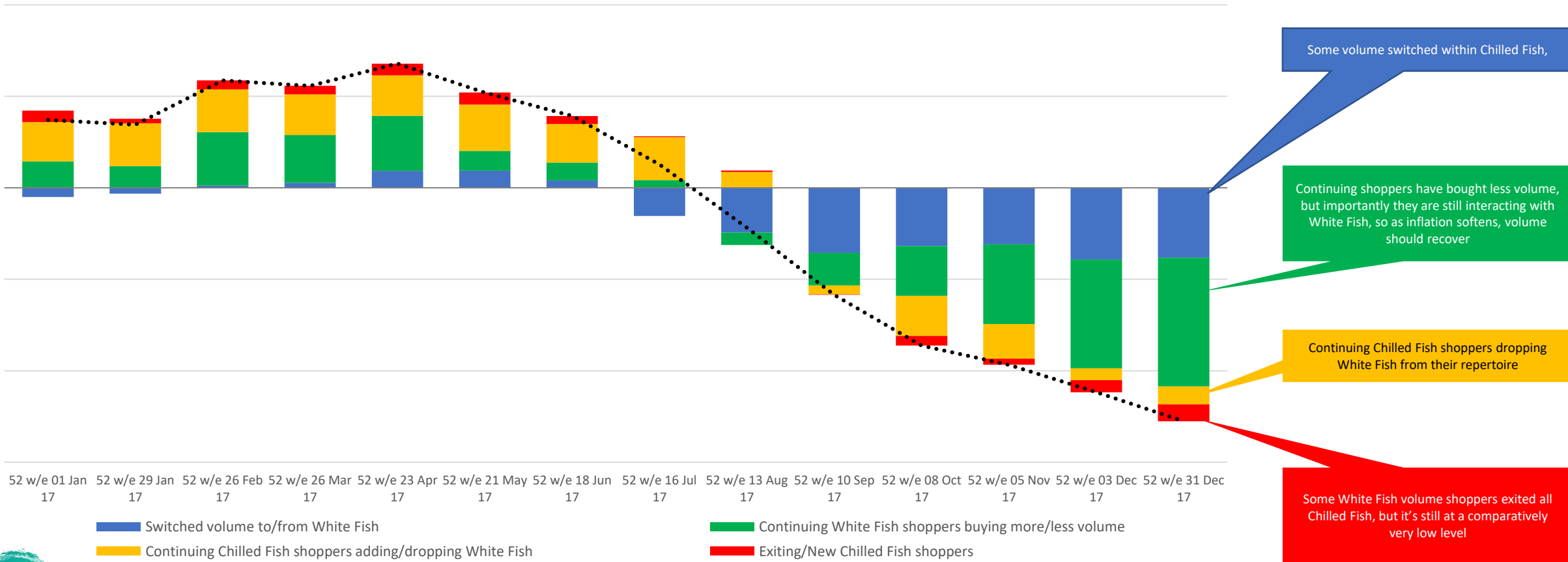
Chilled White Fish: Volume vs ASP



Source: Kantar Worldpanel  
White Fish (Cod & Haddock) Universe: Prime, Smoked, Ready to Cook

# Similar trends to Salmon are being seen in White Fish volume losses: some switching but mainly sourced to shoppers continuing to buy but less volume

Chilled White Fish Source of Change - YOY Volume







# Main provisions of Article 50

1. Any Member State may decide to withdraw from the Union in accordance with its own constitutional requirements.
2. A Member State which decides to withdraw shall notify the European Council of its intention. In the light of the guidelines provided by the European Council, the Union shall negotiate and conclude an agreement with that State, setting out the arrangements for its withdrawal, taking account of the framework for its future relationship with the Union. That agreement shall be negotiated in accordance with Article 218(3) of the Treaty on the Functioning of the European Union. It shall be concluded on behalf of the Union by the Council, acting by a qualified majority, after obtaining the consent of the European Parliament.
3. The Treaties shall cease to apply to the State in question from the date of entry into force of the withdrawal agreement or, failing that, two years after the notification referred to in paragraph 2, unless the European Council, in agreement with the Member State concerned, unanimously decides to extend this period.



# Current UK position

- As set out in the Prime Minister's Florence speech.
- This states we will leave the Single Market and the Customs Union on 29 March 2019, in place of which we are looking to agree a new “deep and special relationship” providing for “free and frictionless trade” in goods and services and close cooperation on security.
- This would include the freedom to conclude our own trade deals with others and to control our own borders. It would also include withdrawal from the CAP and CFP.
- When tabled, the Fisheries Bill will be designed to give the UK all the necessary powers to implement national measures.



# Current EU position

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- The EU 27 have still to agree a specific mandate for the next stage of negotiations.
- The Council's response is that a country leaving the EU cannot enjoy the same rights and benefits as those remaining.
- The 4 freedoms of the Single Market are indivisible – and an independent trade policy precludes remaining in the Customs Union.
- This suggests that the UK will have to be treated as a third country, however close a future relationship may be.
- Position on fisheries - access and quotas should remain unchanged and looks forward to a new long term relationship based on partnership and reciprocal access, rather than sovereign UK control



# Implementation, Transition, or Extension

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- It seems to be accepted that a fully fledged new relationship cannot now be put in place by 29 March 2019.
- So to avoid a “cliff edge” some form of transitional arrangement will be needed.
- The UK refers to this as “implementation”, implying a known “end state”
- But the EU sees this as being based on extending the existing “acquis” in its entirety, implicitly including the provisions of the CFP.





# UK SEAFOOD INDUSTRY ALLIANCE

Putting fish on the  
menu for a healthy  
& sustainable future



MANIFESTO 2017

## A Manifesto for the UK Industry

- UK processors have a total turnover around £4.2 billion and employ some 14,000 people, a significant % of which are EU nationals.
- Imported raw materials (from outside the EU) account for the bulk of this – 90% in the case of cod.
- Total EU whitefish catches are only around 500,000 tonnes, as against a market need of 3 million tonnes.
- So, regardless of who catches what in UK/EU waters, maintaining existing trade flows is essential to meeting consumer needs across the EU and maintaining market share against competing protein foods.

# Keeping Trade Flows

- The EU is the world's largest fish importer
- It has a series of trade and other concessionary agreements with a range of countries (including GSP and EBA)
- Operates a system of Autonomous Tariff Quotas (ATQs)
- These could be replicated or replaced in an EU/UK trade deal
- There is no obvious reason for the EU, or the UK, to become more protectionist as a result
- The UK market could even become more open



## THE CHALLENGE OF BREXIT

### Trade

Like other food businesses, fish processors need competitively priced raw materials, the skills and labour required to produce value-added, quality products and a framework of regulation which gives consumers confidence in what they are buying.

Without continuing access to zero or reduced duty supplies – which currently account for around two thirds of what we eat – consumers would have less choice, the market would shrink and jobs and investment would be lost.

Because so much of our raw material originates outside the EU, we rely on a range of existing tariff concessions under a series of trade agreements which the EU has entered into with supplying countries, either within frameworks such as the European Economic Area, bilateral trade deals, or autonomous tariff quotas (ATQs).

We also need there to be “frictionless” borders which maintain the current flow of goods into and out of the UK, without additional checks and controls which would lead to delays and add to costs.

Getting the right terms of trade also matters to the UK fleet as there is little domestic demand for most of what they catch.

Fish is the most internationally traded of all foods and the biggest single UK food export category. Liberalising markets presents huge opportunities for all parts of the UK industry. A retreat into protectionism would serve no one's interests.



 UK SEAFOOD INDUSTRY ALLIANCE MANIFESTO

# Other Brexit Challenges

- In addition to continued access to competitively priced raw materials, we also need a framework of regulation which gives consumers confidence in what they are buying
- The processing sector has been at the forefront of ensuring authenticity and traceability and promoting ethical labour practices in supply chains





# CFP or not CFP – that is the question

- Big focus for UK to be independent of CFP
- Default position would be a new UK EEZ of 200 miles
- Gives the UK the right to set TACs and quotas, but also the obligation to cooperate on the management of shared stocks.
- The economic reality is also that the UK needs markets to sell into – as well as capacity to catch and/or process any increased share
- There would be a loss of consumer confidence if sustainable and responsible fisheries management is jeopardised by political disputes.



# Customs 'Paperwork'

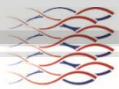
- UK Government is striving to achieve future arrangements which enable free and frictionless trade to continue
- Keen to avoid barriers to trade both tariff and non-tariff
- Still subject to negotiation- Important aspect of the next round of UK/EU discussions.
- The current UK position is that we will be leaving both the Single Market and the Customs Union at the end of a transitional implementation period
- There are border inspection implications of the UK having to apply a hard frontier to all imports, but they can decide how the inspection regime will be implemented

Customs

Freight Clearance

EXPORT

IMPORT





# Access to EU workforce

- The **UK and Norwegian processing sector relies heavily on migrant and seasonal workers from the EU**
- Fish processing must be regarded as **highly skilled labour** with appropriate agreements for the movement of workers to avoid a serious labour and skills shortage that would impact the supply of seafood and seafood products to the end market
- Automation is not always possible

## Labour

In common with other many other sectors, fish processing relies heavily on non-UK labour. There are many reasons for this. But increasing local recruitment and training will take time and add to cost, potentially exposing companies to strong competition from foreign suppliers in the meantime.

Similar considerations apply to the scope for further automation. Even where the technical issues relating to handling a highly variable and delicate product can be overcome, the capital costs of development and installation need to be covered by market returns.



## OUR MUST WINS



Relationships with all our trading partners which allow us to continue supplying consumers with affordable and healthy products from sustainably managed fisheries.



Continued ability to import what we need and to sell into other markets on the freest possible terms, including retention of existing tariff concessions and without additional border controls.



Access to a dedicated and skilled workforce which will help us add value and contribute to the wider UK economy, especially in areas where there are fewer other opportunities.



Maintaining and enhancing our hard won reputation for responsible sourcing policies, including the elimination of fraud, illegality and poor labour practices.



Continued cooperation with our European and international partners for the optimal science-based management of shared stocks and to drive up standards in global supply chains.



Ensuring that the oceans can continue to supply people everywhere with healthy and sustainable food in the face of climate change and other resource pressures which threaten future food security.

# The UK and EU processor joint position

- The UK is a leading member of AIPCE-CEP, the European Association of Fish processors and traders.
- AIPCE-CEP's position - which the UK fully supports – is that there is no wish to see any re-introduction of tariffs or non-tariff barriers in intra-EU trade, or any loss of access to international supply chains.
- Trade is the lifeblood of the entire EU fish economy – and our joint view is that negotiators on both sides should be seeking arrangements as close as possible to those which currently apply

# How do we need to be prepared –

- 
- Provide trade data to support impact assessments / seek opportunities for the negotiations
  - Help to prepare for new customs and trade arrangements to facilitate the most mutually beneficial arrangements possible that are at least as good as currently.
  - Stay engaged in European trade groups to educate the industry on the impacts / opportunities
  - Be optimistic – seafood is the most widely traded food commodity, our consumers love it, and its our collective responsibility to ensure they have access to the seafood they want at prices they can afford



There is a will to succeed!







Thank you

- and any complicated questions please to.....  
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