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a Materion Gwledig
Gwaith gwaddol
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Ymateb gan Seafish Cymru ac Aquaculture
Industry Wales Ltd

Welsh Parliament
Climate Change, Environment and Rural
Affairs Committee
Legacy work
CCERA(5) LW 09
Evidence from Seafish Wales and
Aquaculture Industry Wales Ltd

Future Fisheries Trade Arrangements

This short paper provides information to CCERA Committee members on the headline issues for aquaculture and seafood businesses in Wales who have been impacted by both departure from the European Union and impacts of the COVID pandemic.

How did seafood exports from Wales to the EU work prior to EU Exit?

Prior to the UK's exit from the EU seafood trade between the UK and EU was free and frictionless (minimal documentation and no restrictions on what could be traded). The only restrictions were due to availability of transport (ferry crossings etc.). Just in time ordering was possible and often seen as normal practice. Product was supplied typically on a Day 1 (ordered) for a Day 2 (delivered) basis.

General issues affecting seafood exports?

The overarching issue is that current business models are designed for free and frictionless trade over short distances. Now we are a third country, businesses need to adapt to a third country trade model and this is proving difficult for highly perishable goods and live animals where both the cost and timeframes to export have. In some cases certain trades are no longer permitted (LBMs).

Adaptation is difficult because:

- a. Trade is over short distances and short journey times do not allow all the pre notification and paperwork to reach the port before the goods arrive and goods must be held until the correct paperwork arrives creating delays
- b. Time delays caused by import procedures and checks cause deterioration in highly perishable goods and mortality in live animals. Customers can no longer operate a 'just in time' service due to delays and uncertainty of delivery times and there is a growing risk that they will source products from elsewhere.

- c. Previous business models were based on multiple small consignments, now these must be treated as separate imports causing disproportionate costs per consignment.
- d. Ports need to be operating to carry out the checks when the goods arrive, and many do not operate 24/7.
- e. There are issues with rolled over EU legislation being used by the UK as a third country trying to import to the EU. For example EU legislation and therefore current UK legislation does not require live crustacea holding facilities to be approved, but the EU requires such premises in third countries to be approved. Although this particular issue has been resolved by permitting registered businesses to export.

What are the specific issues affecting exports?

Administrative burden of increased paperwork. There are at least 4 separate forms now required for each consignment; a consignment is a batch of similar product i.e. species, catch area, vessel.

The forms required are:

- export health certificate
- catch certificate
- customs export declaration
- common health entry document

On occasion the following forms may also be required:

- storage document if the goods have been stored before export • processing statement if the goods have been processed before export
- endangered species permit for certain species.

All paperwork must be presented at the port at least 4 hours before the goods arrive at the port. The information given on each of the forms must match but the sequencing of when the forms are needed creates challenges with the necessary information not always being available and often the information is unknown at the stage needed. For example, a catch certificate (CC) needs information from the export health certificate, but catch certs are generated on landing but the EHC isn't generated until export. A possible solution is to apply for the EHC early but this may not be possible if the required EHC information is not yet available. Forms also require duplicate information and as the forms don't automatically populate other forms there is room for human error.

Increased costs: Export consignments will now attract the following additional costs – these costs did not apply prior to 1 January 2021.

- Export health certificate require each consignment (including its production site) to be inspected for compliance with food safety regulations, and the certificate signed prior to despatch.
- Charges for customs officials at the port of departure and port of arrival to complete the local customs formalities.
- VAT and import duties to pay as the contract supply terms usually require the supplier to pay these on import.

Time/delays

Even if the paperwork and export checks run smoothly, delivery times are still longer than previously. Inevitably there are issues with paperwork which can increase delays even further. This has implications for customers and potentially the quality of the product exported. Much of the seafood traded from Wales is live shellfish and any delay can affect product condition and ultimately shelf life. Given that much Welsh seafood is sourced from remote locations this could mean that Welsh seafood is at a disadvantage when compared to producers that operate closer to trade routes.

The Groupage 'Hub Model' Solution

Grouping smaller consignments together under a single export health certificate can reduce some of the certification burdens detailed above. The Hub model is a type of groupage where multiple consignment of a similar product can be grouped together away from the place of production for inspection and export under a single EHC. This allows fresh and live seafood to be inspected away from its place of production.

The premises can be inspected regularly as part of normal Local Authority inspection and this can be used as evidence that the product meets the requirements of the export health certificate – even if the EHC is issued elsewhere. The product can then be inspected and certified with other products at a more convenient location (known as the hub).

NB: This should not be confused with another type of groupage called 'Groupage Export Facilitation Scheme (GEFS)' as this is for finished product, pre-packed for the final consumer and is mainly used to group different products destined for retail.

Advantages:

- Spreads the cost of a certifying officer across consignments
- Inspections can be carried out at a more convenient location near to the place of export which can increase availability of a certifying officer.

Disadvantages:

- Since the hub model groups together consignments from multiple businesses, trade is dependent heavily dependent on other businesses (fishing vessels etc.) following the correct processes. If one consignment has issues with paperwork it will mean all consignments in the same load are delayed
- Hubs are a commercial enterprise and have been set up by large logistics companies rather than local authority or seafood businesses and so decisions on where to locate a Hub are not necessarily driven by the needs of Welsh seafood producers or local government. This can mean they are significant distances from both the production location and the ferry route (only certain ports permit live shellfish) .

Suggested Improvements

- Potentially establish Hubs to provide for Welsh seafood exports.
- Option to facilitate groups of producers to establish small local hubs

Other Trade Issues

Export of Live bivalve molluscs: As of 1 January 2021, when GB officially diverged from the EU's Sanitary and Phytosanitary (SPS) Regulations (and our importer status to the EU became 'third' country), there has been an export ban of LBM (both wild and farmed) sourced from Class B waters. This is because only LBM molluscs that are fit for direct human consumption can be exported to the EU; any animals that are not from Class A waters must undergo treatment, such as depuration or processing, before being exported to the EU (technically trade of LBMs from Class A waters can continue uninterrupted). Given that the Menai Straits is the main production area for the LBM mussel trade this restriction is likely to have a disproportionate impact (based on export volumes) on Welsh mussel producers.

This is a live issue under active consideration by Welsh and UK government. While there is unlikely to be a quick or easy fix, one potential solution could be to implement a more responsive and adaptive approach to shellfish water classification that specifically considers that sites (particularly Welsh sites) fluctuate between Class A and B. A mechanism that allows operators to harvest during periods of Class A water quality would likely assist Welsh producers.

Other issues affecting the LBM trade include potential restrictions on bulk exports.

As the UK has rolled over EU legislation the same regulations which prohibit movements from GB to the EU, could potentially prohibit movements from the EU to GB. There is some trade in seed mussel from the EU to GB which could now be prohibited.

Note: The LBM issue affects mussels, clams, oysters and cockles (although most Welsh

cockles are cooked prior to export so are not affected by this restriction).

Rules of Origin (RoO): The UK/EU Trade and Co-operation agreement allows tariff free trade between the two territories. However goods must meet the RoO. For UK to EU trade, the goods must be either wholly obtained in the UK or if imported from the EU sufficiently processed before re-export goods to the EU. This is less of an issue for Wales because the majority of product is considered wholly obtained in the UK, as it is caught in UK waters and processed in Wales. However there are some factors to consider:

- EU vessels landing into Welsh ports and then freighting product to Europe could incur tariffs on import to the EU unless product is sufficiently processed in Wales first (unlikely) or customs transit procedures are used. Noting that transit procedures will incur significant administrative costs and are therefore only suitable for large consignments.
- Northern Ireland Protocol would mean that goods moving from Wales to NI would be treated as an export to the EU and the same processes would need to be followed. However where the goods remain in NI the additional duties and VAT would not be paid.
- Similarly goods moving from Wales to the Republic of Ireland (RoI) and then moving to the rest of the UK could face tariff on entry into the UK if not sufficiently processed in the RoI.

Note: A sufficient process is any process that requires a level of skill beyond basic handling and preparation. Heading and gutting, and filleting would be considered sufficient but packing/wrapping would not be.

Aquaculture Specific Issues

Aquaculture Industry Wales Ltd represents a broad range of aquaculture interests in Wales that includes shell and fin fish producers, research businesses, aquaculture infrastructure providers and equipment manufacturers.

Some of our Welsh aquaculture businesses are involved in research that requires the import of materials that may include the import of live animals for trials. While this has not yet been required by Welsh research businesses, it may be an issue that affects the sector in the same way that export has been affected.

Businesses are experiencing delays and increased costs for basic oyster growing equipment such as oyster bags due to Brexit related administrative burdens on both distributor and importer. An identical order for oyster bags and ancillaries has increased by 7% (£541) with a delivery time of 10 days rather than the normal 2 days.

Market disruption has impacted oyster exports to the EU forcing large UK producers to focus

their marketing on domestic consumers. This increases competition for our product which in markets where price is a primary consideration (city food service and particularly London) small producers like us are at a disadvantage. There is a risk that cheaper oyster supplies from other administrations will displace our product from the market.

COVID has compounded the Brexit issue and the supportive structures have not been there for the sector. We understand that uptake for the aquaculture support scheme has been poor due to the design of the scheme. For some businesses in the start-up phase, they have received no support and now have stock they are unable to place in the market for the reasons described.

For those aquaculture businesses involved in ancillary services e.g. infrastructure, there have been issues sending goods to the EU since the 1st January 2021. Shippers and couriers are all asking for a variety of information and forms to be completed and their systems are struggling to cope with the new procedures. One small parcel was sent out to Portugal early January and has still not been delivered.

Rules of Origin are being flagged up on contract works insurance renewals with insurance companies now asking for confirmation that all of the products used are made in the UK. For those businesses in Wales involved in aquaculture system design and development, equipment components are sourced from UK suppliers but many of these products are not manufactured in the UK so additional effort is needed to process the required information. Alongside this are issues with shipping of the goods and the lead-times required to allow for slow deliveries and the additional information required with respect to commodity codes, customs duty, VAT transactions and the need to use agents to process each and every transaction.

Summary

The issues for the seafood and aquaculture sectors in Wales as a whole have been deeply damaging. A view can be taken that in some areas, there is a level of bedding in that will continue, albeit with further disruption around the next steps in transition beginning in April. It is true however that there will be continued pressure on businesses within the live bivalve sub-sector that will require much more targeted support to survive and would be a huge loss to Wales's seafood offer if lost.