

# Scottish salmon



## Economic commentary: 2023 Quarter 3

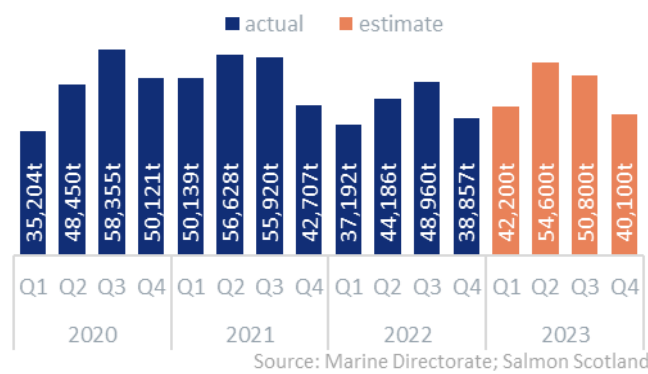
The farmed salmon sector contributes more than £760 million to the Scottish economy every year through direct, supply chain and employment impacts. The sector generates in excess of £1.2 billion worth of Scottish salmon at farm gate providing direct employment for over 2,500 people in farming and a further 10,000 across Scotland.

Primary production is focussed around the west coast, highlands and islands in remote and rural areas of Scotland but the supply chain reaches every constituency across the country. Over £370 million is spent annually with over 3,600 Scottish companies.

With over 200 active farms, the sector produces enough salmon to provide in excess of 970 million healthy nutritious meals with this production helping make Scotland the third largest producer of Atlantic salmon globally.

### Production of Scottish salmon

by quarter; tonnes wet weight



### Production and returns

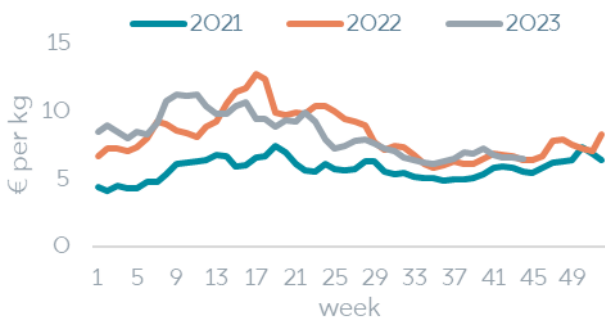
The Marine Directorate published updated production volumes earlier in the autumn which revised down 2022 estimates to 169,000 tonnes (liveweight), equivalent to an 18 per cent reduction on the year.

The estimate for 2023 was more positive with an indicative growth rate of just under 11 per cent to 188,000 tonnes. The likelihood is for the figure to be somewhere in-between the two, given the public reporting and guidance offered in Q3 company updates.

There have been some reports of tight supply across the market for Atlantic salmon – both domestically and globally. In Scotland, the situation has been notably challenging with earlier harvests before the summer and subsequent holding of fish to gain additional weight before the end of the year resulted in reduced availability. The impact from El Niño also led to increased production challenges due to higher temperatures and poorer water quality.

### Atlantic salmon prices

NQSalmon; € per kg

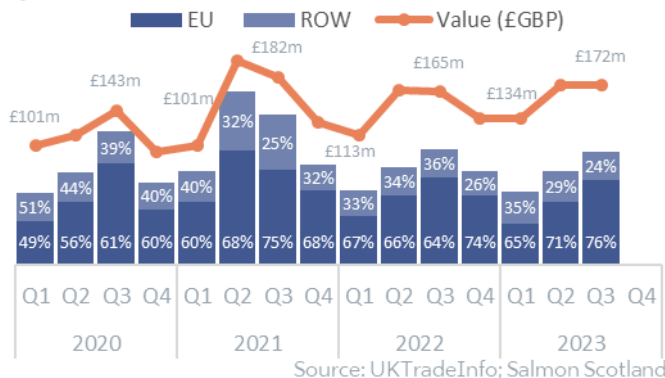


### Investment and demand

Scottish investment has been strong in recent years with significant expenditure on developing existing and creating new hatcheries. Companies are making use of the latest technologies to develop more robust smolts and further improve fish monitoring. Investment in marine sites through re-designing farm layouts and infrastructure to further improve fish health and productivity will assist in creating the foundations for future growth.

### Exports of Scottish salmon

by volume share and value £GBP



Coupled with an acute awareness of inflationary impacts throughout the supply chain and cost of living pressures for colleagues and customers, farming companies have not experienced much change to farmgate revenues in 2023.

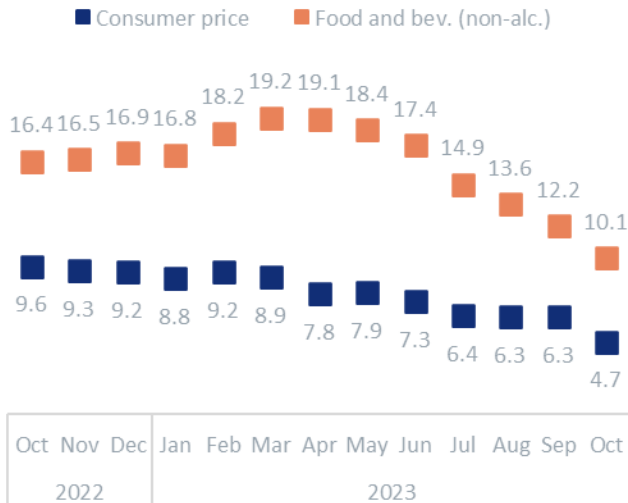
Exporters have therefore looked to new markets with over 53,000 tonnes exported in the first nine months of the year to more than 50 markets to achieve higher returns.

In the year to September, Scottish salmon exports stood at £611 million, £38 million, +6.5 per cent, more than a year earlier despite volumes being some 3.5 per cent lower at 71,000 tonnes.



## UK inflation

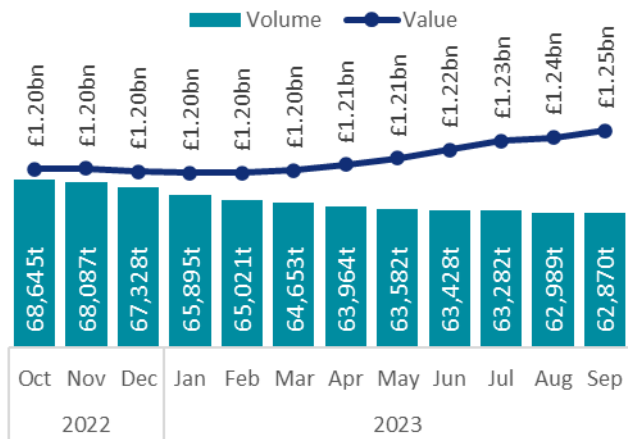
Overall CPI compared with food and drink inflation



Source: Consumer price inflation from the Office for National Statistics

## Salmon sales at UK retail

by volume (tonnes) and value (£GBP)



Source: Nielsen ScanTrack for seafood; Salmon Scotland

## Domestic pressures

UK inflation has been high for a prolonged period. The last time when inflation was consistently below three per cent was the summer of 2021. Since then, overall (CPI) inflation was above seven per cent for 15 consecutive months (to July 2023) while food inflation was in double digits for 16 months (still the case in October).

Consumer price rises in the fish and salmon market at retail have occurred during this period too, although there has been a significant lag in play. Inflation across all fish products has—and continues to have—a dampening effect on overall food inflation. That is to say that price rises across the fish segment have been lower than overall food and drink. This is certainly a good thing for UK consumers as the ‘basket’ of fish offering can allow a continued value choice for a healthy and rich source protein and nutrients.

A similar situation has occurred with salmon although not quite to the same degree. Salmon had a dampening effect on CPI until November 2022 when it rose above the 9.1 per cent recorded. In the wider food basket though, salmon continued to increase at a lower rate than the overall food and beverage category all the way to August 2023 (by which time overall food inflation was on a strong downward trend).

Despite some inflationary pressures coming through to salmon products at retail which has had an impact on overall volumes, it remains the most popular fish among UK consumers, with sales up 3.2 per cent in a year to £1.25 billion.

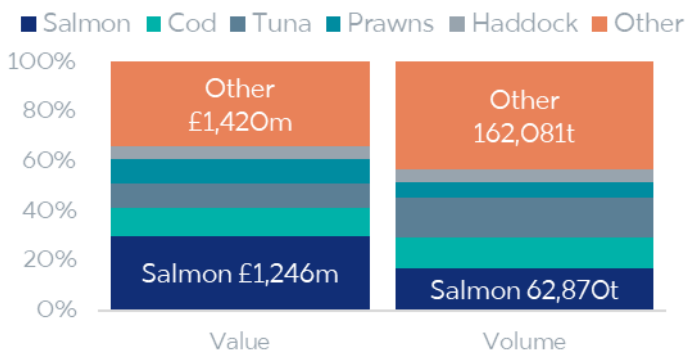
Despite volumes dropping, salmon still accounted for 17 per cent of all fresh fish volumes sold at retail and 30 per cent of the total value of fish sold.

Attracting and maintaining a customer base in such an important market is integral for the continued success for Scottish salmon. Providing a healthy, nutritious product domestically is reason for the global demand.

In the midst of economic challenges and changing consumer behaviours, providing retailers and customers with evidence on providing the highest quality of fish and investing in technologies to adapt to varying operational conditions remain at the forefront of farmers’ strategies to continue to meet market needs.

## UK retail consumption

Top fish at retail; by value and volume



Source: ScanTrack for seafood; 12 months ending September 2023



Scottish salmon adds over £760 million to the economy each year.



38 Scottish salmon are exported overseas every minute



£370 million annual spend with over 3,600 Scottish suppliers