Agriculture and Agri-Food Canada | Agriculture et Agroalimentaire Canada

Market Access Secretariat
Global Analysis Report

Sector trend analysis

Cod fish

in the United Kingdom

May 2017

Executive summary

The United Kingdom (U.K.) is one of the most significant importers of cod fish in the world - supplied mainly by Iceland, China, and Norway. In 2016, the U.K. imported 104.2 million kilograms of cod, representing C$700.8 million. British cod imports have grown at a compound annual growth rate of 9.2% (by value) from 2011 to 2016, while cod imports by volume have increased at a slower compound annual growth rate of 4.9% over the same period. The most common cod product imported into the U.K. is frozen fillets (81%), followed by frozen whole cod (12%).

According to the *Market Assessment of Opportunities and Challenges in the EU* report, cod fish in the U.K. has been identified as one of the most promising opportunities in the European Union. Through a rigorous analysis of the market size, growth, and tariff reductions of EU imports, the U.K. represents an ideal opportunity for Canadian cod exporters.

White fish is the most popular fish choice in the U.K., and the British population consumes more cod than any other white fish. While volume sales for the entire fish category declined by 0.8% from 2014 to 2016, sales of cod increased by 4.2%. As two of the most common reasons for not eating cod are lack of recipe knowledge and the time required to prepare cod from scratch, retail sales have benefited from innovative products focused on convenience and new flavours, such as pre-marinated fish that can be oven-baked. Consumption also seems to be linked to increasing awareness of the health benefits of fish products. Advertising campaigns by the seafood industry, promoting the health benefits of fish, have therefore also greatly benefitted retail sales.

The most common foodservice channel where the British eat cod is at fish and chip shops, with 58.4 million cod servings in 2015, representing a 32.8% increase from 2014.

Contents

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- Retail Innovation – Tesco in the United Kingdom
- Grocery Retail Trends in the United Kingdom
- An Overview of E-Commerce Trends in the United Kingdom
- Competitive Trade Analysis – Fresh, Frozen, and Processed Fish in the United Kingdom

Growing Forward 2

Canada

Introduction – positioning cod in the world

In 2016, the United Kingdom (U.K.) was the third largest importer of cod in the world by value, with C$700.8 million in imports. The U.K. was also the fourth largest importer of cod by volume, with 104.2 million kilograms of cod imported in 2016.

Although the U.K. has a significant fishing industry, it exports most of the seafood caught and imports species that are more popular with domestic consumers. In 2015, approximately 90% of the cod supply in the U.K. was imported.

Top cod* markets worldwide in 2016, $C

#	Country	Value, $C	Market Share (%)	*CAGR (%) 2011-2016
World		**6,976,846,503**	**100**	**10.7**
1	China	754,888,812	10.8	14.1
2	Netherlands	730,953,651	10.5	19.0
3	**United Kingdom**	**700,822,447**	**10.0**	**9.2**
4	Portugal	668,901,949	9.6	6.1
5	Sweden	609,334,094	8.7	12.0
6	United States	544,191,147	7.8	16.6
7	Germany	447,393,454	6.4	15.0
8	Spain	422,184,599	6.1	12.7
9	Denmark	400,565,214	5.7	10.4
10	France	391,067,834	5.6	8.3

Top cod* markets worldwide in 2016, Kg

#	Country	Volume, Kg	Market Share (%)	*CAGR (%) 2011-2016
World		**1,170,627,538**	**100**	**5.4**
1	China	201,352,887	17.2	6.6
2	Netherlands	121,945,889	10.4	10.1
3	Portugal	109,487,516	9.4	1.4
4	**United Kingdom**	**104,254,499**	**8.9**	**4.9**
5	Sweden	83,955,968	7.2	9.2
6	Denmark	82,569,848	7.1	6.9
7	Spain	70,270,395	6.0	7.6
8	United States	63,210,182	5.4	9.5
9	Germany	55,661,663	4.8	10.9
10	France	52,553,872	4.5	3.1

Source for both: Global Trade Tracker, 2017 *__CAGR__ - Compound Annual Growth Rate

***Note:** For the purpose of this report, “cod” was defined using the following HS codes: 030250, 030251, 030352, 030360, 030363, 030471, 030551, 030562

In 2016, Iceland was the largest value supplier of cod to the U.K., followed by China and Norway. While Canada ranked eleventh overall, it was the fifth largest non-E.U. supplier, representing about 0.8% market share.

The most common format for cod imported into the U.K. in 2016 was frozen fillets (81%), followed by frozen whole cod (12%). The frozen whole cod segment experienced the most growth with a compound annual growth rate of 44.4% from 2012 to 2016, while the dried/unsalted cod segment saw the slowest growth, with a compound annual growth rate of 2.3% from 2012 to 2016. According to Seafish, a British Non-Departmental Public Body funded by a levy on the first sale of seafood products in the UK including imports, this trend may shift due to an increasing demand for chilled fish. It has been reported that Icelandic fishing companies have been looking to sell their freezer vessels in order to switch to onshore processing, which also has cheaper operating costs.

Traditionally, the cod that is most commonly consumed in the U.K. has been Atlantic cod; however, Pacific cod is also imported and is usually used for breaded or battered products, such as fish fingers.

Top 10 importers of cod* worldwide in 2016, C$

Country	Imports C$	Top supplies & market share						Canada's share
		1		2		3		
1. China	754,888,812	Russia	44%	United States	26%	Norway	19%	0.05%
2. Netherlands	730,953,651	Russia	35%	Iceland	32%	Norway	19%	0.16%
3. United Kingdom	**700,822,447**	**Iceland**	**27%**	**China**	**20%**	**Norway**	**12%**	**0.80%**
4. Portugal	668,901,949	Sweden	40%	Netherlands	28%	Russia	7%	0.16%
5. Sweden	609,334,094	Norway	85%	China	6%	Denmark	3%	--
6. United States	544,191,147	China	69%	Iceland	10%	Russia	8%	5.71%
7. Germany	447,393,454	Norway	32%	China	26%	Poland	13%	0.04%
8. Spain	422,184,599	Iceland	26%	China	14%	Netherlands	14%	0.34%
9. Denmark	400,565,214	Norway	52%	Greenland	20%	Germany	6%	0.14%
10. France	391,067,834	China	19%	Norway	16%	Poland	8%	0.31%

Source: Global Trade Tracker, 2017

Cod* export gap in 2016, C$

	2012	2013	2014	2015	2016	*CAGR (%) 2012-2016
U.K.'s imports from the world	492,243,195	491,482,328	571,061,856	681,256,550	700,822,448	9.2
U.K.'s imports from Canada	2,503,071	2,722,352	5,796,778	4,827,033	5,668,300	22.7
Gross export gap	2,915,348,843	489,740,124	565,265,078	676,429,517	695,154,148	-30.1

Source: Global Trade Tracker, 2017

***CAGR** - Compound Annual Growth Rate

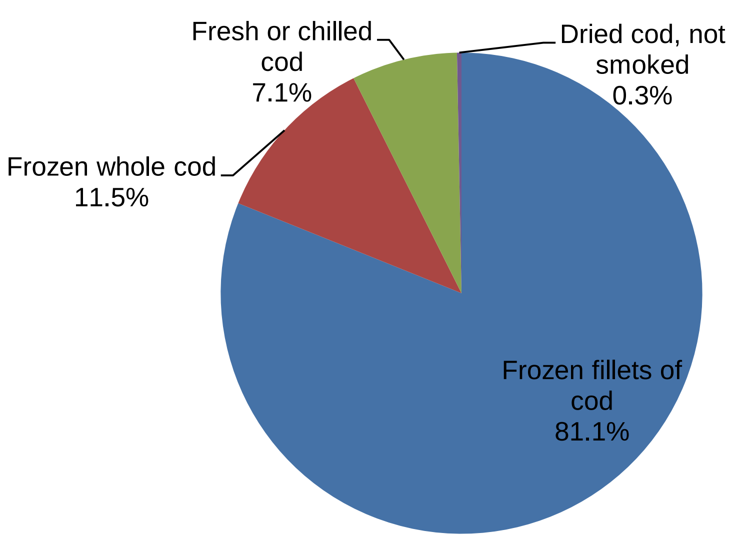
Top 5 cod products imported into the U.K. from the world, C$

HS code	Description	2012	2013	2014	2015	2016	*CAGR (%) 2012-2016
030471	Frozen Fillets of Cod (Gadus Morhua, Gadus Ogac, Gadus Acrocephalus)	445,363,939	429,429,410	478,985,891	560,104,817	568,128,929	6.3
030363	Frozen Whole Cod (Gadus Morhua, Gadus Ogac, Gadus Acrocephalus)	18,593,188	22,053,395	51,862,047	67,929,734	80,799,641	44.4
030251	Fresh or Chilled Cod (Gadus Morhua, Gadus Ogac, Gadus Macrocephalus)	26,404,856	38,427,385	38,987,542	50,668,413	49,803,972	17.2
030551	Dried/Unsalted Cod, Not Smoked Stockfish (Gadus Morhua, Gadus Ogac, Gadus Macrocephalus), Excludes Fillets and Offal	1,754,886	1,403,862	1,080,072	1,764,441	1,922,739	2.3
030562	Salted/In Brine Cod (Gadus Morhua, Gadus Ogac, Gadus Macrocephalus), Excludes Fillets and Offal	126,325	168,276	146,306	789,146	167,167	7.3

Source: Global Trade Tracker, 2017

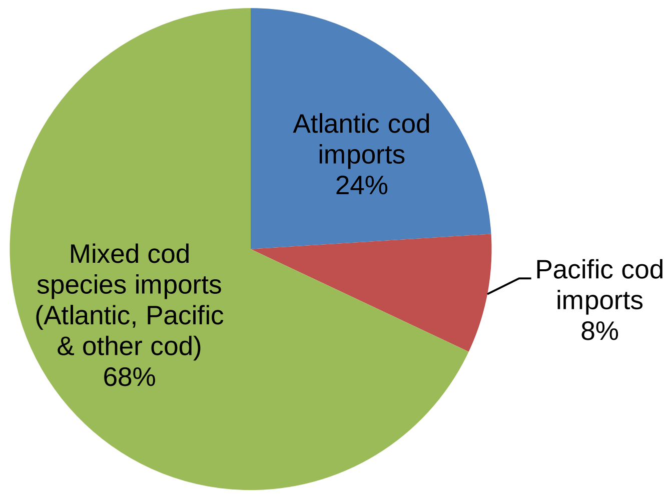
***CAGR** - Compound Annual Growth Rate

Cod imports by format, 2016



Source: Global Trade Tracker, 2017.

Cod imports by species, 2015



Source: Seafish, 2016.

Consumer trends

A study by Seafish found that healthy and unprocessed food was a high priority for consumers in the U.K. in May 2016, with 22% of consumers prioritizing freshness and quality over cost (19%). However, since July 2016, priorities have shifted and consumers have gone back to focusing on saving money, rather than on quality. This is consistent with the historic trend of seafood consumption being closely linked to the economy. When the economy is uncertain, consumers tend to substitute seafood and its high unit prices for less expensive sources of protein.

Other obstacles for cod sales in the U.K. include lack of recipe knowledge, and the time required to prepare fish from scratch. Retail sales have therefore benefited from innovative products such as pre-marinated fish that can be oven-baked. There has also been recent growth in snacking occasions.

Cod is considered to be a healthy element of a balanced diet and good for brain development, however, many consumers are not aware of the weekly recommended number of fish servings. It has been found that increased knowledge regarding the many health benefits of eating fish and the recommended number of servings greatly impacts consumption. Advertising campaigns by the seafood industry, promoting the health benefits of fish, have been effective in addressing this obstacle.

Retail sales

White fish is the most popular fish choice in the U.K., and the British consume more cod than any other white fish. In 2015, cod total retail sales were worth C$711 million, representing 44,887 tonnes with an average price of C$15.83/kg. Cod was the best-selling species of frozen seafood in both volume and value, and experienced approximately 36% more sales than the second ranked species, which was Alaskan Pollack. Cod was also ranked as the second most popular species within chilled seafood; and second in total seafood by value and third by volume.

Value of retail sales of cod are split evenly between chilled and frozen formats. Although frozen products are generally perceived as being less healthy, by volume, British consumers eat nearly two and a half times more frozen cod as they do chilled cod. By product type, chilled natural cod, or unprocessed, represents a 30% value share and is popular due to its versatility and healthfulness, followed by breaded cod and cod fish fingers, which are popular due to their taste and convenience. Although starting from a small base, dusted products which are perceived to be healthier because they are lightly dusted with seasoned flour rather than coated in batter, saw the strongest growth, increasing by 108%. The "cod meals" segment was the weakest, decreasing by 16% in 2015.

The main obstacles for fish sales remain high unit prices and lack of recipe knowledge, however, with the development of new recipes and increasing awareness of the health benefits of fish, it is expected that fish will remain a staple product in the U.K. in the future. According to Euromonitor International, it is expected that the volume of fish sales will increase by a compound annual growth rate of 0.9% from 2017 to 2020.

Historic volume sales, '000 kg

Segment	2014	2015	2016	*CAGR (%) 2014-2016
Cod	43,505	44,849	47,263	4.2
Total fish	334,698	328,717	329,592	-0.8

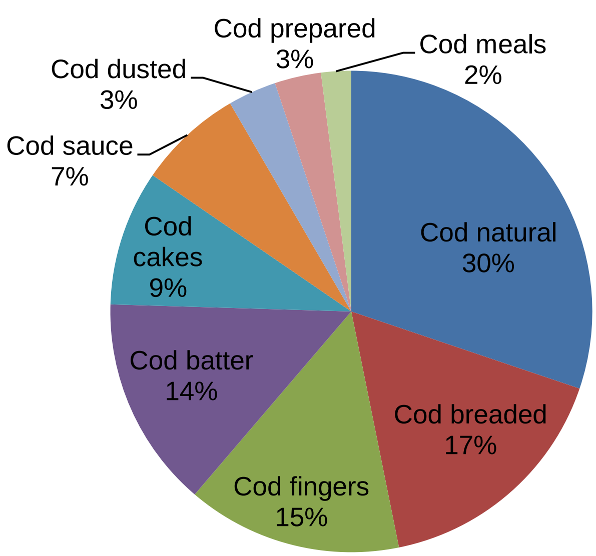
Source: Seafish, 2017.

Sales of fish and seafood: % total volume 2013-2015

% Retail Volume	2013	2014	2015
Packaged	66.0	67.0	67.5
Unpackaged	34.0	33.0	32.5
Total	100.0	100.0	100.0

Source: Euromonitor, 2017.

Cod retail sales by segment, 2015



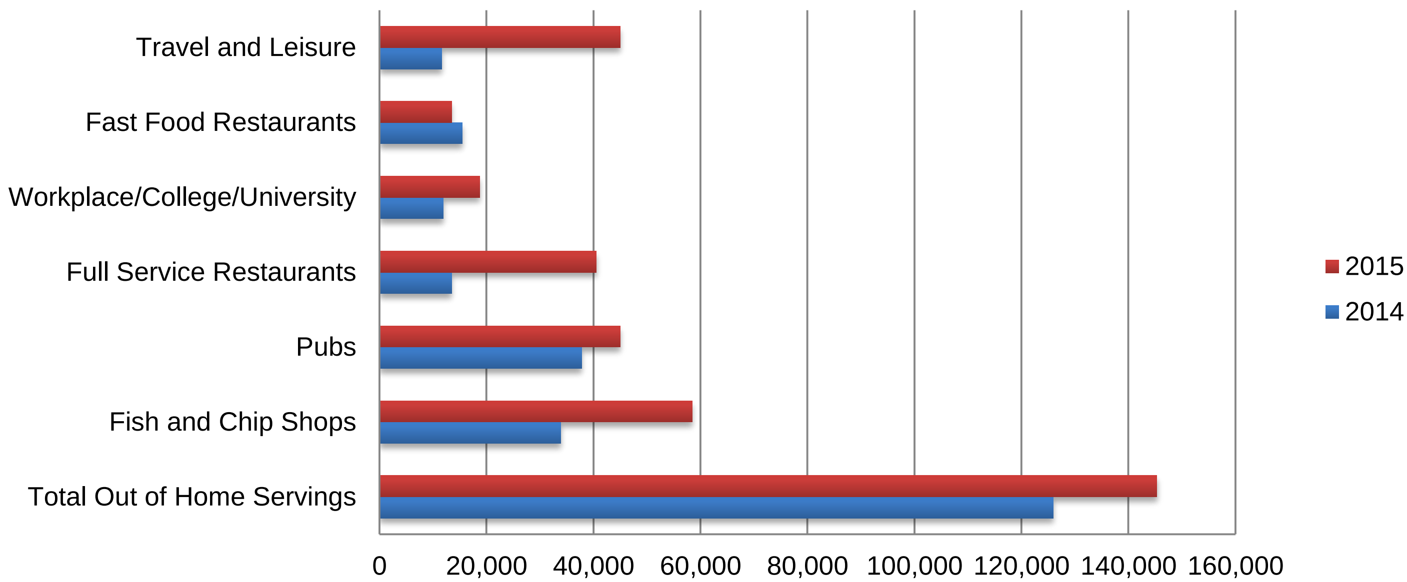
Source: Seafish, 2017.

Cod in foodservice

In 2015, the number of servings that included cod increased across all foodservice channels, except fast food restaurants, which does not include fish and chip shops. Cod is by far the most popular species of fish eaten within the foodservice industry with about 145 million servings in 2015, which is nearly three times more servings than the next most popular species (haddock, prawns, and salmon). In 2016, cod servings accounted for 31.7% of all fish servings, and 14.8% of all seafood servings. Traditional fish and chip shops had the largest number of cod servings in 2015, with 58.4 million servings sold, a 32.8% increase from 2014.

According to Seafish, there are approximately 10,500 fish and chip shops in the U.K., which together serve about 380 million meals per year. The most popular species consumed in fish and chip shops are cod and haddock, followed by a variety of other species. Haddock is more common in Scotland, Yorkshire, northern England and the Midlands, while cod is the fish of choice in most other parts of the U.K.. Full service restaurants experienced the most growth in servings from 2014 to 2015, increasing by 39.3%; while fast food restaurants saw a 12.8% decrease in cod servings during the same period.

2014-2015 cod servings by foodservice channel (M)



Source: Seafish, 2016.

Key players

The top British distributor of fish and seafood in 2015 was Direct Seafood, followed by Nila, and Reynolds and the retailers that sold the most processed fish and seafood in 2016 were Tesco, followed by Sainsbury, and Morrisons. Young's Seafood Ltd. is the top company for processed seafood products, representing 9.2% market share in 2016.

Top five processed seafood companies in 2016

#	Company	Market Share (%)
1	Young's Seafood Ltd.	9.2
2	Thai Union Frozen Products PCL	7.3
3	Nomad Foods Ltd.	6.7
4	Mitsubishi Corp.	6.0
5	Icelandic Group	1.5

Source: Euromonitor International, 2017.

Distribution of fish and seafood by format: % total volume 2010-2015

Format	2011	2012	2013	2014	2015
Retail	59.3	59.6	59.8	60.1	60.3
Foodservice	35.7	35.1	34.9	34.7	34.6
Institutional	5.0	5.3	5.3	5.2	5.1
Total	100.0	100.0	100.0	100.0	100.0

Source: Euromonitor International, 2017

New product launch analysis

New product launches of cod products in the U.K., by feature

Feature	Yearly launch counts				
	2012	2013	2014	2015	2016
Yearly product launches	31	38	38	76	60
Top five claims					
Environmentally friendly package	16	21	22	50	33
Environmentally friendly product	11	17	16	36	41
No additives/preservatives	12	10	12	19	17
Microwaveable	7	7	9	22	11
Ease of use	4	13	5	14	8
Imported status					
Imported	0	2	2	6	3
Not imported	0	8	20	31	27
Top five flavour component groups					
Fauna	3	4	5	26	18
Herbs and spices	0	0	0	21	16
Fruit and vegetable	1	0	1	18	15
Savoury	3	0	1	10	5
Dairy	0	0	0	6	8
Top five packaging type					
Tray	10	16	23	29	27
Carton	9	8	8	19	15
Flexible	6	7	2	12	7
Flexible stand-up pouch	1	2	2	9	7
Flexible sachet	2	0	0	2	2
Top five companies					
Marks and spencer	5	5	7	5	7
Tesco	5	1	7	8	6
Asda	0	1	4	12	8
Young's	1	3	4	5	9
Morrisons	4	8	3	5	0

Source: Mintel Global New Product Database, 2017.

Conclusion

With continued advertising campaigns promoting the health benefits of fish, it is expected that fish consumption will also continue to increase. The United Kingdom heavily depends on imports to meet domestic cod consumption demands, therefore, there is opportunity for Canadian companies to increase their market share.

It will be key to target the right products for the right shopper motivation, and through the right channel, while also keeping consumers interested with environmentally friendly products that are also innovative in terms of flavour, and convenience.

For more information

All EU fish and seafood tariffs are eliminated under CETA. For Canadian producers and exporters, this will mean duty-free access on 96% of EU fish and seafood tariff lines immediately upon CETA's implementation. The EU will then phase out tariffs on the remaining 4% of its fish and seafood tariff lines over the next 3 to 7 years.

In regards to cod exports specifically, with the implementation of CETA, Canadian cod exports to the EU will benefit from EU tariff elimination, either immediately or phased-out over 7 years. Frozen whole cod will have immediate tariff elimination of its 12% tariff. Frozen cod fillets of certain species will be duty free immediately upon implementation of CETA, and frozen fillets of most cod species will have a 7.5% tariff phased-out over 7 years. Duty-free access for an annual volume of 1,000 metric tonnes will be provided under a transitional tariff rate quota during the tariff elimination period. See the EU Tariff Schedule under CETA for details, specifically tariff items denoted with "TQCod".

International Trade Commissioners can provide Canadian industry with on-the-ground expertise regarding market potential, current conditions and local business contacts, and are an excellent point of contact for export advice.

- **Overview of Trade Commissioner Services in the United Kingdom**
  www.tradecommissioner.gc.ca/uk

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For additional information on Seafood Expo Global (SEG) 2017 please contact:

- **Ben Berry, Deputy Director**
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  Agriculture and Agri-Food Canada
  ben.berry@agr.gc.ca

Resources

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