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EXECUTIVE SUMMARY

1. INTRODUCTION

1.1 The seafood industry is a key sector in the economy of NE Scotland.

1.2 Figures produced by Seafish in 2012 indicated that NE Scotland had 19% of the total number of fish processing enterprises in the UK, and 53% of the total number of fish processing enterprises in Scotland. Seafish estimated there was 3,488 staff employed in seafood processing in NE Scotland, 29% of the UK total, and 71% of the Scottish total.

1.3 In 2014, Aberdeenshire Council, Aberdeen City Council and Scottish Enterprise appointed BDAPlus as consultants to produce a seafood strategy for NE Scotland. The outputs of the seafood strategy were to consist of:-
   - 5 year Action Plan with targets.
   - Property Analysis including an assessment of opportunities to relocate businesses from the North Dee Business Quarter of Aberdeen.

2. SEAFOOD INDUSTRY IN NE SCOTLAND

2.1 A detailed survey was carried out of the seafood industry in NE Scotland, with over 75% of processors interviewed face-to-face.

2.2 The seafood processing industry in NE Scotland is an amalgam of a number of distinct fish/shellfish sectors. These include white fish, shellfish, value adding, pelagic fish, and salmon.

2.3 There are 78 seafood processing businesses in NE Scotland:

<table>
<thead>
<tr>
<th>Location</th>
<th>White Fish</th>
<th>Shellfish</th>
<th>Value Adding</th>
<th>Pelagic</th>
<th>Salmon</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aberdeen</td>
<td>25</td>
<td>1</td>
<td>2</td>
<td>0</td>
<td>1</td>
<td>29</td>
</tr>
<tr>
<td>Peterhead</td>
<td>18</td>
<td>2</td>
<td>1</td>
<td>3</td>
<td>1</td>
<td>25</td>
</tr>
<tr>
<td>Fraserburgh</td>
<td>9</td>
<td>3</td>
<td>2</td>
<td>1</td>
<td>0</td>
<td>15</td>
</tr>
<tr>
<td>Macduff</td>
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<tr>
<td>Portsoy/Sandend</td>
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<tr>
<td>Gourdon</td>
<td>2</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>3</td>
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<td><strong>Total</strong></td>
<td><strong>57</strong></td>
<td><strong>9</strong></td>
<td><strong>5</strong></td>
<td><strong>4</strong></td>
<td><strong>3</strong></td>
<td><strong>78</strong></td>
</tr>
</tbody>
</table>
2.4 Information gained from the survey and other sources suggest that the total number of full time jobs (including full time agency positions) in the NE Scotland seafood sector is **3,964**. This employment is spread throughout Aberdeen and Aberdeenshire, and is of key importance not only to the fish and shellfish landing centres such as Fraserburgh and Peterhead, but also many small coastal villages.

### 2.5 NE Scotland has now overtaken Humberside as the most important centre for seafood processing in the UK.

#### 3. SWOT ANALYSIS

3.1 The preparation of the strategy involved a “bottom up” approach with information from the face-to-face processors survey used to produce a SWOT analysis.

3.2 The principal results of the SWOT Analysis included:

**Strengths**
- Reputation/Product Quality/Freshness/Provenance.
- Proximity to main fresh fish/shellfish landing centres.
- Traditional skilled/artisan staff – innovative business managers.
- Diversity of raw materials and markets.
- Range of business sizes – niche to large scale.
- Demand for seafood growing.
- Ability to market all fish landed.

**Weaknesses**
- Insufficient volume of supply.
- Irregularity of supply.
- Lack of communication - processors and fishermen.
- Lack of supply chain strategy for growth.
- Size/quality of premises - insufficient to meet future needs.
- Staffing issues – recruitment/retention/training.
- Lack of finance for capital investment.

**Opportunities**
- Fully capitalise on product quality/freshness/Scottish brand.
- Improve efficiency/effectiveness of production to minimise costs.
- Increase margins by developing new markets, particularly export.
- Maximise returns by adding value/branding.
- Diversify into new products/species.
- Increase supply chain collaboration e.g. “Fish4Market” app.
- New Peterhead Fish Market attracting more white fish.
- New EMFF capital development grant funds.
Threats

- Impact of Landing Obligation.
- Availability of fish/shellfish reduces to levels which are unsustainable for processors.
- Irregularity of supply threatens/destroys customer relations.
- Prices of fish/shellfish increase to uncompetitive levels.
- Product displacement by imports.
- Environmental organisations promote negative viewpoint on sustainability of stocks.
- Politically promoted closure of markets e.g. to Russia.
- Over-enthusiastic UK interpretation of CFP and other legislation e.g. food labelling and safety.
- Loss of supporting infrastructure and services e.g. transport, packaging, fish box hire.

4. A STRATEGY FOR SEAFOOD PROCESSING IN NE SCOTLAND

4.1 If the seafood industry in NE Scotland is to successfully meet the challenges and fully capitalise upon future opportunities it must have an aspirational goal. This is presented by the aspiration of creating, in NE Scotland,

“Scotland’s Seafood Centre of Excellence”

4.2 This aspirational goal is considered to be highly achievable as a number of key infrastructure elements are already in place or planned. These elements include:-

- Largest concentration of seafood processing in the UK.
- Largest UK landing point for white fish and a key landing point for pelagic fish and nephrops.
- Centre for white fish, shellfish, pelagic fish and primary processing.
- Location of innovative large-scale seafood value adding businesses.
- Major fishing/fish processing investment plans at Peterhead Port.
- Improved logistics – Aberdeen Western Peripheral Route.
- Reputation of NE Scotland for producing a wide range of premium quality food and drink products.

4.3 An effective strategy should be focused, practical and stretching with the aim of producing a seafood industry and seafood supply chain in NE Scotland which is:-

- Sustainable
- Smart
- Dynamic
- Diverse
5. **ACTION PLAN FOR STRATEGY**

### SUSTAINABLE SEAFOOD INDUSTRY

<table>
<thead>
<tr>
<th>STRATEGIC AIM</th>
<th>ACTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enhance volume of supply.</td>
<td>Lobby EU – sustainable management of stock</td>
</tr>
<tr>
<td><strong>Develop Seafood Supply Chain</strong></td>
<td></td>
</tr>
<tr>
<td>Reduce “disconnect” between producers /processors.</td>
<td>Improve forward landing information (F4M).</td>
</tr>
<tr>
<td></td>
<td><strong>Supply Chain Explained</strong> initiative.</td>
</tr>
<tr>
<td></td>
<td>Assess costs / benefits of direct supplies.</td>
</tr>
<tr>
<td>Enhance representation of processors.</td>
<td>Create a single voice for processing sector.</td>
</tr>
<tr>
<td>Foster collaboration.</td>
<td>Investigate collaboration opportunities – e.g. Alisrose.</td>
</tr>
<tr>
<td>Develop processing capacity.</td>
<td>Support Peterhead Port Authority proposals.</td>
</tr>
<tr>
<td>Promote seafood processing hubs.</td>
<td>Support seafood processors relocation.</td>
</tr>
</tbody>
</table>

### SMART SEAFOOD INDUSTRY

<table>
<thead>
<tr>
<th>STRATEGIC AIM</th>
<th>ACTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Develop Existing Processing Facilities</td>
<td>Create Seafood Processing Facilities Improvement Programme.</td>
</tr>
<tr>
<td>Develop Processing Workforce.</td>
<td>Create new seafood training centre or appoint mobile training provider. Create Training Fund to defray raw material costs of training. Promote Passport to Processing. Develop/promote learning journeys.</td>
</tr>
<tr>
<td>Develop local food collaboration.</td>
<td>Develop links between seafood/agricultural food processors. NE Food Collaboration Programme e.g. through Grampian Food Forum</td>
</tr>
</tbody>
</table>

### DYNAMIC SEAFOOD INDUSTRY

<table>
<thead>
<tr>
<th>STRATEGIC AIM</th>
<th>ACTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Develop New Products.</td>
<td>Develop/introduce a New Product Development Initiatives.</td>
</tr>
<tr>
<td>Develop New Markets.</td>
<td>Develop/introduce a Market Development Programmes.</td>
</tr>
<tr>
<td>Develop New Wholesale Export Markets – Smaller Scale White Fish Processors.</td>
<td>Engage marketing expert to work with a number of small-scale white fish processors (displacement to be avoided).</td>
</tr>
</tbody>
</table>

### DIVERSE SEAFOOD INDUSTRY

<table>
<thead>
<tr>
<th>STRATEGIC AIM</th>
<th>ACTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retain/develop diversity.</td>
<td>Develop/introduce an Account Management Programme with key seafood processors, to retain and enhance performance and diversity in seafood processing.</td>
</tr>
</tbody>
</table>
6 PROPERTY ANALYSIS

6.1 A property analysis was carried out to determine the capacity/suitability of current processing facilities and the need/willingness of processors to relocate. The Grimsby Seafood Village is considered as an example of a UK established seafood hub.

6.2 The relocation of the fish processors in the North Dee Business Quarter of Aberdeen was given special attention as this area is designated for class 1 office development.

6.3 Results indicated that larger white fish, shellfish, value adding, pelagic and salmon processors possessed well developed individual or group strategic plans for facilities development, with continuing investment taking place and no plans to relocate. The focus of the analysis was, therefore, transferred to white fish processing businesses.

6.4 The facilities and operation of the Grimsby Seafood Village were assessed, and 2 sizes of seafood hubs were designed/costed on a design and build basis (least cost). Options involving 10 units (45kft\(^2\)) and 8 units (29kft\(^2\)) were designed and costed for construction in Aberdeen and Peterhead.

<table>
<thead>
<tr>
<th>Aberdeen</th>
<th>Units</th>
<th>Size (000'ft(^2))</th>
<th>Cost (£m)</th>
<th>Rental (£/ft(^2))</th>
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</thead>
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<tr>
<td>Larger Hub</td>
<td>10</td>
<td>45</td>
<td>£7.45</td>
<td>£17</td>
</tr>
<tr>
<td>Smaller Hub</td>
<td>8</td>
<td>29</td>
<td>£4.75</td>
<td>£17</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Peterhead</th>
<th>Units</th>
<th>Size (000'ft(^2))</th>
<th>Cost (£m)</th>
<th>Rental (£/ft(^2))</th>
</tr>
</thead>
<tbody>
<tr>
<td>Larger Hub</td>
<td>10</td>
<td>45</td>
<td>£6.05</td>
<td>£12.25</td>
</tr>
<tr>
<td>Smaller Hub</td>
<td>8</td>
<td>29</td>
<td>£3.86</td>
<td>£12.50</td>
</tr>
</tbody>
</table>

6.5 Proposals by Peterhead Port Authority to provide up to 5 small seafood processing units in the short term were brought forward, with these adjacent to the proposed new Peterhead Fish Market. The rentals for these existing factory units range from £5-£8/ft\(^2\).

6.6 In the longer term, post 2019, new seafood units could be constructed by Peterhead Port Authority in close proximity to the new Peterhead Fish Market through developing the slipway site and reclaiming the Port Henry Basin.

6.7 Existing fish processing facilities, which could be upgraded/sub-divided, exist in Aberdeen and Fraserburgh. A building in Aberdeen has been identified which could accommodate 3/4 of the larger processors located in the North Dee Business Quarter.
1. INTRODUCTION

The Seafood Industry in NE Scotland

1.1 The seafood industry is a key component of the success of Scotland’s food and drink industry, which has seen exports increase by 50% since 2007, and turnover rise to almost £14b by 2014.

1.2 The survey of the UK seafood processing industry by Seafish in 2012 indicated that, in the UK, there were 325 seafood processing enterprises, employing a total 11,864 staff. Scotland had 119 seafood processors, 63 of which were based in NE Scotland (including part of Moray). At that time, therefore, NE Scotland had 19% of the total number of fish processing enterprises in the UK, and 53% of the total number of fish processing enterprises in Scotland, making it the second largest centre for fish processing in the UK, after Humberside.

NE Scotland has traditionally been a primary seafood processing area, concentrating on locally landed catches, while Humberside has focused on secondary processing.

1.3 In 2012, according to Seafish, NE Scotland had 3,488 staff employed in fish processing, 29% of the UK total, and 71% of the Scottish total. This clearly demonstrates the importance of fish processing in NE Scotland to both the UK and Scottish economies. In relation to numbers of employees, NE Scotland (including Moray) had more staff engaged in fish processing than Humberside in 2012.

1.4 NE Scotland is the centre for the Scottish fishing industry. Peterhead is the largest landing point for white fish landings in Europe, and Fraserburgh is a key prawn (Nephrops norvegicus) landing centre. In NE Scotland prawns refer to Nephrops norvegicus, which should not be confused with Pandalus borealis.

Nephrops norvegicus

1.5 In 2013, the area had 50% of the total Scottish seafood landings by volume (157,859 tonnes), and 40% by value (£160m).
1.6 The survey undertaken in 2014 for the preparation of this report, indicated that, taking into account the number of seafood processing enterprises based in NE Scotland (78), and the numbers employed in the industry (3,964 including full time agency staff), Aberdeen and Aberdeenshire have overtaken Humberside as the largest centre for seafood processing in the UK, both in relation to number of businesses and employment. (Although there are currently 78 seafood processing enterprises located in NE Scotland, compared with 63 referred to by Seafish in 2012, there has been no significant increase in the number of processors, or processing sites in NE Scotland, over the 2 year period. The 2012 figures may, therefore, be an underestimate).

1.7 Because of the importance of the seafood industry, not only at a local level, but at a Scottish and UK level, and in recognition of the challenges faced by the sector, in 2014 Aberdeenshire Council, Aberdeen City Council and Scottish Enterprise commissioned the development of a seafood strategy to ensure that the NE Scotland strengthens this position, allowing businesses located in the area to fully capitalise upon future opportunities for further growth and development.

**NE Scotland Seafood Processing Strategy**

1.8 In 2014, Aberdeenshire Council, Aberdeen City Council and Scottish Enterprise, appointed BDA\textsuperscript{plus} as consultants to produce a seafood strategy for NE Scotland over the next 20 years, incorporating a five-year action plan. Within this strategy it was specified that a property analysis be carried out to determine what options exist to enhance the efficiency/productivity of seafood processing activities in Aberdeen and Aberdeenshire, with particular attention being paid to the potential to relocate existing fish processing enterprises from the NE Business Quarter of Aberdeen, an area designated for new office development.

1.9 BDA\textsuperscript{plus} is a specialist consultancy which has worked closely with many seafood processing businesses throughout Scotland over the years, assisting them with assessing the feasibility, and the funding, of capital development projects.

1.10 BDA\textsuperscript{plus} set out to develop an effective and deliverable strategy by undertaking a number of key tasks. These included:

- An assessment of the efficiency and effectiveness of the fish/shellfish supply chains in Aberdeen/Aberdeenshire.
- An assessment of the constraints and opportunities facing fish processing enterprises in NE Scotland.
- An assessment of the capacity of current facilities to meet existing/future needs of processors.
- An assessment of future property options to enhance supply chain operational efficiency.
- An assessment of the impact of future fisheries changes in legislation related to the Common Fisheries Policy (CFP) and Landing Obligation legislation (no discards).
1.11 The seafood processing sector in Aberdeen/Aberdeenshire does not exist in isolation from seafood processors elsewhere in Scotland, and what is happening out with Aberdeen/Aberdeenshire requires to be taken into account, as does the policies and direction of national bodies and support agencies.

1.12 The outputs of the seafood strategy consultancy consist of:-

- 15/20 year strategy report.
- 5 year action plan with targets.
- Property analysis including an assessment of opportunities to relocate businesses from the North Dee Business Quarter.

1.13 A method statement was developed by BDA\textsuperscript{plus} to allow the objectives of the consultancy to be met. The organisation was aware throughout that practical solutions, which are deliverable, required to be set out in the strategy report and action plan.

1.14 BDA\textsuperscript{plus} understood that meeting the relocation needs of the North Dee fish processors in particular was an issue which had been considered at various times over the last few years. With the continued class 1 office development pressure in the North Dee Business Quarter, practical and timely solutions had to be sought.

1.15 In order to ensure that relevant experience and expertise was capitalised upon, BDA\textsuperscript{plus} worked in partnership with:-

- **Scottish Seafood Association (SSA).**
  Considerable research had already been undertaken by SSA, and this was built upon, rather than being duplicated by BDA\textsuperscript{plus}. SSA has a significant membership in NE Scotland, with the executive having a high-degree of knowledge and expertise which was brought to bear in the production of the strategy report and 5 year action plan.

- **F G Burnett, Aberdeen.**
  F G Burnett is one of the largest surveying and property consultancy companies in NE Scotland, with considerable experience of undertaking property appraisals and advising on property developments. The business has a long track record of dealing with property issues, particularly in Aberdeen, but also in Aberdeenshire, and has been involved for many years in redevelopment projects in the Aberdeen Harbour area, including fish processing enterprises and office/commercial developments.

1.16 BDA\textsuperscript{plus} has unrivalled practical experience and expertise in dealing with seafood processors in NE Scotland, throughout Scotland, and in the Grimsby area of England. This expertise has been developed through assisting processing enterprises in applying for grant assistance for capital development projects. A significant proportion of seafood enterprises based in NE Scotland are existing clients of BDA\textsuperscript{plus}, which gives the organisation a unique level of access to, and knowledge of, these businesses. Until 2008, BDA\textsuperscript{plus} operated an office in Grimsby, and the company has worked with many seafood processing and other enterprises at the port.
METHODOLOGY

1.17 Desk research was carried out by BDAplus, including consideration of the reports produced by SSA, Seafood, Scotland Food & Drink, Marine Scotland, North East White Fish Supplies Forum, Producer Organisations, Port Authorities and local authorities.

1.18 A review of the Common Fisheries Policy was carried out in order to ensure that the seafood processing strategy will align with the requirements of European legislation, especially as it relates to future catching capacity (quotas) and the new Landing Obligation legislation (elimination of discards) which are being introduced in 2015 and 2016.

1.19 The development plans of harbour authorities in Aberdeen and Aberdeenshire have been assessed, and consultation has been undertaken with each organisation. This is particularly the case with Peterhead Port Authority, which is planning a £47m redevelopment of the Inner Harbour area at Peterhead, including a new £9m white fish market.

1.20 Reports on seafood market trends relating to consumers, retail outlets and the food service sector have also been researched and assessed. This helps to provide market indicators and information on market drivers for the development of the fish processing strategy.

1.21 BDAplus has, at its disposal, the accounts of a number of seafood processing businesses, which has assisted it in developing strategies for growth in the seafood processing sector.

1.22 In order to ensure that the views of the Aberdeen/Aberdeenshire seafood processing sector, as well as those of other links in the seafood supply chain, along with partners and stakeholders, were properly taken into account, an extensive consultation and interview programme was carried out using a comprehensive questionnaire which had originally been developed by SSA. Over 75% of all seafood processors in NE Scotland were interviewed.

1.23 The questionnaire identified the location and size of businesses, along with the number of staff employed. The type of processing undertaken (primary, value adding) was determined, and information was gleaned from processors on what were considered to be the main constraints to growth, and development opportunities, for the future.

1.24 Processors were asked if they have investment plans, and whether they had considered relocation opportunities, as well as their views on seafood processing “clusters” or “hubs”. Particular attention was paid to relocation opportunities for processors based in the North Dee Business Quarter of Aberdeen.

1.25 As fish processors are only one link in the seafood supply chain, the development of a workable seafood processing strategy must take into account what is happening in the overall supply chain, and how the latter can be developed to meet the aspirations of all
the links. Fishermen and the main Producer Organisations were consulted, and their views ascertained with regard to the new CFP and Landing Obligation legislation. It is recognised that the full implications of the new legislation remains unclear, but, in particular, the introduction of the Landing Obligation legislation will have a profound effect on the deliverability of the NE Scotland seafood processing strategy. However, the best information available at the time of writing this report has been used to guide the direction of the strategy.

1.26 Logistics businesses, which specialise in the UK and European distribution of processed fish/shellfish processed in NE Scotland, have been consulted to determine what constraints to their efficiency exist, and what opportunities can be developed to improve logistics provision.

1.27 BDA\textsuperscript{plus} has attempted to include all stakeholders and links in the seafood supply chain in order to ensure that the views of all interested parties have been taken into account in the development of the seafood processing strategy for NE Scotland. In doing this it is hoped that a balanced consensus can be achieved in the strategy, which will enhance its deliverability.
2. BACKGROUND

2.1 In relation to number of seafood processing enterprises and employment in the seafood industry, NE Scotland has overtaken Humberside as the largest area of seafood processing in the UK.

2.2 Peterhead is the largest white fish landing centre in Europe, and one of the largest pelagic fishing ports.

2.3 Fraserburgh is recognised as being the most fisheries-dependent community in Scotland, and it has been estimated that over 40% of jobs in the town are either directly, or indirectly, associated with fishing and seafood processing activities. Fraserburgh is the largest nephrops landing centre in Europe.

2.4 The detailed survey carried out as part of this study has concluded that there are 78 seafood processing enterprises based in NE Scotland, directly employing a total of 3,964 staff (including full time agency workers, but excluding part-time agency workers).

In addition, the fishing sector in Aberdeen, Peterhead and Fraserburgh, which is dependent upon seafood processing, directly employed an additional 1,439 regular and irregular fishermen, 27% of the Scottish total of 5,409, in 2013.

Other businesses which support the Scottish fishing fleet and processors based in north-east Scotland are reliant upon the seafood sector, supporting additional indirect jobs, particularly at the fishing ports of Peterhead and Fraserburgh.

2.5 The seafood processing industry in North East Scotland is an amalgam of a number of distinct fish/shellfish sectors.

As indicated in the chart below, these sectors include pelagic fish, white fish, shellfish, value-adding and salmon. These sectors tend to operate independently of one another, although a number of processors handle more than one range of species e.g. shellfish/white fish, shellfish/salmon, or white fish/pelagic fish.

<table>
<thead>
<tr>
<th>Location</th>
<th>White Fish</th>
<th>Shellfish</th>
<th>Value Adding</th>
<th>Pelagic</th>
<th>Salmon</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aberdeen</td>
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<td>1</td>
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<td>0</td>
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<td>29</td>
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<tr>
<td>Peterhead</td>
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<td>2</td>
<td>1</td>
<td>3</td>
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<td>25</td>
</tr>
<tr>
<td>Fraserburgh</td>
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<tr>
<td>Gourdon</td>
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<td>1</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>57</strong></td>
<td><strong>9</strong></td>
<td><strong>5</strong></td>
<td><strong>4</strong></td>
<td><strong>3</strong></td>
<td><strong>78</strong></td>
</tr>
</tbody>
</table>
2.6 **Seafood Processing Businesses in NE Scotland**

Of the 78 seafood processing businesses based in north-east Scotland, 57 are in the white fish sector, 9 in the shellfish sector, 5 in the value-adding sector, 4 in the pelagic sector, and 3 in the salmon sector.

White fish processing businesses, therefore, represent almost ¾ of the total, with the second largest sector being shellfish (12%), followed by value adding processors (6%), pelagic processors (5%), and salmon processors (4%).

![Seafood Processing Businesses in NE Scotland](image)

2.7 **Seafood Processing Employment in NE Scotland**

![Employment by Sector in NE Scotland](image)

Although white fish processing businesses make up 73% of the total number of processors, employment in white fish processing is just over a third of the total. The white fish processing sector in NE Scotland is dominated by 2 major businesses, Lunar and Nolan Seafoods, who employ, between them, 562 staff, processing white fish (also salmon at Nolans).

Nolans is based in Aberdeen, with Lunar having facilities in Aberdeen, Peterhead and Fraserburgh. There are a number of key medium sized businesses in the white fish sector.
processing sector employing between 10 and 50 staff, who play an important role in maintaining price stability at the fish auction.

However, the white fish processing sector, unlike other seafood sectors in NE Scotland, is characterised by having a large number of micro-businesses employing less than 10 staff. These are located in all 3 processing centres, Aberdeen, Peterhead and Fraserburgh, as well as at rural sites. These businesses generally supply local markets (hotels, restaurants), or the UK wholesale sector. A number have retail counters within their premises.

The average number of employees per business in the white fish processing sector, excluding Lunar and Nolans, is 15.

2.8 Pelagic fish processors account for 8% of the employment in seafood processing in NE Scotland, although the sector represents only 5% of the number of businesses. This is not least because pelagic production is more automated with only a small proportion hand filleted. The concentration of pelagic processing is in Peterhead, with 83% of employment based in the town, although processing is also carried out in Fraserburgh by Lunar Fraserburgh.

With only a very small number of businesses involved in pelagic processing in Peterhead and Fraserburgh, the average number of employees is 100 per business, not taking into account the large numbers of agency staff employed during the busy herring and mackerel seasons. This can swell employee numbers by over 200. (Part time agency staff numbers have not been taken into account in the employment figures used in this report. However, the contribution made by part time agency staff should not be underestimated, as it is unquestionable that, without this contribution, seafood processing businesses in NE Scotland would not be able to function efficiently, if at all).

2.9 Employment in the shellfish sector accounts for 14% of jobs, and 12% of business numbers. However, 1 shellfish processor (Macduff Shellfish) has 45% of the total employment, supporting 250 jobs, with other businesses in the sector employing, on average, 37 staff.

2.10 Value-adding businesses, although representing only 6% of the total number of businesses, employ 41% of the total number of staff, making this the largest single sector in terms of employees. However, it has to be appreciated that a large percentage of those employed are on a full-time agency basis, with posts being filled mainly by migrant workers. Notwithstanding this fact, because these agency posts are on a full-time basis, they have been taken into account in the calculation of employee numbers.

The value-adding businesses are large-scale in nature and, although heavily automated, they also rely on a large labour input to undertake tasks which cannot easily, and cost effectively, be automated. The employees, both local and agency, contribute substantially to the economy of the areas in which they are located. This is particularly the case in Fraserburgh and Peterhead, which are significantly more fisheries dependent than the city of Aberdeen.

2.11 Jobs in salmon processing enterprises represent 2% of the total employment in seafood processing, with the 3 businesses involved, having an average of 31 staff. However, one of
these is small-scale (Ugie Salmon, Peterhead), with the largest (John Ross Jr. based in Aberdeen), employing 54. The third salmon processor (Gourmet’s Choice) is based in Portsoy, and processes white fish as well as salmon.

2.12 In relation to the location of seafood processors in NE Scotland, there are 29 in Aberdeen, 25 in Peterhead, 15 in Fraserburgh, with 9 in other rural areas. This indicates the relative importance of Aberdeen and Peterhead, when compared with Fraserburgh. Processing businesses in the rural areas are widespread, with a large-scale shellfish processor based at Mintlaw, a small concentration of processors in Gourdon in the south of Aberdeenshire, and processors based in the villages located along the North Aberdeenshire coast.

2.13 When employment in the seafood industry in NE Scotland is taken into account, as indicated in the chart below, the distribution is more even, with only three percentage points separating the three main centres.

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### Seafood Processors Employment Distribution in NE Scotland

- **Aberdeen**: 30%
- **Peterhead**: 29%
- **Fraserburgh**: 32%
- **Rural**: 9%

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2.14 **Aberdeen**

There are 25 white fish processing businesses based in Aberdeen, making it the largest single centre for white fish processing, by the number of businesses, in NE Scotland. The city has 2 large scale white fish processors, Lunar and Nolans, although, as will become clear in a later part of this report, many of the businesses in Aberdeen are small scale, employing less than 10 staff. It also has a number of important medium sized primary processing businesses, although only a fraction of the over 180 processors listed as belonging to the Aberdeen Fish Curers and Merchants Association (AFCAMA) in the 1980’s.

Aberdeen also has, however, 2 important value-adding businesses (Joseph Robertson and Nor-sea Foods), with one shellfish processing enterprise (Piper Seafoods), and one salmon processor (John Ross Jr). Aberdeen has no pelagic processors.
The decline of Aberdeen as a seafood processing centre is mirrored in the closure of its fish market and ice factory, as well as the relocation of some processors e.g. Sustainable Seafoods, to Peterhead.

2.15 Peterhead
Peterhead is the largest fish landing centre in Europe, and is a key processing centre for both white fish and pelagic fish. In relation to the number of fish processing businesses, Peterhead is dominated by white fish enterprises, with 18 processors located in the town. In 2013 white fish landings at Peterhead amounted to 53,682t, with a value of £68,505K. Peterhead is the largest Scottish mainland centre for pelagic processing, with 3 major processors located in the town (Denholm Seafoods, Lunar Freezing, and Northbay Pelagic). In 2013, 74,120t of pelagic fish were landed at Peterhead, with a value of £48,698k. Thistle Seafoods is a major added value business based at Boddam, near Peterhead.

2.16 Fraserburgh
Fraserburgh, the third largest seafood processing centre in NE Scotland, is also dominated by white fish processors, with 9 businesses based in the town. Fraserburgh is the main centre for shellfish landings, particularly nephrops, in Scotland. In 2013, 5,674, tonnes of nephrops were landed at the port, as well as 7,292 tonnes of white fish. There are 3 shellfish companies based in Fraserburgh, along with 1 pelagic processor (Lunar Fraserburgh) and 2 large-scale value adding businesses, Macrae (part of Young’s Seafoods), the largest fish processing employer in the area (550 employees), and International Fish Canneries (part of the independent Nor-sea Group) employing 194 staff. Macrae processes salmon as well as fish fillets purchased from primary processors. The company has plans to expand its production in Fraserburgh, although one of its sites in the town is to be closed.

2.17 Rural Processors
There are 5 white fish processing businesses located outwith Aberdeen, Peterhead and Fraserburgh. These are Downies (Whitehills), Smith (Sandend), Inshore (Macduff), Stephen’s (Gourdon) and Gourline (Gourdon).
A major shellfish processor (Macduff Shellfish), employing 250 staff, is located at Mintlaw, with smaller-scale shellfish processors based at Macduff (Deveron Shellfish), and Gourdon (Murray McBay).

2.18 Size of Seafood Processing Businesses
Over 60% of the seafood processing enterprises in NE Scotland employ less than 20 staff, indicating the predominance of small and micro enterprises. As indicated in the chart overleaf, 42% of processing businesses employ less than 10 staff. The large majority of these businesses are family owned white fish processing enterprises, based particularly in Aberdeen and Peterhead.
Almost 80% of seafood processing businesses in NE Scotland employ less than 50 staff, with Fraserburgh and Peterhead having the majority of businesses employing between 20 and 50 staff. 12 seafood processing businesses employ 5 staff or less, 5 in Aberdeen, 5 in
Peterhead, and 2 in the rural area. 4 out of the 5 in Aberdeen are located in the North Dee Business Quarter.

**Size of Seafood Processors in NE Scotland (Employment)**

2.19 Larger businesses, employing over 100 staff, are more evenly distributed between Aberdeen, Peterhead, and Fraserburgh. These tend to be value-adding fish processing businesses, with 1 large-scale shellfish processor (Macduff Shellfish) based at Mintlaw.

2.20 When consideration is given to the size and location of seafood processors, the graph below clearly demonstrates the concentration of micro businesses in Aberdeen and Peterhead, mainly white fish primary processors, and the more even distribution of larger businesses in Aberdeen, Peterhead, Fraserburgh and Mintlaw.
3 TRENDS IN THE SEAFOOD PROCESSING INDUSTRY

3.1 Trends in Seafood Processing

3.1.1 In order to provide a context in which to place the current situation with regard to seafood processing in NE Scotland, it is necessary to view national and historic seafood processing trends.

3.1.2 The table provided below traces the decline in the UK seafish processing industry since 1986.

<table>
<thead>
<tr>
<th>Seafood Processors/Employment in Seafood Processing 1986 - 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Processing</td>
</tr>
<tr>
<td>Units</td>
</tr>
<tr>
<td>Employment</td>
</tr>
</tbody>
</table>

Source: Seafish

3.1.3 According to Seafish, in 1986, there were 988 seafood processing units in the UK. By 2012 this figure had reduced by two thirds (67%) to 325. During the same period the number of UK FTE jobs in seafood processing dropped by almost 40%, from 19,359 to 11,864. Between 2010 and 2012 the pattern was one of accelerating decline, with a reduction in processing units of 15% and a drop in employment of 17%.

3.1.4 In 2012, according to the Seafish Survey of that year, the seafood processing sector in NE Scotland employed 3,488, 29% of the total employed in the UK.

3.1.5 At a national level, in 2012, Seafish described the seafood processing industry as characterised by a large number of small businesses employing less than 10 staff, with a small number of large multi-unit businesses. Since 2004 the largest decline has been in the number of processors employing less than 10 staff, which had fallen from over 300 to less than 150 between 2004 and 2012. This decline had been accelerating, with a reduction of 22% in the number of fish processing units, particularly small processing units, between 2010 and 2012. This suggests that, in the UK as a whole, smaller seafood processing companies were finding it more difficult to survive than larger companies, with the latter appearing to be more sustainable.

3.1.6 Between 2010 and 2012 the number of processing units in NE Scotland reduced by 13% according to Seafish. The Seafish survey suggests that, in NE Scotland in 2012, there were a total of 63 processing enterprises. However, the BDAplus survey carried out in 2014 indicates that this figure is currently 78, which makes NE Scotland the largest concentration of seafood processing in the UK. Between 2010 and 2012 the number of primary processing units in Humberside fell by 25%.
3.2 Trends in Seafood Landings

3.2.1 The large majority of fish and shellfish processed in NE Scotland are landed at local and Scottish ports. It is, therefore, relevant to view trends in fish landings over the past few years to provide a context for the current state of supplies to the seafood processing sector in NE Scotland.

3.2.2 In 2013, the volume of fish and shellfish landings into Scottish ports amounted to 313,392t. This was the lowest figure in the previous 5 years, and represented an 18% drop from the maximum of 381,101t in 2010. (Scottish Sea Fisheries Statistics - 2013).

3.2.3 During the same period, the total value of fish landings at Scottish ports showed a much less reduction, from £416,726k in 2009, to £399,817k in 2013. Fish landing values reached a maximum in 2011 at £480,286k. By 2013, the reduction from this peak amounted to 17%. However, over the 5 year period the value of fish landed reduced by only 4%.

3.2.4 The volumes and values of all vessel landings into Scottish ports in 2013 are presented in the table below:

<table>
<thead>
<tr>
<th>Main Species Landed into Scottish Ports – 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Species</strong></td>
</tr>
<tr>
<td>White Fish</td>
</tr>
<tr>
<td>Pelagic Fish</td>
</tr>
<tr>
<td>Shellfish</td>
</tr>
<tr>
<td><strong>Total</strong></td>
</tr>
</tbody>
</table>

Source: Scottish Sea Fisheries Statistics 2013

3.2.5 Although pelagic species account for 46% of the volume of fish landings into Scottish ports in 2013, they only represent 26% of the value. The average price per tonne of pelagic fish landings in 2013 was £713, less than half the unit value of white fish, and less than a third of the unit value of shellfish.

3.2.6 Although shellfish landings at Scottish ports accounted for only 17% in volume terms in 2013, they contributed 31% of the total value, amounting to £125,025k. This provides an average value of £2,373/tonne.

3.2.7 White fish represented 37% of the volume of all species landed at Scottish ports in 2013, and 43% of the value of landings. This represents an average value of £1,473/tonne.

3.2.8 In 2013, as indicated in the table overleaf, Scottish vessel contributed almost £225,000k of landings at Scottish ports by volume, 79% of the total. This represented 80% of the value of landings at Scottish ports, totalling £321,210k.
### Source of Landings into Scottish Ports (2013)

<table>
<thead>
<tr>
<th></th>
<th>Volume (T’s)</th>
<th>%</th>
<th>Value (£’000)</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scottish Vessels</td>
<td>247,986</td>
<td>79</td>
<td>321,210</td>
<td>80</td>
</tr>
<tr>
<td>Other UK Vessels</td>
<td>13,745</td>
<td>4</td>
<td>22,394</td>
<td>6</td>
</tr>
<tr>
<td>Foreign Vessels</td>
<td>51,661</td>
<td>17</td>
<td>56,213</td>
<td>14</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>313,392</strong></td>
<td></td>
<td><strong>399,817</strong></td>
<td></td>
</tr>
</tbody>
</table>

Source: Scottish Sea Fisheries Statistics 2013

3.2.9 Foreign vessels contributed over 50,000t of volume and over £56,000k of value, representing 17% and 14% of all landings into Scotland by volume and value. Landings from other UK vessels were relatively minor, at 4% of volume and 6% of value. These landings were largely pelagic fish, with some white fish and shellfish.

3.3 The landings at Aberdeen, Peterhead, and Fraserburgh in 2013 are presented in the table below:

#### Landings in Aberdeen, Peterhead and Fraserburgh (2013)

<table>
<thead>
<tr>
<th>Tonnage / Value</th>
<th>Demersal (Tonnes)</th>
<th>Pelagic (Tonnes)</th>
<th>Shellfish (Tonnes)</th>
<th>Total Volume (Tonne)</th>
<th>Demersal (£’000)</th>
<th>Pelagic (£’000)</th>
<th>Shellfish (£’000)</th>
<th>Total Value (£’000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Peterhead</td>
<td>53,682</td>
<td>74,120</td>
<td>2,602</td>
<td>130,404</td>
<td>68,585</td>
<td>48,698</td>
<td>6,926</td>
<td>124,209</td>
</tr>
<tr>
<td>Fraserburgh</td>
<td>7,292</td>
<td>13,022</td>
<td>5,674</td>
<td>25,988</td>
<td>8,116</td>
<td>8,187</td>
<td>15,667</td>
<td>32,600</td>
</tr>
<tr>
<td>Aberdeen</td>
<td>8</td>
<td>109</td>
<td>1,350</td>
<td>1,467</td>
<td>113</td>
<td>15</td>
<td>3,765</td>
<td>3,893</td>
</tr>
<tr>
<td><strong>Total NE Scotland</strong></td>
<td><strong>60,982</strong></td>
<td><strong>87,251</strong></td>
<td><strong>9,626</strong></td>
<td><strong>157,859</strong></td>
<td><strong>76,814</strong></td>
<td><strong>57,530</strong></td>
<td><strong>26,358</strong></td>
<td><strong>160,702</strong></td>
</tr>
<tr>
<td><strong>Total Scotland</strong></td>
<td><strong>116,929</strong></td>
<td><strong>143,776</strong></td>
<td><strong>52,685</strong></td>
<td><strong>313,391</strong></td>
<td><strong>172,263</strong></td>
<td><strong>102,524</strong></td>
<td><strong>125,025</strong></td>
<td><strong>399,818</strong></td>
</tr>
<tr>
<td>% NE Scotland</td>
<td>52%</td>
<td>61%</td>
<td>18%</td>
<td>50%</td>
<td>45%</td>
<td>56%</td>
<td>21%</td>
<td>40%</td>
</tr>
</tbody>
</table>

Source: Scottish Sea Fisheries Statistics 2013

3.4 **Aberdeen Landings**

3.4.1 Aberdeen has ceased to be a fishing port of any significance, particularly following the closure of the Aberdeen Fish Market a few years ago. The building, which does not have refrigeration facilities, provides ambient storage for fish trans-shipment, and is used by logistics company George McKay of Sandend.

3.4.2 Landings at Aberdeen have more than halved in the five years between 2009 Aberdeen 2013, reducing from over 3,500t in 2009, to under 1,500t in 2013.

3.4.3 This reduction in volume has been accompanied by a reduction in value from almost £6.2m in 2009 to under £3.9m in 2013, a reduction of almost 37%.

3.4.4 Aberdeen has seen only minimal landings of pelagic species over the 5 year period, with white fish landings virtually wiped out - only 8t in 2013, as compared with almost 1,900t in 2009.
3.4.5 Shellfish landings were regular, but low, at approximately 1,500 t/annum, with a value of between £3.7m–£4m. The only remaining shellfish landings at Aberdeen are from a few crab/lobster boats which are under 10m in size.

3.5 Peterhead Landings

3.5.1 The landings at Peterhead, including those from foreign vessels, reduced from just over 149,000t in 2009 to 130,404t in 2013, a drop of 13%. However, the value of landings has increased from almost £118m to over £124m in 2013, representing an increase of 5%.
In 2014, total landings at Peterhead amounted to 186,822 tonnes, with a total value of £170m, a 43% increase on the year before in relation to volume and 37% increase in relation to value.

3.5.2 The volume of pelagic landings in 2009 was over 104,000t, although this reduced to just over 74,000t in 2013. Over the 5 year period, pelagic landings reduced by almost 30%, partly because of substantially reduced inputs to Fresh Catch. In 2013, new investors were introduced, which resulted in substantially increased landings in 2014 to the new business, Northbay Pelagic.
During the 5 year period, the value of pelagic landings at Peterhead reduced from almost £60m to just under £49m, a drop of 18%, indicating the higher prices gained in 2013.
In 2014, pelagic landings at Peterhead amounted to 132,500 tonnes with a total value of £75m. This represents an increase of 79% in terms of volume and a 53% increase in value, compared with 2013.

3.5.3 White fish landings increased at Peterhead in the 5 years between 2009 and 2013, rising from just over 41,000t to over 53,000t, an increase of almost 30%. Values also increased from £49m in 2009, to over £68m in 2013, a rise of almost 40%, 10 points ahead of the rise in volume. This underlines Peterhead’s position as the principal white fish landing centre in Europe.
In 2014, white fish landings at Peterhead rose further, to 55,133 tonnes, with a value of £87.6m. This represents an increase of 4% in terms of volume, but a very significant rise of 29% in terms of value, as compared with 2013. This underlines Peterhead’s growing position as the centre for white fish landings in the UK.

3.5.4 Shellfish landings at Peterhead increased from just under 4,000t in 2009 to over 4,500t in 2010, before reducing significantly to 2,600t in 2013, representing a reduction of 35% in volume.
During the same period, values reduced by 21%, from over £8.7m in 2009 to just over £6.9m in 2013.
The 2013 figures, and trends over the previous 5 years, indicate the relatively low level of shellfish landings at the port of Peterhead.
In 2014, shellfish landings at Peterhead increased significantly to 3,836 tonnes, with a value of £8m. Shellfish landings, therefore, increased by 48% in terms of volume, but only 16% in terms of value, as compared with 2013.

### 3.6 Fraserburgh Landings

3.6.1 Unlike Peterhead, landings at Fraserburgh consist principally of nephrops, together with white fish landed as a by-catch.

3.6.2 Nephrops landings at Fraserburgh reduced dramatically in the 5 years from 2009 to 2013, falling from 37,500t to 26,000t, a decrease of 31%.

3.6.3 Over the same period, the value of landings reduced from £49,000k to £32,500k, a decrease of 34%. This has created a very challenging trading period for the port.

3.6.4 Shellfish landings dropped significantly in 2011, and reduced further in the next two years, particularly in 2013. In 2009, over 13,500t of nephrops were landed at Fraserburgh, this figure dropping by 58% to 5,700t in 2013. Over the same period, the value of shellfish landings at Fraserburgh reduced from £27,500k to £15,700k, a lesser, yet significant decrease of 43%. 2013 was a very challenging year for nephrops fishermen brought about principally by a lack of supply. During the year, a Hardship Fund was introduced to reduce the plight of hard-pressed nephrops fishermen.

3.6.5 White fish landings dropped slightly in the 5 years between 2009 and 2013, reducing from just under 9,000t to just over 7,000t, a reduction of 22%. During the same period, the value of white fish landings reduced from almost £11,000k to just over £8,000k, a decrease of 27%.

3.6.6 Landings of pelagic fish at Fraserburgh reduced slightly between 2009 and 2013 from almost 15,000t to just over 13,000t, a decrease of 13%. 2010 was a very poor year for pelagic landings in Fraserburgh, with only 8,000t landed – 47% down, although the figures recovered over the next 3 years. The value of pelagic landings at Fraserburgh also reduced during the 5 years from just under £11,000k to almost £9,000k, a decrease of 18%.

### 3.7 Implications for Seafood Processing

3.7.1 As evidenced above, fish and shellfish landings at Aberdeen are relatively minor, and declining. There are no white fish landings other than from the few remaining under 10m boats. The reduction in volume has been accompanied by a reduction in value, underlining the fact that, as a fish/shellfish landing port, Aberdeen's relevance is minimal. However, the city continues to be a centre for seafood processing, and a location for processors in the white fish, shellfish, value adding and salmon sectors, although this position continues to decline with the closure of processors such as Trawlpac in 2014.
3.7.2 Although the volume of landings at Peterhead reduced between 2009 and 2013, the value of landings has increased. Peterhead is already the main landing centre for pelagic fish on mainland UK, and it is the largest white fish landing centre. This dominance in relation to pelagic fish and white fish landing is a trend which is likely to accelerate, particularly in relation to white fish, if the new proposed fish market is constructed, and the Inner Harbour is deepened to accommodate larger, deeper drafted white fish vessels.

Peterhead Port Authority is keen to proceed with its £47m development plan and create a fully integrated fishing/seafood processing hub in the harbour area, facilitating the growth of existing Peterhead-based processors, providing space for any businesses which wish to relocate from other areas, and creating opportunities for “new entrants” to the white fish processing sector. If the development proceeds, Peterhead will become an even more important white fish landing and processing centre, increasing its attractiveness as a future location for white fish processors.

3.7.3 Although landings of shellfish at Fraserburgh have reduced significantly over the past few years, the port continues to be the largest nephrops landing centre in Scotland. This is likely to continue, with Peterhead continuing to focus mainly on white fish and pelagic fish.

Fraserburgh remains a landing centre for white fish, although the latter is mainly a by-catch from prawn fishing vessels. In 2013, 7,279 tonnes of white fish were landed at Fraserburgh, indicating its continued relevance to the white fish sector. Local processors, as well as those from further afield, e.g. Aberdeen, purchase white fish at the Fraserburgh Fish Market.

Fraserburgh Harbour Commissioners have recently completed a major development project in the North Harbour/Black Sands Basin, to create improved landing facilities. Other fisheries-related projects are in the pipeline, which could help secure Fraserburgh’s position as a key shellfish landing centre, and important white fish port, in the future.

White fish are sold at Fraserburgh Fish Market.

3.8 **Imported Fish**

3.8.1 Imported fish play an important role in the seafood processing sector in the UK. They consist of frozen at sea fish and fresh imported fish, sourced mainly in Faroe, Iceland, and Norway.

3.8.2 Imported fish are a traded commodity, landed mainly at the Humber ports in England and are considered of poorer quality but lower cost than Scottish landed fish. Notwithstanding, imported fish play an important part in providing processors with raw material supplies when local catches are low, helping to even out peaks and troughs in supply. Processors also use imported fish when customers are less interested in quality, but more interested in price. Imported fish are an integral part of raw material supplies for many larger white fish processors based in NE Scotland, and this role should be recognised as providing a
benefit. However, imported fish compete with Scottish landed fish, particularly in the UK wholesale white fish market.
4 SURVEY OF PROCESSORS/STAKEHOLDERS

4.1 In order to ensure that the views of fish processors based in NE Scotland, as well as other stakeholders, were taken into account in the compilation of the strategy for the seafood industry in NE Scotland, a face-to-face survey was carried out of as many processors as possible in all sectors, as well as other stakeholders including fishing companies, producer organisations, harbour authorities, and assist agencies.

4.2 Over 75% of the fish/shellfish processing businesses based in NE Scotland were interviewed, as well as 2 producer organisations, the 3 main harbour authorities, the 2 local authorities, and the main seafood assist agencies.

4.3 All the fish processing businesses located in the North Dee Business Quarter were interviewed. These businesses have particular issues related to relocation from an area of Aberdeen which has been designated for class 1 office development. A separate property analysis was carried out to determine the current capacity and capability of existing fish processing facilities to meet current and future needs, particularly if fish/shellfish supplies increase due to enhanced quota levels and the introduction of the Landing Obligation legislation. A separate property analysis has been produced, including recommendations for increasing processing capacity and facilities.

Processors Survey

4.4 The face-to-face survey undertaken with seafood processors was based on an electronic questionnaire used by Scottish Seafood Association (SSA) which had been circulated to its members. These include processing businesses based in NE Scotland. This survey asked processors to tick boxes in response to questions set in the electronic document, although opportunities were given, here and there, for comments.

4.5 In order to ensure that an in-depth knowledge and understanding of the issues faced by fish/shellfish processors was attained, it was decided to visit as many processors as possible and carry out face-to-face interviews, using parts of the SSA survey as a basis upon which to begin discussion, and as a suitable framework for consistent interviewing.

4.6 The survey began by identifying the type of business (primary fish/shellfish processor, secondary processor etc.).

4.7 The location of the business, and the number of employees were identified, as well as its markets and customer groups.

4.8 In order to measure business confidence the survey asked the processor to forecast general conditions for the business over the next 12 months in relation to sales, profits, employees and supplies.

4.9 Particularly, the survey asked the businesses to rank, in relation to importance, the key performance issues which gave them concern. These issues included supplies, staff issues,
fuel/energy issues, factory overheads, environmental health issues, customer issues, credit/banking issues, transport issues and business rates.

This section of the survey provided key information on what processors considered the critical issues were for their businesses, the principal constraints to growth and main opportunities for expansion/development in the future. This core information provided the basis for a SWOT analysis which is included in a later section of this report.

4.10 The suitability of existing premises, and their capability to meet existing and future needs, was assessed in the survey, along with any plans for upgrading, expansion or relocation. This part of the survey was of particular relevance to companies in the North Dee Business Quarter in Aberdeen, where potential relocation has special significance.

4.11 Future market opportunities for processors were included as part of the survey, with businesses asked to identify these, and indicate how they could be addressed.

4.12 The survey asked processors to assess their knowledge and understanding of the new Common Fisheries Policy (CFP), including Landing Obligation legislation.

4.13 Processors were asked for their views on labelling, including participation in, and benefits from, accreditations from Marine Stewardship Council (MSC) or the Responsible Fishing Scheme (RSF). The knowledge and understanding by processors of the new labelling legislation, which was to be introduced in December 2014, was assessed as part of the survey.

4.14 Views on promoting a distinct (Scottish) label were discussed as part of the survey.

4.15 The survey sought the views of processors on the type and level of industry support they considered most valuable in relation to production, marketing, packaging, factory accreditation and staff training.

4.16 Views of processors on the operation of Peterhead fish market, including opening times, fish buyers bonds and market type (shout auction/electronic auction) were obtained.

4.17 The use of fish boxes, and their hire costs, featured in the processors’ survey.

4.18 When each survey was completed, the processor was asked for a prediction on what, in his view, the seafood industry in NE Scotland would look like in 5 years time and 20 years time, in relation to the number of businesses, the location of these businesses, markets, staffing etc.

4.19 The information collected in these surveys was then collated and used to provide the basis for the processors’ contribution to the SWOT analysis.
5. RESULTS FROM THE SURVEY

5.1 The results from the survey were collated, providing valuable information on the views of processors regarding the main issues facing their sectors, the constraints restricting their operations, and the opportunities which could be capitalised upon and developed. This provides a solid foundation upon which to develop a strategy for the seafood processing industry as a whole, and each of the fish/shellfish sectors represented in NE Scotland.

5.2 As indicated earlier, the survey confirmed that each sector in seafood processing operates independently of the others, although a significant number of processors handle more than one species e.g. white fish/shellfish, white fish/salmon etc. In these cases, the principal activity of the business determined the sector into which it was allocated.

5.3 Not only did the survey indicate that the issues, constraints and opportunities facing different sectors were different, but variations existed between large businesses and small businesses in the same sector, with the former often more focused on market development and the latter more focused on securing raw material supply.

5.4 However, the survey clearly indicated that there were 2 key issues which pervaded all sectors of seafood processing industry in NE Scotland, and all sizes of businesses. These were:-
   - Insufficient volume of supply.
   - Irregularity of supply.

5.5 Not only did almost all seafood processors identify these as the key issues, but they placed them firmly at the top of their priority list when asked to rank “issues which negatively affected their business” in the survey. Indeed, a number of processors indicated that, if real progress could be made on these two key issues, then the processors themselves would be in a position to “sort out the rest”.

5.6 These issues affected all primary processors including those in the pelagic and shellfish sectors, but represented a particular challenge for processors based in the white fish sector. As these are key issues, particularly for primary processors, they will be dealt with in greater detail later in the report. However, at this stage, it is appropriate to consider other results from the survey in more detail in order to obtain a complete picture of the issues, constraints and opportunities, so that a solid base can be provided for the development of future strategy.

5.7 Type/Location/Size of Processing Businesses

5.7.1 Information gleaned in the survey provided the basis for determining the type, location and size of all seafood processing businesses located in NE Scotland. This information has been presented in detail, and analysed in Section 3 of this report.
5.8 **Short Term Processors’ Confidence**

5.8.1 The large majority of seafood processors indicated that they were unsure about the short-term future, particularly because of lack of knowledge regarding quotas and the implication of the imminent introduction of Landing Obligation legislation (no discards). The latter will be introduced to the pelagic sector in 2015 and the white fish/shellfish sectors in 2016. Landing Obligation legislation introduced an additional uncertainty dimension to an already uncertain situation with respect to landings, quotas and days at sea controls which resulted in almost all processors indicating that, in the short term, they did not expect to increase their turnover, profits or employment.

5.9 Uncertainty, leading to the lack of confidence, in turn leads to a reticence by processors to invest in capital projects to develop their businesses.

5.10 Uncertainty was at its highest level in white fish processing enterprises, with even large-scale processors indicating that, under current quota legislation, they had insufficient raw material supplies to meet the needs of their customers. Indeed, one large-scale white fish processor indicated that the company was considering curtailing its processing activities because of the lack of raw material supplies.

It is important to stress that price volatility is a key consequence of uncertainty of supply. This acts as a barrier to investment and growth of the seafood industry in NE Scotland.

5.11 With indications from both fishermen and scientists that the main white fish species, particularly cod and haddock, are becoming more abundant, the need to increase quotas, particularly in these key species, is urgent. This is dealt with in more detail in a later section of this report.

5.12 **Volume of supply**

5.12.1 Virtually all processors argued that there was a need to increase raw material supplies if the future of the seafood processing industry was to be secured and developed in NE Scotland. This will require increases in quotas for the main species processed in the area.

The issue of increasing quotas is dealt with in Section 8 of this report.

5.13 **Irregularity of Supply**

5.13.1 Irregularity of supply affects all primary processors but has the most dramatic impact on the white fish sector, with raw materials being bought at auction rather than through supply “arrangements” between fishermen and processors, as is commonly the case in the pelagic and shellfish sectors. Volumes of fish at the Peterhead fish auction, the largest in the UK, can vary dramatically with, for example, on two consecutive days in November 2014 landings varying from 90 boxes on day one, to 6,000 boxes on day two. This is by no means an isolated case, with huge variations in landings over very short periods of time. This irregularity of
supply makes it very difficult, if not impossible, for fish processors to operate efficiently, and provide consistent volumes of quality fillets to their customers. This key issue is dealt with in more detail in a later section of this report.
5.14 Other issues effecting Business Performance

The other significant issues effecting the efficiency and profitability of fish processing enterprises in NE Scotland identified in the survey include, in order of importance:-

- Price resistance.
- Price Fluctuations.
- Staff issues.
- Fuel/energy costs.
- Environmental health issues.

5.14.1 Price Resistance

A common issue, particularly for white fish processors, was customer price resistance. As the price of fish rises at the auction, leading to higher prices required by processors from their wholesale customers in order to generate a margin, a maximum price point is reached, above which customers are unwilling to make purchases. Customers either seek fish supplies from other sources e.g. imports, or move to other forms of protein e.g. chicken. When fish prices drop again, below what customers consider an acceptable price point, supplies from NE processors recommence. However, in some cases, customers do not return.

Price resistance also significantly affects the pelagic sector with, in particular, competition from Norway, Iceland and Faroe, in the export market. Over recent years, Iceland and Faroe have awarded themselves large quotas for herring and mackerel, flooding the export market, and making it more difficult for Scottish companies to compete successfully in their traditional market places of Eastern Europe and the Far East.

Price resistance is similarly a factor in the shellfish sector, although NE Scotland based shellfish processors have been more successful in securing premium markets due to the reputation of Scottish nephrops as a prime product.

5.14.2 Price Fluctuations

Prices for some species can drop £1-£2 per kilo during an auction, or from one day to the next. This is due to a number of factors, including cash capacity, buyers maximising their buying bond, or buying in advance, with the expectation that supplies will be short. However, it is often the case that more fish are landed than...
expected. There is no flexibility to absorb heavy landings over 3-4 days due to limited processing capacity.

The NE White Fish Supplies Forum recently produced figures to demonstrate the lack of processing capacity, for example 1,500 boxes of small haddock per day. If, over 3 days, there are 2,000 boxes per day landed then there is a build-up, with chillers full and product quality deterioration inevitable.

5.14.3 **Staff Issues**

Staff recruitment, training and retention, are issues for all fish processing businesses including primary, secondary and value adding enterprises, with processing businesses in NE Scotland applying innovation through the installation of automation and increasing the use of full-time and part-time agency staff to help address this issue. Notwithstanding these responses, the availability of trained/skilled staff remains a key constraint to growth in NE Scotland seafood processing businesses.

Absenteeism is a significant issue for both small and large processing businesses, with the impact particularly felt by small-scale white fish processors employing less than 10 staff. Having one or two staff missing on a Monday morning reduces production capability by up to 20% in smaller businesses.

Once recruited, staff training and retention are key issues, particularly with regard to migrant staff. Many new recruits see jobs in fish processing as transitory, something to do until they can improve their command of English and find “better jobs”. This provides processors with no return on their investment in staff training. Fish processors, particularly those based in Aberdeen, have a higher percentage of local long-term highly skilled staff, particularly filleters. These have, in many cases, worked with a processor for a number of years, but are now in the later stages of their careers, with few new recruits entering fish processing. This increases the number of migrant and agency staff being employed/engaged, which could lead to difficulties in the future if restrictions are placed on migrant workers entering/staying in the UK.

The large majority of fish processors in NE Scotland would like to see more imaginative solutions being developed to promote and improve staff recruitment and training, which should help to improve staff retention. The latter is a particular problem in white fish processing in Peterhead.

5.14.4 **Fuel/Energy Issues**

The cost of fuel/energy was identified by the majority of processors as a critical overhead, increasing processing costs, and limiting opportunities to generate profits. Processors have introduced regimes to minimise energy costs i.e. installing inverters, and training staff in conservation and recycling, but energy costs continue to rise, and increase as a percentage of total overheads. In very recent times fuel/energy costs have reduced, but lower costs must be maintained if processors are to benefit in the longer term.
5.14.5 **Environmental Health Issues**
Compliance with legislation in relation to environmental health issues and food labelling were identified as important issues by all seafood processing businesses based in NE Scotland, particularly in the white fish sector. This is not least because changes have taken place in labelling legislation which require all processors to comply with significantly more rigorous labelling rules. Labels displaying source of material, type of gear used in catching, date caught etc., as well as allergy information, will have to be provided in the future. This adds significant costs to processors without providing any additional financial benefit, squeezing margins and reducing competitiveness.

Environmental Health Departments in the local authorities were consulted, and officers work closely with processors, providing advice on compliance with legislation. Compliance is obligatory to ensure required hygiene standards are being met and food safety is assured.

5.15 **Processing Facilities Capacity/Capability**

5.15.1 In the survey, each seafood processor was asked to consider whether their existing facilities were capable of meeting current and future production/quality requirements. Processors were asked if they had plans in place to upgrade or expand their premises, and whether they would consider relocation to other sites as an option.

5.15.2 Processors in the pelagic, shellfish, value-adding and salmon sectors indicated that they had ongoing plans for facilities expansion/upgrading, and that these investments would, almost without exception, take place on their existing sites. The processors in these sectors tend to be larger companies which have been located on their existing sites for many years, during which time substantial investments have been made in both buildings and plant/equipment.

5.15.3 Processors in the primary white fish sector also expressed an interest in remaining at their current locations, although this is not a long-term option for many businesses located in the North Dee Business Quarter of Aberdeen. Particular attention was paid to the issues facing the businesses in this area in the Property Analysis.

5.15.4 In order to assess the options for white fish processors based in Aberdeen, particularly those located in the North Dee Business Quarter, two sizes of seafood hubs were designed and costed to determine prices, and indicate potential rentals. In order to meet the requirements of the primary white fish processors based in Aberdeen, sites at the south side of the city were considered. As indicated in the Property Analysis, the provision of a new seafood hub in the south side of Aberdeen would be prohibitively expensive, requiring rentals of £17/ft²/annum to be charged, even if significant public grants (35%) were accessed for the development.
With cheaper land prices out with Aberdeen e.g. at Peterhead or Fraserburgh, development costs would be reduced, but even at these locations a rental of approximately £12/ft$^2$/annum would have to be levied, assuming grant assistance of 35% was provided. Only two businesses in Aberdeen expressed an interest in moving to Peterhead although, at the time of the survey, comparative costs for developments in Aberdeen and Peterhead/Fraserburgh were not available. The estimated rentals for the Aberdeen seafood hubs at £17ft$^2$ are prohibitive. Rentals for similar hubs at Peterhead, at £12p/fr$^2$, are also considered to be too high.

In order to meet the immediate requirements of some of the larger-scale white fish primary processors in the North Dee Business Quarter, who would find it more difficult to relocate out with Aberdeen because of staffing issues, an opportunity was identified in West Tullos Industrial Estate, on the south side of Aberdeen. This site could accommodate 3 or more fish processors. Discussions are proceeding, which may provide an option for some of the larger white fish processors in the North Dee Business Quarter wishing to relocate.

5.15.5 Peterhead Port Authority has expressed an interest in providing up to 5 small units (average 1,500ft$^2$) in the Albert Street/Volum Street area at Peterhead Harbour, adjacent to the site of the proposed new fish market. These units, which could accommodate at least some of the small-scale processors from the North Dee Business Quarter, could be made available quickly, at a rental of between £5-£8/ft$^2$/annum. It is believed that seafood processors relocating from Aberdeen to Peterhead could benefit from operational cost savings by relocating.
The Peterhead Port Authority has medium term plans to redevelop the existing slipway site which could be used for the construction of new seafood processing units, and, in the longer term, the Port Henry Basin could be infilled to provide a site for additional seafood processing units, provided demand was identified. Existing seafood processing premises, which could be upgraded/subdivided are available in Fraserburgh, with one processor expressing an interest in developing a site for small seafood processing units near the Fraserburgh Fish Market.

5.16.6 In order to meet the immediate requirements of some of the larger-scale white fish primary processors in the North Dee Business Quarter, who would find it more difficult to relocate out with Aberdeen because of staffing issues, an opportunity was identified to acquire the a building and site at Tullos Industrial Estate, on the south side of Aberdeen. This site could accommodate 3 or more fish processors, and negotiations are proceeding between the North Dee Business Quarter developer, and the owner of the site, which could lead to some of the larger white fish processors in the North Dee Business Quarter being relocated.

5.16.7 Smaller sites in industrial or commercial areas may become available in Aberdeen in the future, but it is unlikely that processors will be able to afford the high rents required to meet the site and development costs without substantial public intervention e.g. high levels of grant to reduce costs and consequently rental levels. These high levels of grant are only available to public organisations e.g. local authorities or port authorities.

5.16.8 Processors in the primary processing sectors elsewhere in Aberdeen, as well as in Peterhead, Fraserburgh and the rural areas, indicated that they had capacity within their existing facilities, and with their existing equipment, to increase production throughput by between 30-35% on average if supplies are regular. In some cases a potential capacity of 50% existed, although, at times when fish/shellfish are plentiful, this capacity is fully utilised. There is, therefore, no spare production capacity, if supplies are plentiful, particularly in the small/medium sized primary processing businesses located in NE Scotland, which could accommodate increases in supplies brought about by higher quotas or as a result of the Landing Obligation legislation.

Larger primary white fish processors also have some spare production capacity and could handle significant increases in throughput if supplies of fish/shellfish were made available. However, it must be appreciated that, particularly in the white fish processing sector, these large businesses tend to specialise in particular species, and, particular fish sizes e.g. small haddock.

5.16 **Future Market Opportunities**

5.16.1 As part of this survey, processors were asked to identify areas of future market opportunity.
5.16.2 In the pelagic sector, processors considered that they had made significant progress in identifying and developing export markets for high-quality Scottish herring, mackerel and other pelagic species. Investment in marketing by these businesses was substantial and considered by them to be essential if Scottish pelagic fish is to compete successfully with Norwegian, Icelandic and Faroes supplies in international markets. Each of the main pelagic processors attended the key fish exhibitions in Europe and the Far East, and each had a well-developed strategy for accessing and developing new customers, particularly in emerging new markets. However, each pelagic processor considered that it was very difficult to compete with foreign suppliers, particularly the Norwegians, whose pelagic processing sector enjoyed government marketing financial incentives amounting to several million pounds on an annual basis.

5.16.3 Processors in the shellfish sector also had well established market development strategies, focused primarily on the export market. They serviced the requirements of long-established quality customers, mainly in Europe, although new export markets were opening up in the emerging economies in the Far East, particularly in China. Scottish shellfish processors are able to compete effectively in international markets, not least because of Scotland’s high profile and reputation for quality. This differentiates Scottish shellfish from its competitors. One small-scale shellfish processor transports live langoustine to continental European customers in France, Spain and Portugal, maximising the value of this important Scottish species.

5.16.4 The larger-scale primary white fish processors have well developed market strategies in place, and tend to specialise in processing particular species and particular fillet sizes. These are destined mainly for value-adding businesses who then sell on their products to UK multiple retailers including Marks & Spencer. The wholesale and food service sectors are also key market areas for these larger-scale primary white fish processors. Medium sized and smaller-scale white fish primary processors tend to supply the UK inland wholesale fish market, with some products destined for European wholesalers. Some more progressive white fish primary processors e.g. Downies, have developed new markets further afield i.e. in Canada, and attend the Boston Seafood Show. Processors agree that some wholesalers can be unreliable, moving to alternative supplies and suppliers when prices rise. These processors experience significant price resistance when the costs of fish rise beyond a certain point. When prices reach this point, wholesalers switch to other sources e.g. imports, or transfer to other forms of protein. The inland wholesale market is considered by many processors to be crowded and, because it is of a finite size, there is a tendency for wholesalers to attempt to use this fact to force down prices, switching from one processor to another, if even small savings can be achieved. This does not increase the market for Scottish quality white fish. A number of processors believe that the activities of some
government agencies have, in the past, had the effect of merely displacing business from one processor to another, with no net benefit for the sector.

5.16.5 The value adding businesses located in NE Scotland have well established supply arrangements with key UK and export customers, particularly retail multiples. Contracts with multiple retailers come and go but, in general terms, these larger-scale businesses have well developed sales and marketing strategies.

5.17 **Understanding of Common Fisheries Policy (CFP) Reform**

5.17.1 The survey indicated that knowledge of the CFP reforms was, in general, poor. To an extent, this is understandable in that, at the time the survey was being undertaken, little clarity had emerged in relation to key issues such as the Landing Obligation legislation (no discards).

5.17.2 Between July 2014 and January 2015 some progress has been made, although it is still unclear what impact Landing Obligation legislation will have on the NE Scotland processing industry.

5.17.3 It is unlikely that the full implications of the introduction of Landing Obligation legislation will be known until it is in place. The legislation comes into force for the pelagic sector in 2015, with the shellfish and white fish sectors following in 2016. It is unlikely that Landing Obligation legislation will have a substantial impact on pelagic landings as there is relatively little by-catch associated with this fishery. However, in a mixed fishery, it is difficult to see how the requirements of quota legislation and Landing Obligation legislation can be compatible, particularly in relation to so called “choke” species such as hake, for which there is such a small quota. Fishermen could well be prevented from going to sea to fish for other species because of the risk of catching hake, for which no quota can be obtained, yet which will have to be landed to meet Landing Obligation legislation requirements.

This debate is continuing, and Landing Obligation legislation will be referred to in more detail in a later section of this report.

5.18 **Benefits from Accreditations**

5.18.1 Although there were mixed views on the benefit of accreditations, the majority of processors interviewed in the survey indicated that there were no significant benefits in participating in accreditation schemes such as those operated by the Marine Stewardship Council (MSC). Larger-scale processors, particularly those supplying UK multiple retailers, found it a benefit as an additional weapon in their armoury when competing with some other suppliers, but even they admitted that there are significant costs involved, and having accreditation had lost its edge in that more and more competitors were now accredited, reducing its uniqueness.
5.18.2 A large majority of smaller-scale white fish and shellfish processors did not consider that there was any benefit in being MSC accredited because their customers, principally wholesalers in England, were only interested in two things, the quality/size of the fillets they received and the price. Accreditation under the MSC scheme would, therefore, only result in an increase in costs, with no increase in returns.

5.18.3 There are however, notable exceptions to this attitude, with a handful of businesses keen to embrace sustainability, and demonstrate this by becoming accredited under the MSC scheme. One such example is Sustainable Seafoods in Peterhead. At present however, these businesses are relatively few and far between.

5.18.4 Processors in NE Scotland considered that the Responsible Fishing Scheme (RFS) represented an indirect accreditation which could provide benefits, but did not involve the processor in additional costs. This perhaps explains why it is the more popular option.

5.18.5 The knowledge and understanding by fish processors of the new labelling legislation, which has recently been introduced, was patchy. In general terms, larger-scale businesses who have QA departments were more aware of the new labelling legislation, although there continued to be significant confusion regarding its requirements and implementation. This is not surprising in that there continues to be a degree of confusion in the minds of those seeking to introduce the legislation. Processors see the introduction of the new labelling legislation as an additional significant cost with no benefit generated. In general, they do not see the need for an overly complex system which they believe could be simplified to provide the information necessary for food labelling and safety without providing additional detail which is not necessary.

5.19 Distinct Scottish Labelling/Branding

5.19.1 The majority of fish/shellfish processors based in NE Scotland considered that benefits could be derived by promoting a distinct “Scottish” label on seafood products. Most of the large-scale businesses, in all sectors, already promoted the Scottish provenance of their products considering that, as a brand, it added value without adding any significant cost. Scottish products have a high reputation for quality and freshness in international markets, a fact which progressive processing businesses believe they should fully capitalise upon.

5.19.2 Smaller-scale processors are less enthusiastic about using and promoting a distinct Scottish label, unless they are involved in servicing the needs of export customers. White fish primary processors, supplying UK inland wholesale markets, believe that very little, if any, benefit would accrue by branding their products as “Scottish”.

Those who supported the use of a “Scottish” brand argued that its use would be devalued if there were no clear and demonstrable points of differentiation underpinning the brand, particularly related to provenance, quality and sustainability. However, if these criteria could be met, a significant number of processors indicated that it could provide tangible benefits.

5.19.3 Research undertaken by Seafood Scotland suggests that consumers are primarily interested in food safety, freshness and price, when it comes to seafood purchasing decisions. Country of origin is relatively much less important to consumers. However, Peterhead white fish are classed as the highest standard at the Billingsgate Fish Market in London, and Scottish fish provides retailers with a significant shelf life advantage, preserving premium quality longer. It is notable that a key multiple retailer (Aldi) is currently engaged in a major advertising campaign promoting “Scottish” fish to customers, focusing on educating children on the benefits of eating locally sourced quality seafoods.

5.20 Industry Support

5.20.1 As part of the survey, processors were asked what type of industry support input would most benefit their businesses. A number of options were listed in the questionnaire including support for production, marketing, packaging, factory accreditation and staff training.

5.20.2 Processors considered that staff recruitment, training and retention were major issues for their businesses. Assistance in staff training is, therefore, a high priority, particularly for smaller processing enterprises. The larger businesses also have training issues, but tend to have internal training departments and strategies in place which can overcome staffing issues. The large seafood companies tend to use more agency staff on a full time basis, with additional part-time agency workers employed during the busy seasons. Training is more of an issue for smaller-scale processors, particularly as these tend to process higher-value species, cod in particular. It is estimated that it takes 3 months to train a fish filletor. Small processing companies have to absorb considerable wastage costs during this period, which is expensive when high-value inputs are used.

5.20.3 Some medium-sized and large processing companies believe that they should receive more industry support than they do at present, taking into account the impact their operations have on the individual seafood processing sectors in NE Scotland. They believe that, if the objective is to develop the seafood industry as a whole, then the support should be targeted more at businesses which are of a scale, and which have the capacity, to move the industry forward. Over the years, they argue that larger companies have tended to be sidelined in relation to public sector assistance, in favour of smaller enterprises who, they argue, have much less impact, not only on the development of the seafood industry, but also on the local economy. Indeed, once processing businesses reach a
certain size, they are excluded from almost all forms of grant assistance for capital and non-capital projects. Notwithstanding, there are opportunities to increase the level of industry support for these businesses, particularly in relation to marketing and new product development. This is dealt with in more detail in a later section of this report.

5.20.4 In relation in smaller businesses, particularly in the primary white fish processing sector, it was noted that, in more than a few cases, the premises used for processing were not of a high quality, which undoubtedly has a negative impact on efficiency/productivity and potentially, product quality. In these cases, industry support related to production efficiency would provide significant benefits to processors, and help improve the overall quality of processing facilities in NE Scotland.

5.20.5 The majority of medium sized seafood processors indicated in the survey that they would welcome grant assistance for marketing, packaging design and, where appropriate, factory accreditation. The development of websites was singled out as a particular area where industry support could be provided. Many smaller-scale processors do not have websites, or their websites are out of date. Assistance should be provided via grants to assist in addressing this issue. In addition, consideration should be given to developing apps and, in some cases, facilitating “direct selling” of premium quality NE Scotland seafood.

5.20.6 The views of processors were sought on industry bodies and agencies which provide support for seafood processors, not only in NE Scotland, but throughout the country. Processors were surveyed on the level of contact with, and knowledge of, Seafish, Seafood Scotland and Scottish Seafood Association. At the same time, processors were asked if they had received assistance from any other organisation such as a government department, local authority, enterprise company, or enterprise trust. The large majority of processors indicated that they had received little assistance from Seafish, and they considered the organisation to be “remote”. This feeling of “remoteness”, experienced by some processors, included a lack of feedback from exhibitions attended by Seafish, and a perception that the organisation was biased towards the catching sector. Many felt that they did not receive good value for money for the levy paid to Seafish, and that the priorities of the organisation needed to be reviewed so that more emphasis was placed on UK, and particularly Scottish, processors. However, one or two processors pointed out the significant benefits which had been gained from Seafish’s activities, particularly in relation to providing scientific back up information which allowed the erroneous arguments of environmentalists to be robustly refuted in relation to the sustainability of certain fish species. Any negative attitude towards Seafish may, therefore, relate primarily to the lack of understanding of the role of the organisation and the need to improve communication.
Seafood Scotland, which is partly funded by Seafish, was more highly regarded by the processors interviewed. Regular communication took place, with specialist advice and assistance being provided in marketing and operations. Processors considered that the technical and marketing advice provided was relevant and useful, and the organisation played a key role in assisting with the promotion of Scottish seafoods at key events such as the Global Seafood Expo in Brussels.

A large proportion of the seafood processors based in NE Scotland are members of the Scottish Seafood Association (SSA). They considered that the association provided a range of benefits, including representing their interests, particularly when dealing with government departments and support agencies. The organisation had also been responsible for piloting key practical solutions to issues such as the provision of forward landing information. SSA kept in regular touch with all its members and organised information events, as well as meetings with key individuals including government ministers. The organisation also represented the interests of seafood processors in key organisations, committees and working groups. This was considered to be valuable by the processors interviewed in the survey.

5.21 Fish Market Operation

5.21.1 White fish processors based in NE Scotland purchase the majority of their raw materials at the Peterhead Fish Market. However, they also buy directly or have agents purchase fish for them at the Shetland electronic auction, as well as from ports on the north and west coast of Scotland. The benefits generated by fish processors based in NE Scotland are, thereby, spread throughout the country and they are of particular importance to remote maritime communities.

5.21.2 As part of the survey, white fish processors were asked for their views on the operation of the Peterhead Fish Market, and the fish buyers bond. The latter is an established guarantee system involving processors lodging money in a separate bank account to meet the costs of their weekly purchases of fish. A bond is required in each port in which the processors purchase fish.

5.21.3 As the Peterhead Fish Market principally handles white fish, with some shellfish on a separate site, only the views of white fish processing businesses were sought in relation to the operation of the auction. Only 1 interviewee indicated that the auction should be electronic, with all other processors considering that it should remain a shout auction.

5.21.4 Although a number of Aberdeen processors felt that the auction should commence at an earlier time, rather than 7.00 am as at present, the majority of processors felt that the opening time should remain unchanged. Aberdeen processors can experience significant delays in the transfer of fish from Peterhead to their Aberdeen factories due to traffic congestion in the outskirts of the city. This is a continuing problem, and it is not clear that the situation would be
improved by moving the opening time of the Peterhead Fish Market. Processors in Aberdeen can find it difficult to complete their orders for shipment by the logistic company deadline in the afternoon if fish supplies are delayed in the morning. It also reduces labour utilisation efficiency, if staff are on-site, but the fish have not arrived.

5.21.5 Regarding the bond/guarantee system, almost all processors indicated that, on balance, guarantees were required, and the current system should continue. They could see no advantage in taking out an insurance policy as an alternative, as this would add costs to their operation. In addition, there could be complications in operating such a system. Many processors saw the current bond/guarantee system as a useful filter, keeping out less desirable elements who may wish to enter the trade if such a guarantee system did not exist.

5.22 **Fish Boxes**

5.22.1 Almost all fish processors had no issues with the current fish box rental system, and how it operated. However, a few processors were of the view that, whilst they used fish boxes for a day, they paid more than fishermen paid, although they were using them for a trip, which could be up to a week or more. Returning boxes, particularly from long distances and abroad, could also be, from time to time, an issue for certain processors. However, overall, most processors were satisfied with the current system.

5.23 **Predicted Future of Seafood Processing in NE Scotland**

5.23.1 Each processor surveyed was asked to make a prediction of what they thought the seafood processing sector would look like in NE Scotland in 20 years time. It is appreciated that such a prediction is not an exact science, but it was felt appropriate that the views of processors should be sought.

5.23.2 All processors predicted that there would be a lesser number of processing businesses in NE Scotland in 20 years time. Currently, there are 78 businesses and one processor predicted that, in 20 years time, there would be less than 20. However, the majority of processors indicated that the total number of businesses could reduce by up to 20. This reduction would be brought about mainly by natural wastage, although it was recognised that, as in all business sectors, there were a number of companies which were currently potentially at risk financially.

5.23.3 The processors predicted that the existing large companies in the primary processing white fish sector would increase their influence on the purchase of raw material supplies and the sale of finished products, but they would continue to specialise in producing specific sizes of fillets for specific markets. The number of smaller-scale white fish processors would reduce significantly, primarily through natural wastage, combined with a lack of new entrants to the sector.
Medium sized progressive white fish primary processors would take up the slack, ensuring that sufficient processing capacity was retained, even although the number of businesses was reduced. 

*If the supply of white fish increases by expanding quotas, or through the Landing Obligation legislation, opportunities could be created for relatively rapid expansion of primary white fish processing in NE Scotland. However, to accommodate this, additional processing facilities will need to be provided to increase production throughput capacity. This increase in production will require to be accompanied by an increase in market development to avoid an oversupply situation arising, resulting in lower prices and shrinking margins.*

5.23.4 Processors involved in the shellfish sector considered that, if quotas remained as they were or increase, it is likely that the shellfish sector in NE Scotland will continue to grow. Shellfish processors in NE Scotland are ideally placed to capitalise upon increased raw material supplies.

5.23.5 Value adding companies also considered they had significant opportunities to grow their businesses in the future, albeit in tight market conditions, particularly in the retail sector. They see innovation and new product development, often in collaboration with their customers, as the way ahead, securing their future by building strong customer relations.

5.23.6 The only large-scale salmon processing company based in Aberdeen predicts steady growth in the years ahead, based on the relatively stable raw material supply and growing export markets.
6. STRENGTHS, WEAKNESSES, OPPORTUNITIES, THREATS (SWOT) ANALYSIS

6.1 The information gleaned from the survey of the seafood processors and stakeholders in NE Scotland has allowed an analysis of the Strengths, Weaknesses, Opportunities and Threats for the seafood processing sector in NE Scotland to be undertaken.

6.2 This analysis is presented below:

**Strengths**
- Reputation/Product quality/freshness/provenance.
- Proximity to main UK fresh fish/shellfish landing centres.
- Traditional skilled/artisan staff - innovative/flexible business managers.
- Diversity of raw materials, white fish, pelagic fish, shellfish, salmon.
- Diversity of markets, wholesale, retail, food service, in UK, Europe and rest of the world.
- Range of business sizes, niche to large-scale volume production.
- Demand for fresh seafood is healthy, and rising.
- Ability to market all fish landed, especially seasonally, such as the case of hake.

**Weaknesses**
- Insufficient volume of supply.
- Irregularity of supply.
- Staffing issues recruitment/retention/training.
- Lack of communication between processors/fishermen.
- Lack of long-term strategy for growth.
- Insufficient margin to stimulate investment.
- Size of premises/quality of premises - insufficient to meet future needs.
- Traditional culture and lack of willingness to learn from other business models.
- Smaller processors not recognised for their strategic importance in flexibility and ability to pay top prices.
- Reduction in number of logistics/distribution companies.
- Lack of finance for capital investment and trading.

**Opportunities**
- Fully capitalise upon product quality/freshness/natural/artisan/Scottish brand.
- Improve efficiency/effectiveness of production/minimise production costs.
- Invest in premises/equipment to enhance the quality of processing environment/products.
- Increase margins by developing new markets, particularly export.
- Maximise returns by adding value/branding.
- Diversify into new products/species.
• Collaborative working between processors e.g. extending their product ranges, shared distribution and services e.g. administration.
• Supply chain development e.g. Fish4Market app.
• Implementation of key development initiatives in training, quality and marketing.
• New Peterhead Fish Market attracting more fish into NE Scotland.
• Quota consultation securing more seafood quota.
• Establishment of a single forum for seafood processing industry to network and raise issues.
• New EMFF capital development grant funds.

**Threats**
• Landing Obligation.
• Availability of fish/shellfish reduces to levels which are unsustainable for processors.
• Irregularity of supply threatens/destroys customer relations.
• Prices of fish/shellfish increase to uncompetitive levels.
• Product displacement by imports.
• Environmental organisations promote negative viewpoint on sustainability of stocks.
• Politically promoted closure of markets e.g. to Russia.
• Over-enthusiastic UK interpretation of CFP and other legislation e.g. food labelling/safety.
• Loss of supporting infrastructure and services e.g. transport, packaging, fish box hire.

6.3 **Strengths**

6.3.1 Processors in NE Scotland believe that product quality and freshness are major strengths which should be fully capitalised upon in the future. NE Scotland is a major UK seafood landing centre, and it has the largest white fish landing port in Europe. Proximity to the raw material supply ensures premium quality and freshness, with minimal time between landing and processing. Many processors believe that there is a need to proactively promote the provenance of products produced in NE Scotland and emphasise the “origin” to customers. There is a feeling among these processors that more needs to be done to promote “Scottish”, and “NE Scotland” products more forcibly, thereby enhancing the profile of these names.

6.3.2 There is a long tradition of fish processing in NE Scotland, and there is a skilled processing labour force. This is particularly the case with hand filleting. However, this skill is diminishing due to the increasing age/retirement of skilled filleters, and it is proving difficult to attract new employees into the sector. Processors in NE Scotland have the skills within their businesses to produce “artisan” products, although not all of them fully appreciate this and, therefore, fail to capitalise upon it, and generate maximum margins.
6.3.3 Not only is there a skilled labour force in the seafood processing businesses located in NE Scotland, but there is also a core of experienced and skilled managers in the area, particularly in the medium sized and larger businesses. These managers have demonstrated innovation and flexibility in developing successful businesses in difficult trading circumstances.

6.3.4 There is a diversity of raw materials available to fish processors located in NE Scotland. This allows the businesses a gain a degree of flexibility in terms of combining different species to maximise production flexibility, enhance margins and reduce over dependence on one particular species. Some businesses have successfully combined the processing of white fish and shellfish (Whitelink Seafoods, Piper Seafoods), with Nolan Seafoods successfully processing both white fish and salmon.

6.3.5 Innovative management in relation to products and markets is particularly evident in the value-adding sector, with key businesses such as Joseph Robertson, Nor-sea Foods, Thistle Seafoods, International Fish Canners and Young’s seen as leaders in the field of the creation and development of innovative new seafood-based product lines, often in collaboration with their retail customers.

6.3.6 The diversity of markets supplied by NE Scotland based seafood processors is a key strength. The smaller white fish processors tend to supply wholesalers, particularly in the UK but also, to a lesser extent, in Europe, whilst the larger businesses, as well as supplying UK and foreign wholesalers, also supply retailers and the food service sector. The larger-scale value-adding businesses tend mainly to focus on supplying retailers, particularly multiple retailers, both in the UK and export arenas. Such market diversity nurtures stability in the NE Scotland seafood processing industry, preventing over reliance on certain market areas, thereby reducing commercial risks.

6.3.7 The seafood industry in NE Scotland contains a range of business sizes. This range includes smaller-scale hand filleting “artisan” processors, specialising in different species of fish and different “cuts”, e.g. butterfly fillets, angel fillets etc. These businesses take full advantage of skilled labour and produce consistently high quality products with minimum waste. This not only maximises the margin for seafood products, but it also minimises the production of waste (offal). This maximises the utilisation of the landings.

In contrast, larger primary processors of fish and shellfish have attempted to automate as much of the process as possible, so that large volumes of raw material can be processed as quickly and as efficiently as possible. That is not to say that these businesses do not also hand fillet at certain times, where this is more appropriate.

This spread of business size promotes flexibility in the north-east Scotland seafood processing industry, and ensures that all the species, and differing sizes of fish/shellfish, can be processed efficiently. Smaller scale white fish processors play a key role in processing fish species and sizes avoided by larger scale processors.
This introduces stability and improved competition in the market for quality fish and shellfish.

6.4 Weaknesses

6.4.1 The survey of processors indicated clearly that the lack of sufficient volume of supply, and the irregularity of supply, were the two main weaknesses encountered in operating their businesses. The volume of fish/shellfish supply has been reducing due to quota reductions and days at sea restrictions, accompanied by a number of vessel decommissioning schemes. However, over the past few years fishermen argue that certain fish species have never been more abundant and, in 2015, some quotas of key species have been increased to take this into account. The fish processing sector has contracted to remain in equilibrium with the volumes of fish being landed which means that, if volumes increase, which is expected to be the case, the processing sector, particularly in relation to white fish, has insufficient capacity to respond effectively.

6.4.2 Although white fish processors believe that they have some spare production capacity, when landings are plentiful all that spare capacity is used and, indeed, additional capacity is required. This leads to fish/shellfish being kept overnight or longer, which prejudices quality.

6.4.3 The recruitment, training and retention of local fish processing staff represent weaknesses in the seafood processing sectors in NE Scotland. There is a dearth of local individuals wishing to work in seafood processing because they believe the jobs to be cold, wet and smelly, offering few opportunities for advancement. Seafood processors have had to overcome this shortage of local staff by employing agency workers. These individuals, whilst hard working and diligent, tend to be transient, using fish processing as a stepping stone to a better post in another, more attractive, sector. Any training is, therefore, wasted, and it is difficult to develop team work on the production line. The training of staff involves a significant cost for processors, not only in relation to the time taken by the individual to gain the skills, during which they are relatively unproductive, but also in the high cost related to wastage of raw materials during the training process. This is particularly the case in the white fish sector in which the relative value of raw materials is very high. The shortage of skilled staff leads to disharmony amongst processors who feel that the best workers are “stolen” by neighbouring businesses who are offering a slightly higher rate of pay.

6.4.4 The lack of communication between processors and fishermen is seen by the former as a significant weakness. The processors believe that fishermen consider that their responsibilities finish at the auction floor, and provided that they secure an adequate price for their fish/shellfish, then they have no interest in what
happens further down the supply chain. Whilst this might be the case with some fishermen, those who were interviewed did not subscribe to this view, and work closely with processors to benefit both parties. However, it is believed that there is a basic “disconnect” between processors and fishermen which significantly reduces the efficiency of the supply chain and restricts returns for all parties.

6.4.5 During discussions with fish/shellfish processors and stakeholders, it became clear that there is no long-term overarching strategy for growth and development in the NE Scotland seafood processing industry. The larger businesses, particularly those which are part of groups, have their own strategies for growth, but many of the small, and even some of the medium-sized businesses, operate on a day-by-day survival basis, with little thought given to the development of long-term objectives.

6.4.6 The high price of fish/shellfish, and the price resistance of customers, are eroding margins for many processors based in NE Scotland. This has discouraged investment in capital projects related to building improvements and the purchase and installation of plant/equipment. Leading processors have continued to invest, but many, particularly smaller-scale white fish processors, have not enjoyed sufficient returns to allow them to invest their own capital, or borrow from commercial sources.

6.4.7 Poor margins, which have restricted capital investment by processors, have meant that the quality of the facilities occupied by a significant number of fish/shellfish processors are of a lower standard than they should be and, in some cases, the facilities would struggle to achieve the minimum standards required by environmental health legislation. These premises are of insufficient size and quality to allow them to meet the future requirements of their owners, and this is seen by the processors themselves as a significant weakness in the sector. That is not to say that leading processors, both large and small, have not invested in improving the quality of their facilities, which places them in a better position in regard to attracting additional business in the future.

6.4.8 It is recognised by some processors that there is a “traditional culture” in the seafood processing sector, with an unwillingness to learn from other business models. Much could be learned by considering business models in other food sectors e.g. meat, where there are parallel issues. NE Scotland is a key area for food processing, and much could be gained by considering parallel issues and best business practice.

6.4.9 The seafood industry has a weakness in not recognising the strategic importance of small-scale processors, as they introduce flexibility in relation to species processed and sizes processed. They also tend to pay top prices for premium quality fish and can respond quickly and effectively to changes in raw material supplies and markets. There is a need to maintain a “critical mass” of smaller-scale
processors to secure this flexibility and promote the future sustainability of the seafood sector in NE Scotland.

6.4.10 The relatively poor returns achieved in seafood processing businesses over the past few years has resulted in a restricted amount of finance available to processors for capital investment. This situation has been exacerbated by a lack of interest from the banks in investing in seafood businesses. Lack of capital investment leads to inefficiency which, in turn, erodes the sustainability of the seafood industry in NE Scotland.

6.5 Opportunities

6.5.1 There is a valuable opportunity for processors in NE Scotland to fully capitalise upon the enviable reputation for quality of Scottish seafood in both the UK and export markets. It is the belief of a number of processors that significant benefits could accrue by developing a distinct “Scottish seafood brand”, backed by information provided to the customer on provenance, sustainability, quality and food safety. At a regional scale, developing the brand of NE Scotland as “Scotland’s Seafood Centre of Excellence” could provide significant benefits for locally based processors. A Scottish national or regional quality brand could add additional value to seafood products without substantially increasing production costs. It is recognised, however, that the prime factors taken into account in the consumer purchasing process are quality, food safety and price and not country of origin. Notwithstanding, opportunities exist to fully capitalise upon “Scottish” as a brand.

6.5.2 There are significant opportunities for processors to enhance the efficiency and effectiveness of the seafood supply chain by improving communication with fishermen, and promoting a more collaborative approach in pursuit of the maximum returns for quality Scottish seafood. Collaboration and co-operation commence with communication, and how this can be achieved is described later in this report.

6.5.3 Improving the operating efficiency of the supply chain would enhance margins for processors which, in turn, should place them in the position of being able to reduce uncertainty with regard to the irregularity of supply. If quotas increase, the volume of supply will be enhanced, with processors better able to meet the requirements of their customers, and improve their margins. Higher returns will encourage processors to invest in projects which will improve their efficiency and productivity, as well as improve the quality of their processing facilities and products.

6.5.4 Investment in facilities, combined with higher and more regular supplies, will allow processors in NE Scotland to confidently commence the accessing and development of new markets where margins can be improved. This is particularly
the case in the export market, where the risks of merely displacing business from other Scottish processors are reduced.

6.5.5 Improved margins will create an opportunity for processors in NE Scotland to diversify into new product ranges and species. This will allow them to increase the “offer” to their customers, as well reducing commercial risks by minimising over-reliance on one or two key products. In turn, this will help to introduce more stability into the NE Scotland seafood processing sector.

6.5.6 The product ranges of processors could be extended by collaborating with other enterprises in the sector. Indeed, collaboration offers a significant opportunity for processors to reduce costs by sharing services e.g. storage, distribution and administration. Collaborative working could play a key role in enhancing opportunities for the development of the seafood industry in NE Scotland. This collaboration should extend beyond the seafood sector into other food sectors in the North East, e.g. meat processors.

6.5.7 There exists significant opportunities to enhance the efficiency of the operation of the supply chain. This is dealt with in detail in a later sector of this report.

6.5.8 The implementation of key development initiatives in training, quality and marketing provide opportunities to significantly enhance the efficiency, productivity and sustainability of seafood processors in NE Scotland. These initiatives have been developed by Seafish, Seafood Scotland, Scottish Seafood Association, Skills Development Scotland and others.

6.5.9 The investment being undertaken by Peterhead Port Authority in the construction of a new Peterhead Fish Market will provide an opportunity to attract more fish landings into NE Scotland. As indicated throughout this report, there is a need to increase fish supplies, as well as improve the regularity of landings. The new fish market will play a key role in achieving this.

6.5.10 Securing enhanced quotas provides an opportunity to increase the volume of quality Scottish seafood landings in NE Scotland. Increasing the availability of fish and shellfish is essential for the future sustainability of the seafood processing industry in NE Scotland.

6.5.11 An opportunity exists to strengthen the influence of the seafood processing industry and assist with its representation in negotiations with government if a “single voice” can be created by the establishment of a single forum or network through which collective issues can be raised. This will help address the issue of “fragmentation” within the seafood processing industry in NE Scotland.

6.5.12 The introduction of the new EMFF capital development grant scheme in the summer of 2015 will provide opportunities for businesses engaged in seafood processing in NE Scotland to access grant contributions for development projects
involving buildings and plant/equipment. This will provide valuable incentives to encourage capital investment, leading to growth.

6.6 **Threats**

**6.6.1** Seafood processors in NE Scotland perceive any reduction, or restriction, in the availability of raw material supply as a major future threat for the seafood processing industry in NE Scotland. This could be brought about by reductions in quotas, days at sea, or the imminent introduction of the Landing Obligation legislation. Any of these factors could lead to a situation where the availability of fish/shellfish is reduced to levels which are unsustainable for processors. Processing businesses are particularly concerned about the introduction of the Landing Obligation legislation which came into effect for pelagic fishermen at the beginning of 2015, and will come into effect for white fish/shellfish fishermen at the beginning of 2016. However, very little information exists at present on what impact this will have on landings, and particularly what effect it will have on the volume of fish for human consumption which will be available following the introduction of the new legislation. What is undeniable is that it is difficult to reconcile the operation of the Landing Obligation legislation and the operation of the seafood quota system. This subject is dealt with in more detail later in the report. This uncertainty is already having a significant impact on delaying capital projects, with processors unwilling to commit to projects before some clarity emerges.

**6.6.2** Irregularity of supply, brought about by reducing quotas or Landing Obligation legislation, threatens processor/customer relations for NE Scotland based seafood processors. Customers require consistency of supply, as well as high product quality and competitive prices. Anything which prejudices consistency is a threat to seafood processors.

**6.6.3** Reducing volumes, and irregular supplies of fish/shellfish, can lead to higher and less consistent prices which, in turn, can price processors out of the market and lead to uncompetitiveness. It is unclear, at this stage, what impact Landing Obligation legislation will have on supplies and prices of fish/shellfish following its introduction.

**6.6.4** If fish/shellfish prices rise significantly following a reduction in quota, or as a result of Landing Obligation legislation, NE Scotland based seafood processors will be unable to supply customers, both in the UK and abroad, with products at a price which they are prepared to pay. These customers will seek alternative supplies e.g. from Norway, or switch to less expensive forms of protein e.g. chicken. Some of these customers may not return to Scottish seafood processors, leading to a diminution of the market.

**6.6.5** A less urgent, but yet important, threat to NE Scotland based processors, is that posed by environmental organisations who seek to promote a negative viewpoint
on the sustainability of fish/shellfish stocks, notwithstanding the fact that Scotland can demonstrate one of the best managed fisheries from a sustainability point of view. The biased views of some environmental organisations need to be addressed effectively if the future of quality Scottish seafood, contributing to a healthy diet, is to be preserved.

6.6.6 NE Scotland pelagic processors have experienced, first hand, the threat brought about by market closures as a result of political decisions. The Russian market is currently closed to Scottish pelagic processors, in common with other EU pelagic fish businesses. This provides an important advantage to other competing pelagic processing nations e.g. in Norway, which are not effected by the closure. Fortunately, the negative impact on most of the Scottish pelagic processors has not been as dramatic as initially thought, and measures have been put in place to minimise this impact.

6.6.7 NE Scotland processors consider food safety as a key issue. However, many of them argue that UK and Scottish food safety agencies tend to “gold plate” the regulations by making them more onerous than is necessary, and then applying them more vigorously than is the case in other EU countries. This threatens the competitiveness of NE Scotland seafood processors, if other nations are taking a less enthusiastic approach to food safety.

6.6.8 Loss of supporting infrastructure e.g. transport, packaging, fish boxes hire, etc., represents a threat to the future sustainability of seafood processing in NE Scotland. The reduction in the number of logistics companies servicing the needs of seafood processors has led to less competition which could, in time, lead to a reduction in service provision and higher costs. This will have a direct impact on the future sustainability of seafood processors in NE Scotland.
7. **SEAFOOD SUPPLY CHAINS IN NE SCOTLAND**

7.1 Having considered the Strengths, Weaknesses, Opportunities and Threats in the fish/shellfish processing sectors in NE Scotland, it is necessary to view how processors fit into the overall seafood supply chain.

7.2 A supply chain can be defined as a network of organisations which are involved, through up-stream and down-stream linkage, in the different processes and activities which produce value in the form of products and services delivered to the ultimate consumer.

7.3 Although it is often portrayed that supply chains consist of only a one way material flow, this is an over simplification. In reality, there are a multiplicity of relationships, as well as vital information and financial flows in a number of directions. If these flows are interrupted, the efficiency/ effectiveness of the supply chain, as well as its individual links, is compromised, and its ability to achieve its role of maximising value through co-ordination and collaboration with other links in the chain, will be restricted.

7.4 This next section of the report will focus on the links within the seafood supply chain in NE Scotland and the challenges/opportunities facing the various sectors.

7.5 **Pelagic Supply Chain**

7.5.1 The pelagic fish sector has a short and simple supply chain, with processors having developed long-standing supply “arrangements” with individual pelagic vessel owners. In the case of Lunar Freezing, the processing facility and vessels are owned by the same business. (It should be noted that a large percentage of the pelagic fish caught by Scottish vessels is landed in Norway).

7.5.2 From time to time, foreign landings are made to NE Scotland pelagic processors, and local pelagic businesses also purchase fish on the Norwegian pelagic fish auction.

7.5.3 Finished products are held in the cold stores of the processors, or in public cold stores, until they are dispatched in ocean going refrigerated vessels (reefers) to customers mainly in Europe and the Far East.

7.5.4 The pelagic fish supply chain is efficient, with a high degree of communication and understanding between the links, and it is difficult to see how its efficiency could be significantly improved.
7.6 **Shellfish Supply Chain**

7.6.1 In a similar vein to the pelagic sector, shellfish processors based in NE Scotland have developed informal supply “arrangements” with individual shellfish vessel owners, with the latter landing to specific processors. The survey suggested that over 85% of shellfish processed in NE Scotland are sourced under such supply “arrangements”.

One shellfish processor, Macduff Shellfish, has taken this a stage further by purchasing fishing vessels and, thereby, securing its raw material supply. In the white fish sector, Lunar has adopted the same strategy.

7.6.2 Unlike pelagic species, which are landed principally at Peterhead, nephrops are primarily landed at Fraserburgh, and at other harbours in the North and West of Scotland, before being transferred to shellfish processors, including those based in NE Scotland. The supply chain is, therefore, more complex, and widespread, which leads to the conclusion that there may be opportunities to improve efficiency/effectiveness through enhanced co-operation and collaboration e.g. in transport. This is not only the case in regard to the supply of raw materials, but also in relation to the distribution of finished products, which are primarily destined for the export market.

7.6.3 The supply “arrangements” with vessel owners are informal, with the latter having the opportunity to switch from one processor to another e.g. if higher prices are offered. However, there is a degree of loyalty evident with, in many cases, a close working relationship between the fishing vessel owner and the processor. This assists in developing communication and collaboration between these two important links in the shellfish supply chain. In turn, this promotes improved communication and understanding, which assists with enhancing the operational efficiency/effectiveness of the supply chain.

7.6.4 One important shellfish processor, Braehead SFO, is owned by the key Scottish fishermen’s Producer Organisation - Scottish Fishermen’s Organisation. This cooperative venture has been very successful, and demonstrates the benefits to be gained by co-operation and vertical integration. It represents best practice, and could provide a useful exemplar of a future development option for others in the sector.

7.7 **White Fish Supply Chain**

7.7.1 The white fish processing sector has a more complex supply chain than is evident in other seafood sectors.

7.7.2 White fish processors based in NE Scotland purchase their raw materials from a wide range of suppliers (individual fishermen), and in a range of ways. Predominately, white fish primary processors purchase their supplies at the
Peterhead Fish Market, although they also source fish at the Shetland Fish Market (electronic auction), and at other ports in the NE and West Coast of Scotland, as well as direct from fishing vessels. Boats will land into Peterhead, Kinlochbervie, Scrabster and Shetland depending on where they are fishing. When supplies are restricted from these sources, or when fish market prices are high, white fish primary processors also purchase imported fish.

7.7.3 The volume of fish available at the Peterhead Fish Market varies dramatically from day-to-day, and season to season. Less than 100 boxes can be landed one day, with 1,000’s of boxes landed the following day. This variation can arise as a result of both natural and legislative factors including the season, poor weather, quota restrictions and days at sea regulations. These huge variations in availability of supplies create major challenges for primary white fish processors based in NE Scotland.

7.7.4 In the survey, primary white fish processors identified “irregularity of supply” as the single most important threat to their business, and the greatest constraint to future growth and development.

7.7.5 Although irregularity of supply of white fish is often the result of natural factors, e.g. poor weather preventing fishermen going to sea, this situation is not helped by the significant “disconnect” between the fishing and white fish processing sectors. In many cases, communication between the catching sector and the processing sector could be improved significantly for the benefit of both links in the supply chain. Although this has been recognised for some time as an issue, by both fishing and processing organisations, as well as assist agencies, and some progress in improving communication is being made, much work still needs to be done if the efficiency/effectiveness of the supply chain is to be improved. This will be a significant point of focus in the strategy developed for white fish processors in NE Scotland in a later section of this study.

7.7.6 Downstream from primary white fish processing, the supply chain is better organised, although often fragmented. There may be opportunities to improve efficiencies in this part of the supply chain, particularly through collaboration, although primary white fish processors are continually concerned about competitors identifying and stealing their customers.

7.7.7 Over the past few years, there has been an increase in the sale of fish direct from the vessel to the processor. Although this pattern remains relatively undeveloped, those participating argue that there are long-term benefits. Fishing vessel owners can have more certainty with regard to prices, and processors can improve the security of their supply, and more confidently predict the price they will have to pay. This reduces uncertainty for both fishermen and processors, aiding overall sustainability. As indicated earlier in this section, this pattern is now the norm in the pelagic and shellfish supply chains. In some instances, fishing vessel owners
sell different species in the same catch to different processors e.g. haddock to one processor, and flat fish to another, spreading the benefit.

7.7.8 The processors participating in direct purchase believe that they can secure a more consistent quality of raw material by entering into supply “arrangements” with individual vessel owners. They also have the advantage of being able to demonstrate a higher level of traceability, and identifying the vessel which caught the fish can provide a valuable marketing tool, particularly if high-value niche markets are being addressed.

7.7.9 Some white fish primary processors who purchase all of their supplies through the auction are critical of those entering into private arrangements with vessel owners as they believe it gives the latter an unfair competitive advantage, and reduces prices for quality white fish being landed by Scottish vessels, as it dilutes the level of competition at fish auctions.

7.7.10 Notwithstanding, it is believed that there are opportunities to enhance the efficiency of the white fish supply chain, at least for some processors, by encouraging them to consider entering into supply “arrangements” with individual vessel owners for a portion of their raw material needs. However, it should be recognised this could reduce the supply to smaller processors in the industry. As individual catches have increased in volume, and catches are made in less days, fewer processors can handle the quantity of fish being landed privately, resulting in boats landing a percentage of the catch to individual processors, with the balance going to the auction. This is seen as unfair by some processors as it gives those with the private purchases a competitive advantage as they will pay an average price, but usually benefit from the freshest fish, and possibly save on transport charges.

7.8 **Value-Adding Supply Chain**

7.8.1 Value-adding fish processing enterprises based in NE Scotland have a well-developed supply chain for purchasing raw materials from local sources, as well as imported fish.

7.8.2 Value-adding pelagic companies tend to purchase supplies locally, when these are available, although white fish value-adding businesses tend to use more imported products.

7.8.3 Value-adding white fish processors tend to use more imported fish because they argue that supplies are more consistent in terms of size, quality and availability, and prices are lower, allowing margins to be generated in what can often be, for them, a very competitive ready meals market.
7.9 **Salmon Supply Chain**

7.9.1 The salmon processors based in NE Scotland have a well-established supply chain and long-term links with Scottish producers of quality farmed salmon, as well as wild caught fish.

7.9.2 The supply chain is short, with direct purchases from salmon farms on the West Coast of Scotland and the Islands as well as, from time to time, imports.

7.10 Having considered supply chain issues for fish processors based in NE Scotland, it is necessary also to consider issues related to regulation, as regulation affects supplies, before proceeding to develop a future strategy for the seafood industry.
8. **FUTURE FISH/ SHELLFISH SUPPLIES - REGULATION**

8.1 The volume of fish landed in the European Union is strictly controlled and regulated. Scotland, along with other EU nations, must adhere to strict regulations and controls, including:
- Quotas for individual fish/shellfish species.
- Days at sea controls.

8.2 These regulations, applied by the EU, based on scientific advice, are designed to assure the long-term sustainability of fish and shellfish stocks.

8.3 **Quotas**

8.3.1 The volume of fish landed is largely determined by the amount of catch allowable under the current EU quota system, which is, in turn, is heavily dependent upon the calculation of fish stocks by scientists.

8.3.2 Fish/shellfish quotas are set on an annual basis, based on scientific advice, and this system has been heavily criticised over the years, with significant changes now being introduced under the new Common Fisheries Policy. In the past, the quota system has been seen as being very wasteful and environmentally unsustainable, as it encouraged the discarding of fish which were either not of the correct species, or undersized.

8.3.3 However, not only is there disagreement between scientists (ICES and the EU’s own scientists) but fishermen contend, using observations and experience, that the methods used by the scientists are not appropriate or accurate, and the actual stocks available are not the same as those calculated by scientists. Quota for cod is based on the whole North Sea. Cod has migrated north, therefore, scientists make the case that cod stocks have still not recovered, although there is an abundance of cod in the north North Sea.

8.3.4 Fishermen believe that there is scope, particularly in relation to the bio-mass of some species, to increase quotas without placing the future sustainability of stocks at risk.

8.3.5 The belief by fishermen that at least some fish stocks are plentiful is gaining some support from scientists, with quotas for key white fish, particularly cod and haddock, increasing in 2015, as compared with the previous year. There is expectancy within the fishing sector that, over the next few years, this pattern will continue, with quotas rising.

8.3.6 Cod stocks, in particular, which were under significant pressure a few years ago, leading to the development of a specific Cod Recovery Plan, have improved, with fishermen anticipating an increase in cod quota after 2016. In 2006 the cod stock...
capable of reproducing was estimated at 26,000 tonnes. This figure is now estimated at 65,000 tonnes.

8.3.7 In 2013, quota uptake was high, with pelagic fish stock uptake exceeding 96%.

8.3.8 Uptake of quota for white fish species in the North Sea varied, with cod, haddock and saithe (coley) exceeding 98%, whilst whiting reached 93%. However, monk fish and plaice were lower at 63% and 84% respectively. This demonstrates that, notwithstanding limits set by quota, from year to year, fishermen are unable to catch their full allocation, usually as a result of natural changes. For example in 2012 and 2013 landings of Scottish nephrops were very low because, for some reason, they simply were not there to be caught.

8.4 Days at Sea Controls

8.4.1 Fishing effort and landings was also strictly controlled by “days at sea” restrictions. This controls the number of days a vessel can be sea, with these varying depending on the type of gear being used i.e. for catching white fish or nephrops. This applies further a control on the raw material supplies available to processors.

8.4.2 The seafood processors based in NE Scotland argue that, particularly in relation to white fish, because of increased stocks, there is an opportunity to increase quotas for key species, cod, haddock, monk fish and saithe. Additional raw material supplies will allow processors to increase throughput and build turnover, resulting in enhanced competitiveness and improved future commercial sustainability. As indicated in earlier sections of this report, increasing the volume of raw materials available is a key objective if the future of the seafood processing sector, particularly white fish primary processing, is to be secured in NE Scotland.

8.4.3 The quota attached to a particular vessel is determined by its historical fishing track record. Current legislation allows for quota to be retained by an owner, even if the fishing vessel is sold. This has led to the anomaly of some former vessel owners continuing to have quota entitlement, even although they have sold their vessels. These owners can then either sell the quota to third parties e.g. fishermen or vessel management companies, or lease the quota to operating fishermen who have insufficient quota for their needs. The situation of quota being held by fishermen who are no longer going to sea is generally considered by fish processors to be unhelpful, although some vessel owners, and some producer organisations, argue that fish processors do not understand the complexity of quota leasing and that, without leasing arrangements, investment in the industry would reduce, and fishermens’ flexibility would be decreased, which would adversely affect processors.

8.4.4 Producer Organisations e.g. Scottish Fishermen Organisation and Aberdeen Fish Producers Organisation etc. manage quota on behalf of their members, allowing
fishermen to lease quota quickly to cover landings for which they have no quota in their own right.

8.5 **Landing Obligation**

8.5.1 Under Article 15 of the new Common Fisheries Policy (CFP), a new regulation, Landing Obligation is being introduced, which will outlaw the discarding of fish, with even those under the minimum reference conservation size to be landed. This regulation applies only to pressure stock species.

8.5.2 This Landing Obligation measure was introduced for pelagic species on the 1st January 2015, and will be introduced for white fish species, in a phased manner, from the 1st January 2016.

8.5.3 Considerable discussion is currently taking place with respect to the implications for both fishermen and fish processors in relation to the introduction of this new measure.

8.5.4 The current position is still one of uncertainty, with discussion centred on phasing in Landing Obligation rather than commencing at a full-scale with a whole range of white fish species on the 1st January 2016. In 2016, it is proposed that only haddock and plaice will be subject to the Landing Obligation regulation. Had cod and saithe also been included, fishermen believe that this would have obliterated the Scottish fleet within months. Although some fish processors believe that this approach will make no difference, because if a vessel catches it entire quota, say of cod, by April then it will make no difference if it still has significant quota left in other species, fishermen’s organisations strongly challenge this argument.

It is anticipated that the High Level Group of Member States will have a discard plan in place by the end of June, including derogations of deminimis species prescribed. Member States will then have to decide on how to distribute quota transfers (uplifts from the discard column of the TAC) but the final figure of tonnage available will not be known until the December meeting of the Council. No decisions have yet been taken in relation to control and enforcement of the Landing Obligation. However, Marine Scotland will meet with the POs in mid June 2015. The POs believe that the TAC and quota regulation for 2016 will be fully compatible with the Landing Obligation, although there are significant concerns in that the allocation to Scotland for some species falls very short of the present uptakes, a situation that will be compounded by the new CFP with the Landing Obligation.

8.5.5 The implementation of Landing Obligation legislation will have a marked effect on the seafood industry in NE Scotland. What this impact will be is currently being considered by a number of industry/government groups e.g. the Scottish Discard Steering Group, and a report on the impact of Landing Obligation has been
commissioned from Seafish. This report is eagerly awaited by both industry and
government. However, it may have to be treated with caution as the parameters
surrounding it, and some of the indicators within it, are considered by some
fishermen’s organisations to be matters of conjecture. The discard plan is still
under consideration and beyond that, multi-annual plans have to be agreed.
Volumes and sizes will vary considerably as the backstop to any Landing Obligation
is access to quota.

8.5.6 Much will depend on the ability of the seafood sector to respond quickly and
effectively to the changes brought about by the implementation of the Landing
Obligation regulation. The volume of landings could increase significantly, but the
mix of species, and sizes, could vary dramatically, leading to profound challenges
for processors, and the need to maximise flexibility in terms of processing and
marketing.
9. FOUNDATIONS OF A SEAFOOD PROCESSING STRATEGY FOR NE SCOTLAND

9.1 Prior to embarking upon the development of a strategy for the seafood industry in NE Scotland, it is necessary to consider some of the key processes which will require to be taken into account. These key processes include:

- Improving operational efficiency.
- Adding value.
- Market development.
- Diversification.

9.2 Improving Operational Efficiency

9.2.1 In carrying out the survey of seafood processing businesses based in NE Scotland, it was recognised that, whilst the operational efficiency and quality of facilities of some processing enterprises were of a high quality, others were not.

9.2.2 The premises and processing operations of some of the smaller-scale white fish processors in particular, could be improved significantly, although some were of a very high-quality.

9.2.3 Many smaller-scale processors, particularly those in the white fish sector, have not been able, over the past few years, to generate sufficient margins to invest in property upgrades and the purchase of plant and equipment. Many occupy older properties which, by their nature and layout, reduce operational efficiency. The uncertainty over the developments in Aberdeen have not encouraged some processors to invest in their properties as they would not recover their investment.

9.2.4 The recruitment, training and retention of staff is a significant operational issue for all seafood processors with agency labour making up a large proportion of staff. This introduces labour related constraints to securing operational efficiency which must be addressed in any future processing strategy.

9.2.5 Operating efficiency can also be significantly compromised by location. In the North Dee Business Quarter of Aberdeen some larger-scale processors are being significantly adversely effected by road restrictions and closures which prevents easy access for vehicles. The particular issues associated with businesses located in the North Dee Business Quarter will be taken into account in the development of the strategy, and a separate Property Analysis has been carried out assessing the options for fish processors located in this area.

9.2.6 Logistics also effect operational efficiency and require to be considered in the implementation of the strategy.
9.3 Adding Value

9.3.1 In any process in which raw material supplies are restricted, it is essential to maximise the value added to inputs throughout the supply chain.

9.3.2 As part of the strategy for seafood processing in NE Scotland it will be essential to take into account and assess opportunities for adding value. Value can be added in a number of ways:
- Further processing e.g. smoking.
- Improving presentation and packaging.
- Introducing ingredients e.g. the production of ready meals.
- Branding.
- Increasing the value of fish waste.

9.3.3 Opportunities exist for processing businesses in NE Scotland to add value and, therefore, increase margins, by using one or more of these methods. The strategy for seafood processing in NE Scotland will take these opportunities into account.

9.3.4 Adding value increases returns and, if costs are controlled, increases margin. However, it is recognised that opportunities to add value are not appropriate for all fish/shellfish processing businesses, particularly those of a small-scale. Adding value requires investment in plant and equipment, as well as the accessing/development of new customers, who may require more stringent checks on facilities/operations. This presents a barrier for many smaller businesses, particularly those which have restricted financial resources and management time.

9.3.5 There are several companies processing fish heads and frames to produce dried fish products for human consumption which are then exported to Africa e.g. Mapco, based in Peterhead, and Anglo Nordic, based in Aberdeen. These businesses offer higher prices for fish heads and frames. In some white fish processing businesses the profit of the business is equivalent to the value of their offal sales.

An audit of fish by-products produced in NE Scotland should be carried out to identify opportunities and gaps. This audit could take into account waste in other sectors e.g. red meat.

9.4 Market Development

9.4.1 Market development can be achieved by:
- Increasing sales of existing products to existing customers.
- Accessing/developing new customers.
- Increasing product ranges offered to existing and new customers.
- Developing new products in collaboration with customers.
- Identifying new regional food service suppliers or adding seafood to other food deliveries.
9.4.2 Larger processing companies, both independents, and those who are part of a group, generally have well developed marketing strategies and sales plans designed to allow them to meet the existing and future needs of their customers. These businesses have a clear strategic direction, and invest heavily in promoting their products in new market areas.

9.4.3 Although there are notable exceptions, in general terms, small white fish processors supply local and wholesale customers with whom they have enjoyed long-term trading relationships. As evidenced in the survey, processors indicated that these customers were only interested in the quality of the products which arrived at their door, and the cost. They were, generally, less interested in provenance and accreditation schemes e.g. MSC. These smaller scale businesses were less interested in market development as they believed that, in particular, the UK wholesale market is already crowded, and it is, therefore, very difficult to secure new business. It is much more likely that existing business will merely be displaced from another processor, probably based in NE Scotland, with no gain to the industry, or, for that matter, the processor.

9.4.4 A number of the more progressive small-scale white fish processors have accessed and developed wholesale customers in continental Europe. This market is far less crowded and, therefore, competition from other NE Scotland or UK fish processors is reduced. Some continental European wholesalers are prepared to offer a higher price for Scottish products, and they are less concerned about species and consistency of product (fillet) size. Opportunities to supply additional wholesale markets in continental Europe will be addressed in the development of the seafood processors’ strategy.

9.5 Diversification

9.5.1 Diversification increases flexibility and reduces commercial risks for fish/shellfish processing businesses. A number of processors in NE Scotland have very successfully combined a range of species, sometimes involving both fish and shellfish e.g. Whitelink Seafoods (white fish/shellfish) and Nolan Seafoods (white fish/salmon). This reduces dependency upon a single or small range of species, allowing processing to be carried out when different species are “in season”.

9.5.2 Diversification also allows processors to increase the offer to customers, providing the latter with a wider range, which helps to increase the volume and variety of supply, cement the supply relationship, and fend off competition. This leads to longer-term and stronger customer relationships and increases turnover, which helps to promote the sustainability of the processing enterprises.

9.5.3 Diversification can also assist in reducing the peaks and troughs in cash flow caused by seasonality, as well as reduce the financial risks associated by the failure of one particular species. In 2013 nephrops were in short supply around Scotland which created issues for nephrops processors.
9.5.4 Diversification involving farmed fish species e.g. salmon or trout, provides an even more attractive option in that the availability of stocks are managed and, therefore, more consistent volumes can be obtained and future supplies are more sustainable.

9.5.5 Development of Inshore Fisheries Groups (IFG’s) and inshore fisheries to capitalise on the potential for growth of crab and lobster processing, as well as hand line mackerel processing.

9.6 **Aspirational Strategy**

9.6.1 Any strategy for the development of seafood processing in NE Scotland must not only consider the key processes but must only hold within it an aspiration goal, a target which will fire the imagination of the seafood sector and inspire the processors, as well as other stakeholders, to mobilise and move together in pursuit of a clear joint objective.

9.6.2 If such an aspirational strategy can be developed, even although the path may be challenging, it will send out an important message, not only to customers and suppliers, but also to the communities in NE Scotland in which seafood processors are located. The development of such an aspirational strategy is considered in the next section of this report.
10. STRATEGY FOR THE SEAFOOD PROCESSING INDUSTRY IN NE SCOTLAND

10.1 NE Scotland is the area with the largest seafood processing industry in the UK in relation to the number of businesses involved and employment. Any strategy for its future development must recognise this fact, and use it as a foundation upon which to create a vibrant and forward looking industry capable of meeting future challenges, and strengthening its current position, in the years ahead. The investment by Peterhead Port Authority will be a catalyst in regenerating the seafood industry in NE Scotland, as well as attracting new entrants into processing, and increasing buying power at the Peterhead Fish Market, which will encourage more boats to land into Peterhead.

10.2 If the seafood processors in NE Scotland are going to successfully meet the challenges, and fully capitalise on future opportunities, they must have an aspirational goal.

10.3 Such a goal is presented by the aspiration of creating in NE Scotland –

"SCOTLAND'S SEAFOOD CENTRE OF EXCELLENCE"

10.4 Although this is an aspirational goal, it is considered to be entirely achievable, as a number of key infrastructure elements are either already in place, or planned. These elements include:-

- **Largest concentration of seafood processing in the UK by number of businesses and employment.**
- **Largest UK landing point for white fish, and a key landing point for pelagic fish and nephrops.**
- **Centre for white fish, pelagic fish and shellfish primary processing.**
- **Location of innovative large-scale seafood value adding businesses.**
- **Major fishing/fish processing investment plans at Peterhead Port.**
- **Improved logistics - Aberdeen Western Peripheral Route.**
- **NE Scotland has a reputation for producing a wide-range of premium quality food and drink products e.g. red meat, ice cream, confectionery, vegetables etc.**

10.5 These elements should be fully capitalised upon in pursuit of the objective of transforming the seafood industry in NE Scotland to create "**Scotland’s Seafood Centre of Excellence**". This will promote and increase the profile of NE Scotland based seafood processors, not only in a Scottish and UK context, but also on the European and world stage.

10.6 **Largest UK Landing Point - White Fish/Pelagic Fish/Shellfish**

10.6.1 In the future it is likely that Peterhead will strengthen its position as the top white fish landing centre, particularly following the construction of the new fish market and deepening of the harbour. Fishing vessels will be attracted to the port, which will increase the volume of supply to local white fish processors.
10.6.2 The large majority of pelagic fish landings come ashore at Peterhead, the largest pelagic fish landing centre on mainland Scotland, and this is likely to continue in the future, with the 3 major pelagic processors investing heavily in upgrading and developing their facilities.

10.6.3 Fraserburgh Fish Market is the main centre for the landing of shellfish, which are then distributed to the shellfish businesses located in NE Scotland and elsewhere. Fraserburgh Harbour Commissioners have invested heavily in the development of the port, and this investment is continuing, with proposals being developed to enhance the facilities at the fish/shellfish market.

10.7 **Centre for White Fish, Pelagic Fish and Shellfish Primary Processing**

In terms of number of businesses and employment, NE Scotland is now the largest centre for white fish, pelagic fish and shellfish processing in the UK, having overtaken Humberside in the last few years. The area has 4 pelagic primary processors, 57 white fish primary processors and 9 shellfish primary processors.

This concentration of processing provides the foundation for creating "Scotland's Seafood Centre of Excellence".

10.8 **Location of Innovative Large-Scale Seafood Value-Adding Businesses**

NE Scotland has the largest concentration of value-adding seafood businesses in the country, located in Aberdeen, Peterhead and Fraserburgh. These businesses have demonstrated that they are innovative, progressive and well established in the market place. Customers and contracts come and go, but these businesses have succeeded in expanding and developing, despite being located at some distance from their main UK markets in central and southern England.

These innovative value-adding businesses have significant opportunities to increase their offer to existing customers and access/develop new premium customers, both in the UK and abroad. They will be an important component in making NE Scotland “Scotland's Seafood Centre of Excellence”.

10.9 **Major Fish/Fish Processing Investment Plans at Peterhead Port**

Peterhead Port Authority has plans to invest £9m in the development of a new white fish market at the Inner Harbour which, combined with the deepening of the basin and access to the sea (£38m), will provide the first stage of a strategic plan to create a fully integrated fishing/fish processing hub at the port.

As described earlier in this report, and considered in detail in the Property Analysis, the Port Authority has plans to infill and develop the current slipway and Port Henry Basin to accommodate fish processing units, and create a seafood processing hub close to the proposed new fish market. This hub will provide additional processing capacity, accommodate processors relocating from other areas, and encourage new entrants to the seafood processing sector.

As part of its plans, Peterhead Port Authority intends to create segregated facilities to handle fish landings which, under the new Landing Obligation legislation, will not be permitted to enter the human food chain. This will further strengthen Peterhead Port
Authority's position as the key white fish landing centre in the UK. The port of Peterhead can offer processors a range of potential benefits, including cost reduction, due to the proximity to the proposed new fish market, as well as services which could incorporate access to waste water treatment, and increased prices for fish waste, offered by a local fish drying business.

It is unquestionable that Peterhead will provide the core of “Scotland’s Seafood Centre of Excellence”.

10.10 Aberdeen Western Peripheral Route
The completion of the Aberdeen Western Peripheral Route in 2017/2018 will significantly enhance logistics, facilitating the transfer of fish/shellfish quickly and efficiently from NE Scotland to customers, particularly in the centre and south of England. The congestion encountered when traversing Aberdeen will be removed, with reductions in transfer times/costs reflecting this. In particular, seafood processing businesses north of Aberdeen will benefit, although processors located in the city will also see some reduction in congestion costs.

Faster, improved transport links will play a key role in making NE Scotland “Scotland’s Seafood Centre of Excellence”.

10.11 NE Scotland as a Centre for Premium Quality Food Processing
NE Scotland has a high reputation for the production of premium quality foods in the agricultural sector. There is merit in considering a wider aspirational objective to build on this, and establish collaborative frameworks to promote co-operation in distribution, product development, co-operative marketing, and the provision of ancillary services such as cold storage, ambient storage of packaging as well as equipment repairs and maintenance.

Working collaboratively with others in the NE Scotland food and drink sectors will assist in the creation and development of “Scotland’s Seafood Centre of Excellence”.

10.12 If the strategy of developing NE Scotland as “Scotland’s Seafood Centre of Excellence” is to be pursued, a number of key steps will have to be taken. These steps are the subject of the next section of this report.
11. SCOTLAND’S SEAFOOD CENTRE OF EXCELLENCE – ACTIONS

11.1 Developing the seafood industry in NE Scotland to create “Scotland’s Seafood Centre of Excellence” requires a strategy in which processors and others in the seafood supply chain can:-
- Address existing and future constraints to growth and development.
- Fully capitalise upon opportunities to increase returns and promote sustainability.
- Develop future market opportunities.
- Reduce costs and increase efficiency/productivity.

11.2 An effective strategy should be focussed, practical and stretching, although ultimately achievable. It should have, at its core, the aim of producing a seafood industry and supply chain in NE Scotland which is:-
- Sustainable.
- Smart.
- Dynamic.
- Diverse.

11.3 Sustainable Seafood Industry

11.3.1 Almost all the processors interviewed in the survey indicated that the principal threats to their sustainability and constraints to growth related to:-
- Insufficient volume of supply.
- Irregularity of supply.
- Uncertainty of supply.
Indeed, a number of processors stated that if these constraints were eased, they could remove any other barriers themselves.

11.3.2 If the seafood industry in NE Scotland is to achieve its strategic objective of creating “Scotland’s Seafood Centre of Excellence”, there is a need to ensure that pressure is kept up at a national and EU level to ensure that quota levels, particularly of the main species, are increased, with the best possible scientific evidence used to ensure that the maximum catches are available within sustainable stock levels. It is not clear that this is happening at present.

11.3.3 The situation with regard to Landing Obligation legislation is, as yet, unclear. However, it is unquestionable that the legislation will have an impact upon supplies available to NE Scotland based processors. It will be critical to ensure that negotiations regarding the implementation of the Landing Obligation legislation take into account impacts on the white fish processing sector in particular, to guarantee that sufficient supplies of quality raw materials are provided to allow processors to meet the requirements of their customers. If this does not happen, the white fish processing sector in NE Scotland will be at risk, which will have implications not only for the local area, but also for the wellbeing of the seafood industry in Scotland, and the UK as a whole.
11.3.4 Not only should pressure be brought to bear to ensure that quotas for fish/shellfish are maximised to promote sustainability within the seafood processing industry in NE Scotland, but everything possible should be done to ensure that supplies are as regular as possible.

11.3.5 In the future, if NE Scotland is to achieve its objective of becoming “Scotland’s Seafood Centre of Excellence”, there will be a need for all stakeholders to more fully appreciate the need to have as efficient and effective a supply chain as possible. Too often in the past, individual links within the supply chain, particularly fishermen and processors, have taken a partisan view and not appreciated that, if the maximum return is to be obtained from customers, it is essential that all the links in the supply chain work together effectively. An issue in one link of the supply chain affects all others, reducing opportunities to increase business and maximise returns.

11.3.6 Within the individual fish/shellfish sectors in NE Scotland, there are variations in the operating efficiency of the supply chain with respect to the relationship between producers (fishermen) and processors.

11.3.7 In the pelagic and shellfish sectors, producers and processors have entered into supply “arrangements” which provide benefits for producers in securing more consistent prices, and for processors in securing raw material supplies. These arrangements do sometimes change, with vessels, particularly in the shellfish sector, moving from one processor to another. However, there is a higher degree of continuity, introducing stability into that part of the supply chain.

11.3.8 In the white fish sector, not least because it depends on a mixed fishery, and catches are sold at auction, such relationships do not generally exist. Although a small number of vessels do land to individual processors, this tends to be the exception, rather than the rule. In the case of Lunar, the group owns vessels which land to its factory, although this is an almost unique situation in NE Scotland. However, it is accepted by many in the seafood industry that there is a substantial “disconnect” between producers and processors in the white fish sector in NE Scotland. In turn, this has prevented, and continues to prevent, maximum returns being achieved in the supply chain, with fishermen failing to achieve more consistent prices, and processors failing to consistently meet the supply requirements of their customers, thereby minimising operating costs. This situation is not new, and its recognition has led to the formation of a number of committees and groups which are seeking to bring producers and processors together to enhance the operating efficiency of the white fish supply chain.

The seafood processing sector in NE Scotland should strongly support and build on the work already being undertaken by Scottish Seafood Partnership including the creation of a “support hub” for the industry, and engage expertise to promote understanding of the operation of the seafood supply chain, improving its functioning and promoting collaboration in pursuit of higher and more consistent returns, as well as market development.
11.3.9 Increasing communication between producers and processors in the white fish sector in order to create and develop supply chain links for mutual benefit should be a key strategic goal for seafood processors in NE Scotland if the area is to aspire to be “Scotland’s Seafood Centre of Excellence”. As indicated in the Scottish Seafood Partnership report, developing such links would help to maintain price, and supply stability, and assist in mitigating against fluctuations in the continuity of supply.

11.3.10 The development of the Fish4Market forward landing information APP provides an excellent example of such a collaboration which will benefit both producers and processors.

Methods of providing forward landing information are currently under consideration by government and other stakeholders e.g. harbour authorities. Using a combination of legislation and incentives to encourage fishermen to participate in providing forward landing information is under discussion. This will assist fishermen in obtaining higher and more consistent prices and allow processors to more effectively plan their processing activities and enhance consistency in terms of supply to their customers. This approach should be fully supported by seafood processors in NE Scotland.

11.3.11 Whilst the pelagic processing sector has its own representative body, and the Scottish Seafood Association draws its members from a range of sectors, it is recognised that there is an imbalance between the levels of representation which can be mustered by fish producers, as compared with seafood processors. Fish producers’ organisations such as the Scottish Fishermen’s Federation, the Scottish White Fish Producers Association and the Scottish Pelagic Fishermen’s Association are well funded, and influential, particularly with regard to negotiations with government and the European Union. The seafood processing industry does not enjoy this level of influence because the resources do not exist to support a larger-scale representative body. This places the fish/shellfish processing sectors at a disadvantage in any negotiations with producers, and does not allow effective representation in negotiations with government at a national or European level. The fish/shellfish processing sectors are seen as fragmentary, therefore, by definition, weaker, although the Scottish Seafood Association has been working hard over the past few years in attempting to bring processors from all sectors together to provide a single “collective voice”.

There is a need to create a “single collective voice” for the fish/shellfish sectors so that more effective representation can be provided in the future. This could be achieved, either by developing an existing organisation e.g. Scottish Seafood Association, or by using an alternative model such as the creation of a “seafood processors federation” representing the collective interests of all seafood processors. This is a matter which requires further research.
11.4 Smart Seafood Enterprises

11.4.1 If NE Scotland is to become “Scotland’s Seafood Centre of Excellence” there is a need to ensure that sufficient capacity exists in the seafood industry, and that operations are as efficient as possible. The future success of individual seafood processing businesses located in NE Scotland is related to a number of factors.

These include:-
- Facilities.
- Workforce.
- Efficiency/Productivity.

These individual businesses require to adopt a “smart” approach, focused on maximising efficiency/productivity, and reducing unit operating costs. This will provide the basis for creating a “dynamic” seafood industry enhancing returns, increasing product quality, and accessing/developing new higher margin customers.

11.4.2 Facilities

The size and quality of facilities are essential elements in any processor’s ability to meet the needs of customers. The facilities of fish/shellfish processors based in NE Scotland have been the subject of a separate Property Analysis. It was identified, whilst carrying out the survey of processors that, in many cases, significant improvements could be made to existing facilities, to enhance their quality and improve the efficiency/productivity of processes. This is particular the case with smaller scale white fish processors.

There should, therefore, be a focus on the upgrading of existing facilities to better meet the needs of customers, and allow relevant accreditations e.g. SALSA be achieved. This should be a strategic objective of all seafood processing enterprises based in NE Scotland, and would not only enhance quality standards in general, and provide confirmation of this, but would also reduce the risk of a food scare, which would impact on all processing businesses located in NE Scotland, and adversely affect the reputation of Scottish seafood as a whole.

It is recommended that a programme of facilities improvement be introduced as part of the strategy, using the Scottish Manufacturing Advisory Service (SMAS).

This will increase the quality of seafood processing facility stock, help retain processing capacity, and enhance the efficiency/productivity of processing businesses, improving their returns and enhancing their competitiveness.

Energy saving, waste reduction and services sharing should also be taken into account in the facilities improvement programme.

Such a programme will be essential if NE Scotland is to have the facilities commensurate with its position as "Scotland's Seafood Centre of Excellence"

11.4.3 Workforce

As well as developing the individual premises of fish processors, it is essential to ensure that sufficient skilled labour exists to allow processors to consistently meet the standards of existing and future potential customers. The survey identified a
significant lack of skilled labour, with many posts being filled by agency staff. The lack of local skilled staff has been an issue in the seafood processing industry in NE Scotland for many years, a fact recognised in the recent report by the Scottish Seafood Partnership.

The recommended actions suggested in the Scottish Seafood Partnership report, which include educating children in school about the seafood industry, developing specific skills related to programmes for SME’s, increasing the number of food technology courses and improving the perception of the industry as a place of work, should be implemented. These initiatives will enhance the attractiveness of seafood processing as a career, and encourage “new entrants” into the industry, helping secure the future of processing in "Scotland's Seafood Centre of Excellence". Furthermore, support should be provided to SSA to develop its Passport to Processing (PtP) programme, along with the TastyJobs initiative delivered through Food & Drink Skills Development Scotland. Consideration should be given to SSA’s proposals for the establishment of a training centre/mobile training provider. To assist smaller processors comply with food hygiene regulations, support should be provided for the Association’s SeafoodSure programme.

Training will be a cornerstone in establishing NE Scotland as "Scotland's Seafood Centre of Excellence".

11.4.4 Efficiency/Productivity
Improving efficiency and productivity within individual processors businesses will also be a key function undertaken by SMAS as part of the facilities improvement programme proposed in Section 11.4.2.
It is recognised that, in many businesses in the seafood sector in NE Scotland, margins are low. In small businesses in the primary white fish processing sector net profits are commonly between 0-5%, although there are a number of exceptions.

It is recommended that, to address this issue, a programme of financial audits be introduced, offering processors the opportunity to obtain a review of the financial performance of their businesses including cost/profit centre analysis, improved financial management, securing finance for growth etc. This adds to, and aligns with, one of the outcomes in the Scottish Seafood Partnership report. In addition, it is recommended that progressive processors be encouraged to become “account managed” enterprises, with Scottish Enterprise providing bespoke assistance to facilitate accelerated growth and development.

“Smart” seafood processing businesses will generate increased returns which will provide the investment capital needed to create and sustain "Scotland's Seafood Centre of Excellence".
11.5 Dynamic Seafood Processing Industry

11.5.1 If the seafood processing industry in NE Scotland is to become “Scotland’s Seafood Centre of Excellence”, it must focus on growth, particularly in “dynamic” businesses within the sectors.

11.5.2 In any supply chain where the volume of raw material supplies is restricted, it is essential to maximise the added value to that raw material at all stages in the chain, if maximum returns are to be achieved.

11.5.3 Value can be added to fish/shellfish by:-
- Creating/developing new products.
- Creating/developing new markets.
- New processing machinery/processes and technology.

11.5.4 Creating/Developing New Products
The creation of new products and altering existing products e.g. by changing packaging, to better meet the needs of existing customers, and assist with accessing/developing new outlets, is a key to increasing sustainability and adding value. However, new product development is an expensive exercise, particularly for value adding businesses based in NE Scotland e.g. Joseph Robertson. Bringing a new product to market, including research, sample production, taste panels, negotiations with customers, planning/execution of volume production, packaging design, packaging manufacturing etc. can involve costs of several £10k’s. This generates a significant burden for value adding businesses, creating high costs which must be met by processors.

Recognising the importance of new product development, not only to value adding businesses, but also to others involved in processing seafood in NE Scotland, it is recommended that consideration be given to creating an “innovation fund” to which processors can apply for funding to help defray new product development costs.

11.5.5 Creating/ Developing New Markets
Larger fish/shellfish processing enterprises based in NE Scotland commit substantial funds to marketing their products, particularly to export customers. Larger businesses in the pelagic, shellfish, white fish and value-adding processing sectors attend international food exhibitions, and play a key role in promoting quality Scottish seafoods on the world wide stage. The activities of these businesses play a major role in ensuring that the profile of quality Scottish seafood is maximised in the international markets. Seafood Scotland plays a key role in organising Scottish processor participation at these events, and assists with developing the marketing activities of individual businesses, although many smaller processors cannot participate in these initiatives due to cost and lack of management time. Funding is also provided by Scottish Government and the European Union through grant schemes.
The lack of sufficient marketing resources has, in the past, restricted the ability of NE Scotland based pelagic processors to compete effectively with their Norwegian counterparts, not least because the Norwegian Government makes available substantial market development resources to Norwegian processors.

In pursuit of developing new markets, as much financial and practical assistance as possible should be provided to larger businesses, including pelagic processors, to allow them to accelerate the accessing/development of new customers, both in the UK and abroad. It is recognised that there is a risk involved in attempting to introduce seafood processors to new customers which has, in the past, led to some displacement of business, without any net gain to the economy. This should be avoided.

Developing new markets for smaller-scale white fish processors is a challenge in that there is a large proportion of them who supply fresh chilled products to wholesalers in England. The latter are only interested in the quality of the products reaching their door, and the price. This marketplace is crowded, with processors interviewed in the survey indicating that market development in the UK wholesale sector was likely to result in only displacement of business from one NE Scotland processor to another. However, they argue that opportunities exist for at least some white fish primary processors to access/develop new wholesale customers in Europe. European wholesalers are generally less concerned about variations in product size, and are prepared to be more flexible in terms of species.

In order to ease the very competitive situation with regard to the supply of white fish products to UK wholesalers, a market development programme should be introduced by Seafood Scotland through which, on a collaborative basis, new markets could be developed with wholesalers in Europe. This could involve the appointment of a European marketing expert, with administration back up, who would undertake to sell the products of a range of smaller-scale white fish processors.

As part of the survey, opportunities to add value by branding were investigated. Larger-scale processors already make extensive use of branding as a method of adding value to products by giving them distinct identities. These businesses already tend to use points of differentiation such as provenance (Scottish), accreditations (MSC) and associations (Responsible Fishing Scheme), and they indicated that branding allowed them to capitalise upon opportunities in different market areas, and respond more effectively to different cultures/requirements of different customers. However, when smaller-scale processors were interviewed, less than 20% indicated that using the term “Scottish”, or being able to demonstrate an accreditation, had any impact on their ability to generate new customers, or increase the price which was obtained. This was the case both in regard to wholesale and retail market sectors. The key issues for customers and consumers were food safety, freshness, quality and price.

It is recognised that, before significant value can be added to products bearing a distinctive Scottish brand, or having recognised accreditations (MSC), a major educational campaign would require to be undertaken to familiarise customers and consumers on the benefits which they would gain by selecting Scottish branded and accredited seafood products. This would require substantial
investment, which is beyond the scope of what could be provided by the seafood sector, unless substantial government or other, e.g. Seafish funding, was forthcoming.

11.5.6 Notwithstanding what has been said above, the promotion of NE Scotland as "Scotland's Seafood Centre of Excellence" would increase the profile of the area and the seafood businesses within it, complementing individual processor marketing campaigns and providing collective marketing opportunities in the future.

11.5.7 New Processing Machinery/Processing Technology
The installation of the latest processing equipment, and the most up to date processing techniques, will play a role in developing the NE Scotland seafood processing industry by maximising efficiency/productivity, enhancing quality and minimising unit processing costs. It will be essential to ensure that processors are fully aware of new processing technology and techniques, as well as grant schemes, which could assist them in meeting a proportion of the costs. The Scottish Manufacturing Advisory Service (SMAS), which is managed by Scottish Enterprise, could provide valuable input in this regard.

11.6 Diverse Seafood Processing Industry

11.6.1 As indicated in the SWOT analysis, one of the key strengths of the seafood sector in NE Scotland is its diversity, involving, as it does, processors in the pelagic sector, white fish sector, shellfish sector, value adding sector and salmon sector. This may well be the main reason why seafood processing in NE Scotland has undergone a less marked decline than it has in other areas of the UK, particularly Grimsby. The diversity of seafood processing in NE Scotland will be a cornerstone of the promotion of the area as "Scotland's Seafood Centre of Excellence".

11.6.2 Any strategy for the seafood sector must take diversity into account, and ensure that, as far as is possible, it is maintained in order to reduce risks and promote sustainability. This is particularly the case when dealing with fish and shellfish which, by their very nature, are susceptible to peaks and troughs of availability. For example, in 2012/2013 nephrops stocks declined sharply, which meant that the availability of raw materials was significantly reduced. This applied financial pressure to both fishermen and processors, although fishermen had the option of transferring to the catching of other species, particularly white fish.

11.6.3 Diversity is at its peak in the white fish primary processing sector, as it is supplied from a mixed fishery. Over the years, processors have tended to develop specialisms focused on different species (haddock, cod, monk fish, hake, whiting, coley, flat fish etc.) and different products (block fillets, angel fillets etc.). The largest primary processor of white fish in NE Scotland, Lunar, specialises in processing small haddock for a range of customers including value adders in Grimsby who then supply the UK multiple retails including M & S. However, all
sizes of haddock are landed for auction, along with other white fish species, which means that there is a need to ensure that sufficient processing capability exists to be able to handle all the catch which comes ashore for processing. This requires a sufficient number, and variety, of processors with the capacity to process the wide range of species which are landed, not only in the NE Scotland, but at ports elsewhere in Scotland and purchased by NE processors.

A key requirement of the strategy to transform NE Scotland into "Scotland's Seafood Centre of Excellence" will be to take practical steps to ensure that, in the future, not only does sufficient fish/shellfish processing capacity exist in NE Scotland, but there is sufficient diversity of processing to ensure that all the catch is used, and the maximum value is derived from each species. The seafood processing sector must be able to adapt quickly and effectively to supply seasonal and environmental changes, particularly related to raw material supplies and market forces. Decisions taken by Marine Scotland and other support agencies should take into account the need to maintain processing diversity in order to enhance future sustainability and maximise the benefits derived from all species landed.

To ensure that sufficient diversity is retained in the NE Scotland seafood processing industry, key businesses should be identified and targeted for support. These businesses, because of their importance in maintaining diversity, could be “account managed” by Scottish Enterprise under its existing scheme, with additional support provided by Seafood Scotland or Seafish.

11.6.4

The need for flexibility to be considered as a key strategic objective is particularly apparent at the current time, with the forthcoming Landing Obligation legislation introduced to the pelagic sector in January 2015, and scheduled to be introduced for at least some species in the white fish sector, in January 2016. This new legislation will have a significant impact on the volumes of different species of fish which are landed and, at this stage, no one in the fishing industry, the processing sector, or government has a clear idea of what this impact will be.

11.6.5

The seafood processing sector in NE Scotland has demonstrated its resilience in the past which has been due, in no small measure, to the ability of businesses to be flexible, and adapt to changing circumstances. At this stage, all that can be said is that preserving and promoting diversity and flexibility within the seafood processing sector in NE Scotland should be a key strategic objective in the creation of "Scotland's Seafood Centre of Excellence".
12. **ACTION PLAN**

12.1 The consultancy required that a 5 year **Action Plan** be produced as part of the Strategy.

12.2 The Action Plan focuses on the key elements of the Strategy which will require to be put in place in order to achieve the objective of creating *Scotland's Seafood Centre of Excellence* in NE Scotland.

12.3 It is recognised that the availability of funding will be a key constraint and that, therefore, it will not be possible to implement all of the action points. However, it is necessary to list them all so that informed decisions can be made, and priorities agreed.

12.4 All of the action points will require further investigation, particularly in relation to priority, scope, targets, implementation and costs. This is beyond the remit of this report, but those action points considered to be crucial should be taken forward at an early stage if NE Scotland is to fully capitalise on its position as the largest concentration of seafood processing in the UK, and create *Scotland's Seafood Centre of Excellence*.

12.5 Nevertheless, it must be appreciated that the Landing Obligation legislation is casting a significant shadow over the fishing and fish processing industries, not only in NE Scotland, but in the UK as a whole. Decisions made over the next few months will have a profound impact on whether NE Scotland can achieve its stretching objective, and it is unquestionable that the fishing and seafood processing industries will need to draw on all of their traditional reserves of resilience to weather the storm. **However, progress should not be held back as far as the Landing Obligation and steps should be made to implement the strategy at the earlier opportunity.**

12.6 However, the creation of *Scotland's Seafood Centre of Excellence* in NE Scotland should provide the inspiration to help see the industry through the storm, and guide it into calmer and more secure waters in the times ahead.

12.7 **References in Action Plan**

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>AC</td>
<td>Aberdeenshire Council</td>
</tr>
<tr>
<td>ACC</td>
<td>Aberdeen City Council</td>
</tr>
<tr>
<td>EMFF</td>
<td>European Maritime Fisheries Fund</td>
</tr>
<tr>
<td>MS</td>
<td>Marine Scotland</td>
</tr>
<tr>
<td>PO</td>
<td>Producer Organisation</td>
</tr>
<tr>
<td>PPA</td>
<td>Peterhead Port Authority</td>
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<tr>
<td>SAOS</td>
<td>Scottish Agricultural Organisation Society</td>
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<tr>
<td>SDS</td>
<td>Skills Development Scotland</td>
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<tr>
<td>SE</td>
<td>Scottish Enterprise</td>
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<tr>
<td>SF</td>
<td>Seafish</td>
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<tr>
<td>SFS</td>
<td>Seafood Scotland</td>
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<tr>
<td>SPPA</td>
<td>Scottish Pelagic Producers Association</td>
</tr>
<tr>
<td>SSA</td>
<td>Scottish Seafood Association</td>
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</tbody>
</table>
## SUSTAINABLE SEAFOOD INDUSTRY IN NE SCOTLAND – STRATEGY / ACTION PLAN

<table>
<thead>
<tr>
<th>STRATEGIC AIM</th>
<th>ACTION</th>
<th>OUTCOME</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. <strong>Enhance Volume of Supply</strong></td>
<td>1. Lobby EU using Scotland’s record in managing its seafood resources sustainably.</td>
<td>1. Secure and increase raw material supplies to address Landing Obligation issue and meet future customer demand.</td>
</tr>
<tr>
<td>2. <strong>Develop Seafood Supply Chain</strong></td>
<td>2.1 Reduce “disconnect” between producers and processors.</td>
<td>2.1 Enhance supply chain efficiency and improve returns to all links.</td>
</tr>
<tr>
<td></td>
<td>2.1 Promote enhanced communication between fishermen and processors through:-</td>
<td>2.1.1 More stable prices for fishermen and processors. Maximise value of fish landed and processed by facilitating continuity of supply and streamlining landings to suit market demand and capacity.</td>
</tr>
<tr>
<td></td>
<td>2.1.1 Implementing an appropriate forward landing information project (Fish 4 Market - F4M).</td>
<td>2.1.2 Appreciation of need to support others in the supply chain to maximise returns.</td>
</tr>
<tr>
<td></td>
<td>2.1.2 “Supply Chain Explained” initiative created and presented to fishermen and processors.</td>
<td>2.1.3 Assessment used by fishermen and processors to make more informed selling/purchasing decisions.</td>
</tr>
<tr>
<td></td>
<td>2.1.3 Assess costs/ benefits of direct supplies from fishing vessels to processors (white fish).</td>
<td></td>
</tr>
<tr>
<td>2.2 Enhance the influence of the seafood processing industry to better balance the influence of seafood producers (fishermen)</td>
<td>2.2 Create a collaborative “single voice” for the seafood processing industry through developing either :- an existing organisation e.g. SSA. a new seafood processors’ federation.</td>
<td>2.2 Increase levels of representation and influence for processors.</td>
</tr>
<tr>
<td>2.3 Foster collaboration.</td>
<td>2.3 Investigate opportunities for collaboration to increase sales and/or reduce costs. Use examples of best practice e.g. Alisrose (pelagic waste water treatment plant).</td>
<td>2.3 Reduce operating costs, e.g. energy costs, increase market penetration and reduce waste.</td>
</tr>
<tr>
<td>3. <strong>Develop Seafood Processing Capacity</strong></td>
<td>3.1 Collaborate with Peterhead Port Authority to ensure a “seafood hub” is developed close to the proposed new white fish market at Peterhead Harbour. Investigate opportunities for smaller scale “seafood hubs” in Aberdeen and Fraserburgh.</td>
<td>3.1 Creation of a whitefish “seafood hub” at Peterhead, the UK’s largest white fish landing centre. Benefits generated to white fish processors include operating cost reductions, and quality improvements brought about by minimising catching/processing times, and reducing handling.</td>
</tr>
<tr>
<td>3.2 Support seafood processors relocation, where appropriate.</td>
<td>3.2 Provide practical/financial assistance for relocation.</td>
<td>3.2 Efficiency/productivity and sustainability of re-located businesses is improved.</td>
</tr>
<tr>
<td>STRATEGIC AIM</td>
<td>ACTION</td>
<td>OUTCOME</td>
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<td>---------------</td>
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</tr>
<tr>
<td>1. Develop Existing Processing Facilities</td>
<td>1.1 Create “Seafood Processing Facilities Improvement Programme”.</td>
<td>1.1 High quality, efficient, productive facilities capable of meeting future requirements of customers and creating capacity for growth in existing and new markets.</td>
</tr>
<tr>
<td></td>
<td>1.2 Increase awareness of new technology.</td>
<td>1.2 Increased efficiency/productivity and enhanced margins with lower unit processing costs.</td>
</tr>
<tr>
<td>2. Develop Processing Workforce</td>
<td>2.1 Create a new Seafood Training Centre or mobile Training Provider.</td>
<td>2.1 Increased availability of training resources tailored to the needs of processors.</td>
</tr>
<tr>
<td></td>
<td>2.2 Create a training fund to defray some of the raw material costs encountered by processors in training.</td>
<td>2.2 Processors encouraged to increase training and improve skills of staff, as costs are reduced.</td>
</tr>
<tr>
<td></td>
<td>2.3 Promote “Passport to Processing” programme.</td>
<td>2.3 Structured training provided to meet the specific needs of seafood processing.</td>
</tr>
<tr>
<td></td>
<td>2.4 Develop/promote “learning journeys” for management, to increase exposure to methods used in other food processing sectors e.g. meat.</td>
<td>2.4 Management benefits generated through knowledge transfer and exposure to best practice brought into seafood processing sector.</td>
</tr>
<tr>
<td>3. Develop Financial Awareness of Seafood Processors</td>
<td>3.1 Develop a “Financial Awareness” programme for processors, delivered on a business by business basis, to improve the understanding of financial management, and enhance opportunities to increase returns, improve competitiveness, and access development funding.</td>
<td>3.1 Development of more financially aware managers, leading to more financially secure businesses, with enhanced opportunities to secure development finance and grow their operations.</td>
</tr>
<tr>
<td>4. Develop Local Food Collaboration</td>
<td>4.1 Bring seafood and agricultural food processors together to discuss issues of common interest.</td>
<td>4.1 Development of collaboration between food sectors in NE Scotland, leading to transfer of best practice techniques, and promotion of understanding.</td>
</tr>
</tbody>
</table>
### Dynamic Seafood Industry in NE Scotland – Strategy / Action Plan

#### Strategic Aim

<table>
<thead>
<tr>
<th>Strategic Aim</th>
<th>Action</th>
<th>Outcome</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Develop New Products</td>
<td>1.1 Develop/introduce a New Product Development Initiative.</td>
<td>1.1 Seafood processors increase their “offer” to existing customers and access/develop new outlets</td>
</tr>
<tr>
<td>2. Develop New Markets</td>
<td>2.1 Develop/introduce a Market Development Programme.</td>
<td>2.1 New customers in existing and new market areas identified and developed, increasing returns and reducing commercial risks by widening the customer base.</td>
</tr>
<tr>
<td>3. Develop New Wholesale Export Markets for Smaller-Scale White Fish Processors</td>
<td>3.1 Develop the European wholesale export market by collaboratively engaging a marketing expert to find new market areas for a range of small-scale white fish processors. (Displacement to be avoided). Review opportunities in Dubai, UAE and other regional areas with high numbers of expats.</td>
<td>3.1 New markets and customers developed for smaller-scale white fish processors in the less crowded European wholesale export market.</td>
</tr>
<tr>
<td>4. Maximise Value Added by “Branding”</td>
<td>4.1 Promote NE Scotland seafood products as being processed in “Scotland’s Seafood Centre of Excellence”.</td>
<td>4.1 Product differentiation created, and value added, without adding substantial cost to processors. Promotion of “Scotland’s Seafood Centre of Excellence” will complement individual company advertising, as well as national promotions.</td>
</tr>
<tr>
<td>5. Maximise Value of Waste Products</td>
<td>5.1 Undertake an audit of fish waste processing in NE Scotland.</td>
<td>5.1 Maximisation of the value of waste to processors.</td>
</tr>
</tbody>
</table>

### Diverse Seafood Industry in NE Scotland – Strategy / Action Plan

#### Strategic Aim

<table>
<thead>
<tr>
<th>Strategic Aim</th>
<th>Action</th>
<th>Outcome</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Retain/develop diversity in seafood processing</td>
<td>1.1 Develop/introduce an “Account Management Programme” with key seafood processors to retain and enhance diversity in seafood processing.</td>
<td>1.1 Increase processing diversity to ensure all parts of the catch can be processed in NE Scotland, and the maximum value can be added before products leave the area.</td>
</tr>
</tbody>
</table>