

### Seafood Market



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#### Global Outlook

According to a report by Allied Market Research, the global seafood market is projected to reach \$155.3 billion by 2023, registering a CAGR of 3.6% from 2017 to 2023. The growing range of choices in the seafood market is one of the significant factors driving sector growth.

Rising awareness about the health benefits associated with seafood is also driving global seafood market growth. Seafood is an excellent source of proteins, vitamins and minerals, and provides numerous health benefits including essential fatty acids which help to reduce the risk of cardiovascular diseases and contribute to brain and vision development.

Other factors such as rising disposable incomes, changing lifestyles and consumer diet preferences are also driving market growth during the forecast period. This is being offset, however, by the depletion of some species of sea animals which has restrained market growth. Collaboration of fishermen and fish farmers with processors, distributors, retailers, restaurants and foodservice providers to resolve the environmental issues is expected to provide lucrative opportunities for seafood market.



#### Regional Segmentation

Asia-Pacific is the dominant region in the global seafood market and is also the world's largest producer of fish. The Asia-Pacific seafood market is valued at over \$50 billion. International trade plays a vital role in economic development and growth of the region. China is the major fish producer and largest exporter in the Asia-Pacific region.

In recent years India has also witnessed considerable growth in seafood exports which are currently valued at an excess of \$2 billion.

Other developing markets such as Chile, Peru, Norway and Ecuador are also likely to experience a significant growth in seafood export over the next few years. Mature markets have seen a consistent rise in seafood demand, particularly in the US, the EU and Japan, which is further propelling the growth of global seafood market.



#### Chilled Segment Retains its Dominance

According to the report by Allied Market Research, by retail market variety, the chilled segment is expected to retain its dominance throughout the forecast period, with 54.8% share and an expected CAGR of 4%.

The frozen segment is estimated to occupy 29% of the global market share by 2023. Chilled and frozen segments collectively accounted for over 80% of the global seafood market in 2018. The demand for chilled seafood is growing due to the increasing demand for convenience food items and shifting preferences of consumers. Currently, manufacturers have emphasised the production of frozen seafood with nutritional quality, microbiological safety and convenience of handling thus boosting growth of frozen seafood segment.



#### Global Fish Production and Consumption

According to the June 2021 Globefish Highlights report published by the Food and Agriculture Organisation of the United Nations, restrictions on the movement of people, difficulties obtaining necessary inputs (like fishing tackle) and the introduction of various sanitary measures that reduced the efficiency of vessel crews contributed to an estimated 0.7 percent drop in capture fisheries production in 2020. However, weak prices, processing

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difficulties and poor demand were also major drivers behind the slowdown. Alaska pollock production fell while cephalopod fisheries also suffered. However, these effects were most pronounced early on in the pandemic and lessened as fishers adapted to the new operational constraints and the rapidly evolving market environment.

The year 2020 was also a difficult one for aquaculture producers. The aquaculture sector varies enormously depending on species, but generally aquaculture operators are vulnerable to sudden market downturns because in business terms biomasses at farms are equivalent to perishable inventory that must be sold within a specific timeframe. Aquaculture firms also require a constant supply of inputs, financing and labour, all of which were negatively impacted by the economic and social chaos that characterised the early stages of the pandemic. Combined with the deteriorating market environment, the net effect of these challenges was an estimated 1.3 percent drop in global aquaculture output for 2020. If confirmed, this figure would represent the first decline in aquaculture production at a global level in several decades, reflecting the primary role the sector has played in driving fish supply growth in recent times.

The outlook for 2021 remains uncertain. Although recovery is already underway in several key markets, the rate of this recovery is heavily dependent on the speed and effectiveness of vaccine rollout programmes. Price increases are likely for several species as foodservice demand returns, but the economic damage inflicted by the pandemic has been substantial and it is not yet fully clear what the long-term effects will be. In the meantime, stricter sanitary requirements and inspection protocols have already increased logistical costs. At the same time, newly developed distribution channels, products designed for home consumption and operational adaptations are likely to remain key features of the industry, increasing the ability of businesses to respond to future crises of a similar nature and opening new routes for innovation. Beyond the pandemic, there are other trade-related challenges concerning the industry in 2021, such as the remaining tariffs on US-China trade. Traders in the United Kingdom are also facing delays and administrative obstacles as the phased process of the country's exit from the European Union is creating confusion.

#### Fish Prices



According to the FAO, fish prices are rising on the back of the increased demand associated with the approaching tourist season, which is expected to be much closer to normality relative to 2020. Overall, however, traders are reluctant to commit to substantial purchases and are waiting to see how rapidly the situation improves over the coming months. In the canned tuna market, weak demand has been reported from consumers and a decline in raw material prices is likely over the coming months. In contrast, products mainly destined for the restaurant market, such as lobster and crab, which had a very difficult time last year, are experiencing a strong recovery in sales. Prices are high for these products, in some cases 50 percent above the 2020 price level.



#### Brexit

The departure of the United Kingdom from the European Union took place on 31 January 2021, after four years of negotiations. Brexit began and ended with fisheries as one of the central issues, in particular, mutual access to fishing grounds and to seafood markets. With some significant wrinkles still to be ironed out in an agreement that entered into force on 1 May 2021, Brexit has so far caused more challenges than opportunities for seafood interests in the UK and the EU. Despite a multiyear period in which to prepare, uncertainty

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regarding fisheries and market access is widespread on both sides, and negotiations on the terms of what is supposed to be a completed, bilaterally ratified agreement continue.

Already thrown into disarray by the pandemic, companies in seafood production, processing and trade have to deal with added complications from Brexit. The problems are worse for those geographically close to the issue – in France, Ireland, the Netherlands, Denmark, the UK itself – but those farther away are experiencing supply chain disruptions too.



#### UK Consumer Spending

According to Barclays, UK consumer spending continued to flourish in July 2021, up 11.6% compared to the same period in 2019, as Brits celebrated England's run to the Euro2020 final and also began booking overseas summer breaks as restrictions continued to ease.

There were promising signs for businesses across the UK as non-essential spending continued to grow, boosted by a 14.8% increase in consumer spending on days out to venues such as museums and theme parks. With the school holidays underway, further growth is expected from this category.

Online spend grew 23.5%, the highest level of growth since April as online fast food and takeaway services proved increasingly popular, up 170.8% coinciding with England's Euro2020 final run as Brits hosted friends for pre match food. Moreover, spending on hotels, resorts and accommodation also continued to grow, up 7.8% as almost half (49%) of people now feel comfortable travelling to different parts of the UK.

#### -Economic Impact of Coronavirus-

Undoubtedly, coronavirus is a black swan event – something that happens once in a century. Its spread has left businesses around the world counting costs, with many investors fearing the spread of coronavirus will pose an insurmountable challenge to the economic growth of all major countries across the globe. Almost every industry has been affected, with governments scrambling to somehow arrest the economic decline. Central banks in more than 50 countries, including the US Federal Reserve and the Bank of England have cut interest rates to try to strengthen their economies. Furthermore, most countries have announced unprecedented stimulus packages in the hopes of reviving their economy.

#### Effect on Global Demand

Consumer spending, a major source of economic activity, collapsed as the first wave of the pandemic swept across countries in early 2020. All of a sudden, consumers were forced to change behaviour, companies to transform business models, and governments to adjust regulations. And just as the coronavirus has affected regions and individuals in vastly different ways, the economic impact has also been very uneven. Employees able to work from home have maintained jobs and income, accumulating more savings while forced to cut back on spending from lockdowns, travel restrictions and health fears; others lost jobs and income or closed down businesses and have struggled to pay the bills.

According to a recent report by McKinsey, unlike previous recessions, this one involves no consumer debt overhang, bursting asset price bubbles or long-term business cycle fluctuations. The sudden and deep drop in consumer spending across China, the United States and Western Europe, ranging from 11 to 26 percent in the initial months of the pandemic, resulted mainly from cutbacks to in-person services, especially travel, entertainment and dining.

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These categories have been growing over the long term, and consumer surveys indicate a likely strong demand rebound after the pandemic. The massive ten- to twenty-percentage-point spike in the savings rate across the United States and Western Europe has left many households in a strong position to spend. That means an effective vaccine rollout to bring the pandemic to an end could restore consumer demand to pre-pandemic levels, fuelled by rising consumer confidence, pent-up demand and accumulated savings.

#### UK Economic Forecast

The International Monetary Fund (“IMF”) has sharply revised up its growth forecast for Britain's economy this year in its latest economic outlook update, after giving a more downbeat assessment in April when the country was only just beginning to relax COVID-19 restrictions.

British economic output slumped by almost 10% in 2020, its biggest drop in more than 300 years, as it suffered one of the world's highest official death tolls for COVID-19 and endured months of curbs on business and social activity.

But the IMF forecasts Britain's economy will grow by 7.0% this year, the same as the United States and the joint-fastest growth rate among major advanced economies. This was 1.7 percentage points higher than the IMF forecast in April, the biggest upgrade for a major economy. Britain's growth forecast for 2022 was revised down by 0.3 percentage points to 4.8%.

#### Global Economic Forecast

According to the IMF's World Economic Outlook (“WEO”) forecast, economic prospects have diverged further across countries since the April 2021 WEO forecast. Vaccine access has emerged as the principal fault line along which the global recovery splits into two blocs: those that can look forward to further normalisation of activity later this year (almost all advanced economies) and those that will still face resurgent infections and rising COVID death tolls. The recovery, however, is not assured even in countries where infections are currently very low so long as the virus circulates elsewhere.

The global economy is projected to grow 6.0 percent in 2021 and 4.9 percent in 2022. The 2021 global forecast is unchanged from the April 2021 WEO, but with offsetting revisions. Prospects for emerging market and developing economies have been marked down for 2021, especially for emerging Asia. By contrast, the forecast for advanced economies is revised up. These revisions reflect pandemic developments and changes in policy support. The 0.5 percentage-point upgrade for 2022 derives largely from the forecast upgrade for advanced economies, particularly the United States, reflecting the anticipated legislation of additional fiscal support in the second half of 2021 and improved health metrics more broadly across the group.

The additional support is expected to lift 2021 US GDP growth by 0.3 percentage point and 2022 growth by 1.1 percentage points, with positive spillovers to trading partners. This shift is partially offset by the forecast downgrade in 2021 for Japan, reflecting tighter restrictions in the first half of the year as caseloads picked up. Japan is anticipated to see a stronger rebound in the second half of 2021, as vaccination proceeds and the economy fully reopens, improving its growth forecast for 2022. Similar strengthening momentum is expected in France, Germany, Italy and Spain later this year, carrying over into 2022. Meanwhile, China's 2021 forecast is

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revised down 0.3 percentage point on a scaling back of public investment and overall fiscal support.

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