A stylized fish logo composed of two curved lines, one light blue and one light yellow, forming the outline of a fish's body.

What, When, Where and Why  
Will it all change?

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Jane Sandell

Managing Director of UK Fisheries Ltd

Chairman of The Fish Producers Organisation

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# Format

- The Common Fisheries Policy (CFP)
- Market element of the CFP
- Changes from the 2013 reform
- Why producers think there will be a market impact
- Example fisheries

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# The Common Fisheries Policy

- CFP is NOT just the conservation policy
- Other policy strands pre-date the conservation policy
- Until 1983 EU fisheries policy was:
  - Structural Policy – originally intended to increase the amount of fish caught by the European fleet (1970)
  - External Policy – vessels fishing in third country waters (1977)
  - Markets Policy – intended to avoid surpluses, stabilise prices and support producers income mainly through the formation and operation of Producers Organisations (1970)
    - Latest version is Council Regulation 1379/2013 on the Common Organisation of the Markets

# The Common Fisheries Policy

- Conservation Policy the most high profile
  - Originally agreed in January 1983
  - Revisited every 10 year
    - 2003 reform introduced the Regional Advisory Councils (now Advisory Councils)
  - 'Basic Regulation' Council Regulation 1380/2013
  - Regulation legislates for the obligation to land all catches in Article 15
  - Supported by a plethora of other regulations
    - Technical Conservation Measures
    - Cod Recovery Programme

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# Common Organisation of the Markets (CMO)

- What is the CMO?
  - Professional Organisations
    - Producer Organisations (POs) and Inter-branch Organisations
  - Marketing Standards
    - Grading at first sale (A1-5 for human consumption) and establishment of a minimum marketing size
  - Consumer Information
  - Competition Rules
  - Market Intelligence

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# CMO

- The role of Producer Organisations
  - Role has expanded over time
    - Quota management
    - Ensuring environmental best practice and compliance
    - Promotion of training
  - Management of the markets
    - Adjustment of production
    - Channelling supply
  - Price support mechanism (minimum price)
    - Phasing out – re-termed ‘storage aid’ in current regulation

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# 1380/013 Introduces the Market Advisory Council (MAC)

- MAC will be key to the delivery of the CMO
  - Composition – 60% representatives of the value chain 40% ‘others’
  - Three working groups
    - Organisation of the sector
    - Market Supply
    - Regulatory and Consumer Affairs
- MAC will be the place to highlight changes in the market, including the routes to market and the impact of that, and therefore the effect of Article 15 on the market

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# Why do producers think the LO will have an impact on the market?

- Fresh fish market is vulnerable to peaks and troughs in supply
- LO requires everything to be landed, regardless of size or quantity
- Quotas for many species are already restrictive
- Many markets require a certain size – sensitive to yield and effort
- Assuming a high level of compliance there is no way to regulate market supply in the form of landings
- There is now no minimum price, leaving catchers vulnerable
- We have some, albeit limited, evidence



.....And?!

- Skipper raised concerns on quantities of hake and saithe encountered after the first trip
- Vessels had run out of hake (owned + leased + up lift) by the end of the third trip
  - Vessel landed in excess of 30 tonnes of hake
  - Entire PO initial allocation was about 96 tonnes
  - Lease cost for hake was around £500/tonne (50p/kilo) and the average price was around 75p/kilo (PD market)

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.....And?!

- Vessels landed 32 tonnes of saithe that would normally have been discarded (uplift was 40t)
  - Difference between market price for 'normal' landing and for the discards landed was in the region of £12,000.
  - Lease cost for NS Saithe was £600/tonne, or 60p a kilo
  - Market price for small saithe was 60 – 90p (PD market)

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# Impact on the Route to Market

- Have we seen much difference in 2016 so far?

NO

- Look at recent trends, the reason for them and what could happen with a focus on two particular species
- Very different, but well established markets and routes
  - Different phasing under the Landing Obligation
  - Saithe and haddock

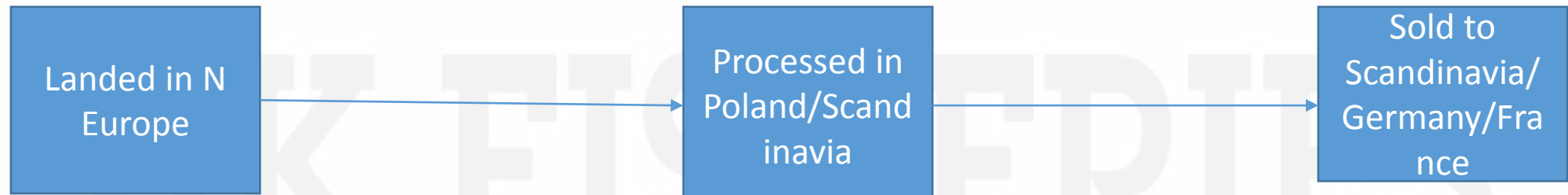
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# Saithe

- NS saithe under the LO in 2016 for ‘targeting’ vessels
  - French and German vessels mainly but 1 UK
  - Quota not a particular problem for these vessels
  - Generally would have landed the smaller sizes before 2016
- BUT.....
- Prior to LO the route to market has been changing
  - More smaller product brings the average market price down on the French market meaning sales from Peterhead market and direct to France from UK are less profitable
  - Direct markets into continental Europe have seen higher prices for smaller fish and the volume landed there has increased

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# Saithe



OK FISH FERTILIS

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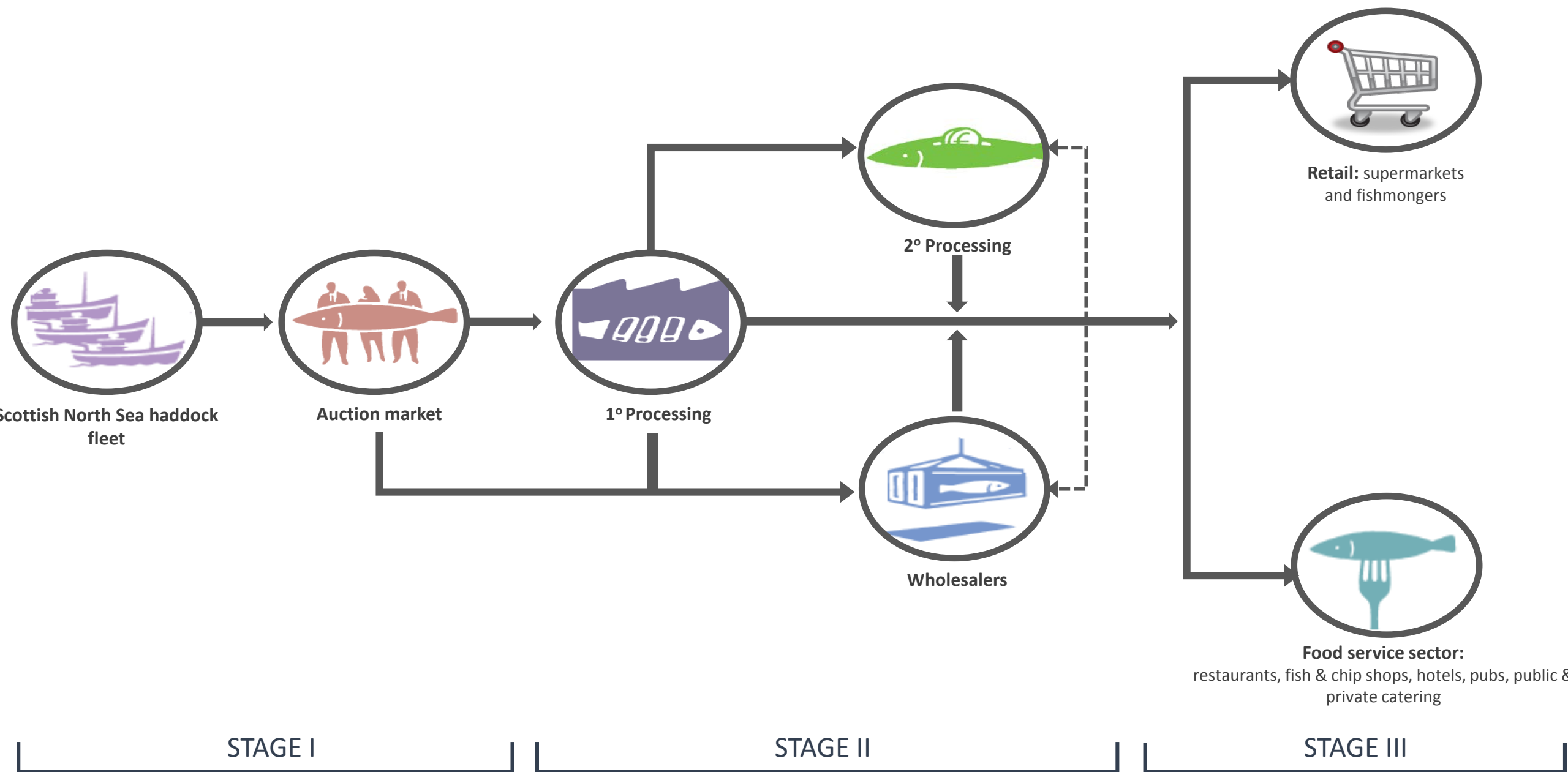
# Saithe

- The rest of TR1 fleet will have to land saithe from 2018 onwards, with TR2 following in 2019
  - In the mixed fishery it is almost impossible to land saithe and catch the other quotas
  - Quota for saithe is restrictive with the price for small poor in UK
  - Operators will have to change to increase the value of the product
    - Vertical integration?
    - Landing elsewhere?
    - Reducing the cost of processing by relocating?
    - Increasing the end sale price by changing markets?
    - Changing format of the product?
    - Value adding?

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# Haddock

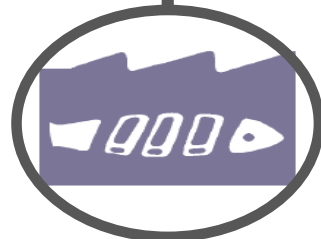
- NS haddock under the LO in 2016 for TR1 vessels
  - Around 100 UK vessels included in this
  - Some targeting haddock, some in the mixed fishery
  - Variety of mesh sizes/gear types
- Generally domestic market
  - Food service and value adding for retail (including filleting)
  - Fish and chip trade (along with NO frozen at sea and cod)
  - Seafood Scotland have done work on outlets for smaller fish
  - All about price point and level of supply



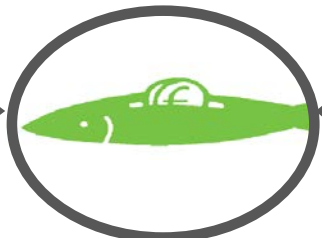
Scottish North Sea haddock fleet



Auction market



1° Processing



2° Processing



Wholesalers



Retail: supermarkets and fishmongers



Food service sector: restaurants, fish & chip shops, hotels, pubs, public & private catering

STAGE I

STAGE II

STAGE III

# Haddock

- Recent changes within the haddock market
  - NS haddock became MSC certified in 2010
    - Opened up markets with several contracts from multiples for local companies
    - Number of value added products using NS haddock increased
  - Some very high prices for haddock – small cod cheaper than haddock on many markets
  - As in many markets when selling is difficult, quality is paramount but when supply is low, quality is an after thought!!

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# Haddock

- Quota went up significantly for 2016.....and the haddock disappeared!
  - ICES advice delayed so don't know the prognosis for 2017
  - TR2 vessels must land haddock in 2017 – smaller mesh so likely to see more smaller and undersize haddock
- What sort of movement would we expect?
  - Generally when the price is poor skippers seek 'contract' prices
  - There may be some substitution when haddock is scarce – cod (size 5) and whiting come into the LO for TR1 in 2017
  - There are other 'cheap' products that could be made from small haddock but this will drag the market down
  - All about price point and level of supply

# Summary

- Routes to market will broaden BUT how much of this can be directly attributed to the LO is debatable.
  - Many changes will be due to the normal desire to be profitable in a competitive environment
  - Businesses will always seek to cut costs
- Small fish of some species that previously could have been withdrawn will need an increased variety of markets
  - It is imperative that the lower value markets are not allowed to drag the overall price down
- Substitution will occur when similar products are at low/high prices.
  - A5 cod may be a cheaper option than haddock in some cases

# Summary

- 2019 will be the critical point
- All of this assumes a high level of compliance

**BUT**

**This is fishing.....anything can happen and  
generally does!!!**

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