RURAL ECONOMY AND CONNECTIVITY COMMITTEE

CALL FOR EVIDENCE ON THE IMPACT OF COVID-19 ON THE RURAL ECONOMY AND CONNECTIVITY IN SCOTLAND

SUBMISSION FROM THE SCOTTISH SALMON PRODUCERS ORGANISATION

Background

Scottish salmon is Scotland and the UK’s largest food export with exports of whole, fresh/chilled product valued at £625 million in 2019. The Scottish Salmon Producers Organisation (SSPO) represents Scottish salmon farmers which account for over 98% of all Atlantic salmon farmed and produced in the UK.

The Scottish salmon sector directly employs more than 2,300 people across Scotland – many in remote coastal regions for which many further jobs are dependent. From the very outset of the spread of COVID-19, Scottish salmon farmers have prioritised the health of their workforce while maintaining the welfare of their fish to continue to supply healthy food.

In 2019 over 190,000 tonnes Scottish salmon was produced, maintaining Scotland as the third largest producer of Atlantic salmon globally. Serving the domestic market is a priority for the sector although the demand for Scottish salmon internationally has resulted in strong growth over several years leading to exports accounting for over 50 per cent of production in 2019. While Scottish salmon is available in many markets, a significant proportion is supplied to premium foodservice, restaurant and hospitality sectors which, as we will explain more fully later in this paper, has been severely impacted by the spread of COVID-19.

The sector has adapted in many areas in order to navigate these challenges although many still exist and we foresee them remaining over the coming months which provides significant opportunity for support to help mitigate these issues.

The main priority throughout has been the health and welfare of colleagues across the sector and within their communities. The commitment, strength and determination to continue to work during adversity has rightly been publicly praised.

1. What particular impacts has COVID-19 had on the lives of people in Scotland’s rural and island communities and what lessons have these communities learned for the future?

Food production was classified early in the crisis as essential business which was welcomed and meant that key operations continued in lockdown provided social distancing and other Government COVID-19 prevention guidance was complied with. Where staff could work from home, they could and are still doing so. Our member companies were heartened by letters of support for the aquaculture sector from both the UK and Scottish Governments.

Our members introduced and implemented new processes to keep colleagues safe. As a result, it has been the case for several weeks now where 99 per cent of the
work force has been able to work. There is regular confirmation passed on by frontline employees that measures are understood and suitable and the workforce (and its supply chain) has and remains committed to protect themselves and each other.

Linked sectors such as suppliers and logistics have worked in conjunction with local businesses in order to prioritise and maintain supplies – this includes supplying the rest of Scotland, UK and also international consumers during the period.

While individual company procedures have maintained the health of their direct employees, this health crisis extends beyond direct employees to family/household members. This has led to some furloughing of staff. The reporting for furloughing staff was primarily for isolation/family protection reasons, where access to sites/interaction was not suitable or where workers were unable to carry out their tasks given restrictions in place. Some reduced production measures have resulted in furloughing of a minority number of employees.

The protection of the workforce extends to the wider population and restricting the spread of the virus within local communities, many of which are rural and or island communities with low population densities. Companies have taken measures to mitigate any risk where possible as any outbreak among these communities could have a disproportionately high impact.

4. To what extent have the sector(s) been equipped to mitigate these impacts directly and to what extent have they needed to rely on interventions from Scottish and UK Governments/other external bodies?

The early classification of food workers as essential workers allowed SSPO members to access childcare places in most local authorities and, in theory, allowed them to be tested for Covid-19 to get them back to work as quickly as possible. Where this has been effective, it has been very welcome although the remoteness of many sites and sparsity of testing centres does not always mean that it has been a smooth process.

Continuing farm production has been achieved by changing shift patterns, adopting skeleton crews, increasing PPE, information exchange, enforcing social distancing and changing working practices in processing centres by introducing screens and other measures.

Logistics across the sector and country has been integral. Initial challenges on ferries with colleagues being refused access due to supply chain workers and/or hauliers not being interpreted as key workers were overcome with effort from the SSPO to work with ferry companies and with support from government and the Island Task force.

The Job Retention Scheme has been one of the most radical support measures in place but, due to the desire to look after their fish and to keep colleagues in work, the sector has not utilised this assistance to any great degree.
Other facilities which have been put in place have largely not been suitable or available to the salmon farming sector. As a result, inefficiencies which have built up as a result of closed markets, excess supply or other production and supply chain hurdles, have had to be absorbed through the resilience of our members.

5. Can you share the findings of any research that may have been undertaken into the impacts of COVID-19 on the sector(s) and communities in question and how they have responded? Are there examples of innovation and best practice internationally in responding to COVID-19 that could benefit the sector(s) and communities in question in Scotland?

Our members moved quickly to implement new ways of working in order to protect their colleagues so that they could maintain the care and welfare of their fish. As a result, as of 15th June 2020, all of Scotland’s salmon producers have had ZERO positive tests of COVID-19.

Where possible, the sector-wide approach has been to support and understand the individual situations their staff are in. Home and flexible working, where appropriate has been implemented. An understanding of the challenges faced by employees and the ability to balance work with home life – home schooling, caring for isolated relatives, for example – has been applied across the sector. The commitment from employees and interaction and communication has allowed good practice to develop quickly and efficiently in order to maintain a high level of attendance throughout the lockdown period.

Some of the extensive additional measures put in place to protect workers from coronavirus include, but are not limited to social distancing (2m rule) on farms and processing facilities, adopting 2split shifts and phased break patterns, one-way routes in canteens, introduction of screening, more hand sanitisation stations and limiting staff numbers on their break at the same time, screening contractors coming on site and putting additional transport to support social distancing when travelling to work.

The SSPO collated data from our members on numbers of workers unable to perform duties as a result of COVID-19 to allow us to understand the trends and whether measures which had been put in place were effective.

From a commercial perspective, there have been changes to company business models in order to reach consumers who could not now consume Scottish salmon through their usual hospitality/restaurant means and direct selling has to the consumer has materialised.

Given the closure of many HORECA markets globally, the need to maintain a suitable supply of fish through the production process has led to the development of freezing and containerisation of product so that salmon supply can be maintained at a volume where markets can be found.

6. What has been the immediate impact of COVID-19 on the sector(s), including on livelihoods and on the wellbeing of those working in the sector(s) and in dependent communities?
Testing: Many of our farms are in isolated rural communities, including the Western and Northern Isles. Getting employees with symptoms of Covid-19 tested has proved to be a major challenge, despite the clear guidance from the Scottish Government that this should take place.

Progress has been made in Shetland and the Western Isles and while some problems remain in Orkney, we are hopeful that these are going to be resolved soon. Making sure that our colleagues remain and stay safe has been a priority for our members since the start of the outbreak.

The Scottish Government’s Islands Task Force has been useful in getting this issue – and getting our fish from the islands on ferry services – dealt with.

Furloughing: Some of our member companies have furloughed staff, but only in very small numbers. Farms need to operate as near to normal as possible to ensure the health and welfare of our fish is maintained to the highest standards and so there has been no driver to furlough staff and every incentive to keep them working with thorough safety and social distancing measures in place. In many cases, furloughing has been a result of positive consultation with colleagues where individual circumstance has meant that furloughing was the optimal option.

The other grant and loan help made available is more applicable for different, smaller businesses.

The Job Retention Scheme is a useful scheme but, for salmon farming, a wage subsidy scheme would be more suitable to assist with impacted cash flow while sales volumes were lower but overheads remained high.

7. What is your assessment of the resilience of the sector(s) to the COVID-19 crisis, and how might resilience to future shocks, including further waves of infection from COVID-19 and future pandemics, be improved?

Our members have been resilient throughout the crisis and have flexed their businesses to respond to the difficult operating and market conditions that have resulted from the pandemic. But the COVID-19 outbreak has had a significant impact on our members’ production processes and their supply chains to markets – creating inefficiencies and additional costs which have been absorbed by the sector. This has been done without major external support and has been possible by our member companies having suitably robust business plans. New ways of working will help mitigate and further impact from a production perspective although it is important that markets re-open and become available to supply so that supply can be utilised.

Some of the external challenges which have been faced by our producers are below:

The UK market for Scottish salmon: The UK restaurant and foodservice market has effectively been suspended by the lockdown, leaving the domestic retail market the focus of sales activity. Like many other foods, salmon sold well in the first weeks of the pandemic in UK supermarkets as consumers stocked up. While consumers worked through their early stockpiling, sales have, nonetheless, held up well, but not sufficiently to compensate for the loss in export markets.
Imports of salmon from other countries continue to enter the UK retail market. Figures from the Norwegian Seafood Council (NSC) show a 20 per cent increase on the amount of whole fresh salmon exported from Norway to the UK for week commencing 4 May compared to the same week in 2019.

**Significant downturn in Scottish salmon exports:** Around half of the annual Scottish salmon produced is exported (approximately 95,000 tonnes). This is transported to market by ferries, major trunk roads and tunnels to mainland Europe or, for further afield markets, in the holds of passenger planes so that product reaches markets within 24 hours of harvesting.

Since February, sales of Scottish salmon overseas have declined as flights were curtailed and freight costs escalated. Demand fell across the food service sector – a strong market for Scottish salmon - as the pandemic restricted consumer movements.

The impact on markets mirrored the geographical spread of the virus: The fall in the Norwegian Krone, which occurred at the start of the outbreak of the virus, led to an increased competitiveness from the world’s largest producer of Atlantic salmon at a time when many outlets (HORECA) for Scottish salmon were closed, or closing, in many markets.

Quarter 1 2020 export data (Jan to Mar 2020) showed that both the volume and value of Scottish salmon exports fell, by 40 per cent and 34 per cent respectively, compared to the corresponding period in 2019. This downward trend is expected to accelerate with the figures for Q2 of 2020 likely to show a further drop in exports.

8. **How effectively has the support provided by the relevant division(s) of the Scottish Government and/or related bodies addressed that sector’s/those sectors’ needs? Has support been equitable, and has it been appropriate to the long-term recovery that you would like to see?**

The drop-off in export markets and the virtual closure of the food-service sector have left our members with a ready supply of fish but greatly reduced markets in which to trade.

The regulatory flexibility agreed with SEPA, Marine Scotland and Local Authorities Planning functions early in lockdown helped reduce some of the pressure on our farmers and allowed farmers to keep fish in the water for longer, and gave the option to rear them to bigger sizes rather than forcing them to offload them on to a limited market. This is particularly important as Scottish salmon take between two and three years to grow and therefore having flexibility as a result of a rapidly developing potential capacity challenge, was welcome.

The regulators also introduced some welcome flexibility on medicine use, acknowledging that alternate staffing arrangements and social distancing measures required alteration to normal treatment methods and supported the administration of treatments to more pens, more quickly. This flexibility was also welcomed to support
the most effective management of fish health when farmers are, holding fish in the water for longer than would normally be the case.

9. What lessons can be learned from how the relevant divisions of the Scottish Government and/or related bodies have responded to the impact of the COVID19 emergency on the sector(s) in question? Are governance arrangements adequate to deal with disruption, such as that caused by COVID-19? Can you provide specific examples of good practice in this respect?

The ‘Team Scotland’ approach demonstrated by Marine Scotland and SEPA in jointly working to deliver swift, complimentary and consistent regulatory responses has been a notable example of how divisions of Scottish Government have, collectively, responded to developing challenges resulting from COVID19. This approach and the resultant regulatory response have given flexibility in finfish farming activities to support farmers in activities which cut across both public bodies remits.

This collaborative approach was also extended and further demonstrated by all five local authority planning functions, who took a common position complimenting the position of the national public bodies. This has been critical in ensuring consistency across the fish farming regions. We would like to see this approach – where proportionate regulatory decisions are made swiftly and with understanding retained in routine business going forward through the COVID19 outbreak and, importantly, beyond.

There has been good, regular positive dialogue with Ministers and officials to brief them on the sector challenges and adaptations and to allow the sector to understand what government actions were underway.

The regulatory flexibility agreed with SEPA and Marine Scotland from the start of the lockdown helped reduce some of the pressure on our farmers so they could continue to operate with new social distancing and safety measures in place and in the great uncertainty of lockdown.

10. In what ways do you anticipate that COVID-19 will result in longer-term or possibly permanent changes to ways of working in the sector(s) and what are the practical and financial implications of these changes?

A full review of “lessons learnt” will not be completed until after the most significant effects of COVID19 have passed. Though it is envisaged that the majority of future developments that result from “lessons learnt” from COVID19 will, over the long term, provide positive and overall financial benefits for our sector.

By way of examples these are areas where changes could be possible:

COVID19 has necessitated a significant shift in the way in which individuals and teams work, with home working, the adoption of alternative shift patterns etc. Like other businesses, it is likely that salmon farming companies will look at their flexibility and optimise practice based on Covid-19 learnings.
Some of the challenges presented by COVID19 have required a greater level of dialogue with various regulatory bodies and this has led to positive developments in terms of engagement and finding solutions to challenges. SSPO and our members are keen to ensure this collaborative approach continues and is built upon. We are currently exploring use of technologies to support the audit and inspection processes with our regulators, utilising lessons learned from successful delivery of a range of quality assurance audits.

Dialogue with regulators has also identified specific areas that would benefit from further consideration. For example, the way veterinary medicines, most notably bath medicines, are regulated and a key tool that supports current regulatory decision making has been identified as in need of development and update. This development work will commence in the coming months.

Hygiene standards are already top class in the food production sector and so many new measures which have been introduced have led to an extension of those requirements – beyond regulatory requirements.

Given the nature of the work within the sector (on farms and in processing) it is not possible for many to work from home and so it is unlikely or not possible to change those patterns.

The distribution of product and market shares between retail and foodservice and domestic and export markets are likely to be impacted for some time. Once export markets recover, accessing them will also be a consideration dependent on how the market for passenger flights reacts. The sector has been efficient and effective at utilising hold space on passenger planes to access global markets so that chartered freight is not required.

11. What should the Scottish Government be doing to support the sector(s) in question to deal with these future challenges?

UK retail and foodservice markets: With foodservice still in virtual lockdown at home and the situation also very severe abroad, the markets for Scottish salmon have been restricted. Our farmers have been able to delay harvesting fish for some time, but excess supply and lack of farm capacity could become more challenging towards the end of Q2 and into Q3 unless markets return swiftly.

We have welcomed the efforts the Scottish Government (at Ministerial and civil service level) have opened welcome discussions with the main UK retailers asking them to stock more Scottish produce, including salmon and we will continue to support them. We also welcome discussions about a consumer-facing marketing campaign to promote Scottish produce.

Export market recovery: Early discussions on the Scottish airport infrastructure – specifically at Glasgow and Prestwick – would be beneficial to scope out opportunity for extending facilities for chilled warehousing and therefore providing more routes to market direct from Scotland if there are challenges with other ports.
The lack of passenger flights, particularly to the United States, remains a problem. Given the global reduction in the food service sector and the strong supply (not just in Scotland but globally) it is important that Scottish fish are able to be supplied to consumers where markets are open. Even with the US markets starting to re-open, there is still a challenge to get fish to market at an economical price. The SSPO has been in discussions with airline operators and freight handlers but, with so few flights going to key markets, a resumption of exports at an affordable price to all markets still looks some way off.

The SSPO has also been in regular contact with Defra, the Scotland Office, the Department for International Trade and the Department for Transport on issues such as air freight and promotional activity for seafood across the UK.

**Recovery from Covid**

Scottish salmon is an asset that Scotland should be proud of. The sector produces an important food for consumers, high in protein, nutritious and versatile. Scottish salmon is produced with a low carbon footprint and good feed conversion ratio. Our fish are highly efficient in converting feed. The demand for Scottish salmon has grown over recent decades to supply over 50 countries globally each year and is reliant on having a diverse range of markets to supply. The industry has an employment footprint right across Scotland and its reach is into rural and remote parts of the country.

With so many other sectors suffering massively through the Covid crisis, our farms have provided an economic lifeline for dozens of small rural communities, and will maintain and wish to grow their contribution to Scotland through employment, skills, capital investment, sustainable growth and supporting community.

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i Food Drink Federation - [https://www.fdf.org.uk/exports-2019-q4.aspx](https://www.fdf.org.uk/exports-2019-q4.aspx) (includes further processed product exports such as salmon sides, fillets and smoked salmon.)

ii HMRC UK Trade Info or [Scottish Salmon Producers Organisation](https://www.scottish-salmon.org/)

iii Marine Scotland Science, [Scottish Fish Farm Production Survey 2018](https://www.scottish-salmon.org/)


v Applying social distancing on sites and changing shift patterns has led to new practices which, at least in the short term, led to longer processes where one colleague would have to carry out roles where support would have usually been available. In the supply chain, given the disruption to markets, more resource has been allocated to finding suitable outlets and given the reduction in passenger flights, new routes to market have had to be explored.