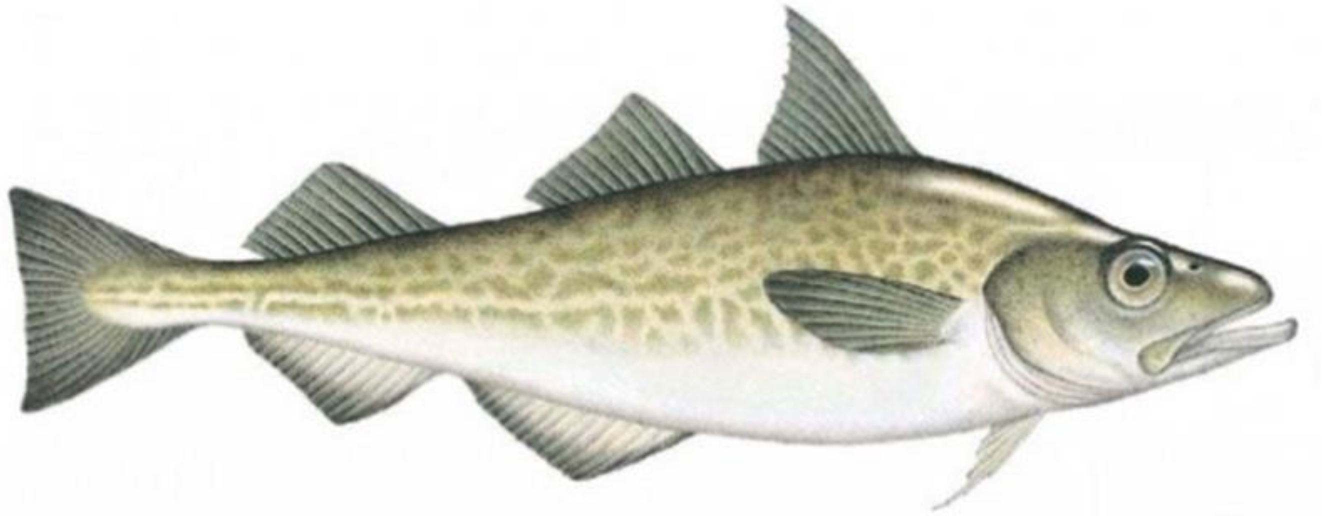
SOURCING ALASKA POLLOCK ALTERNATIVES IN A TIME OF CRISIS



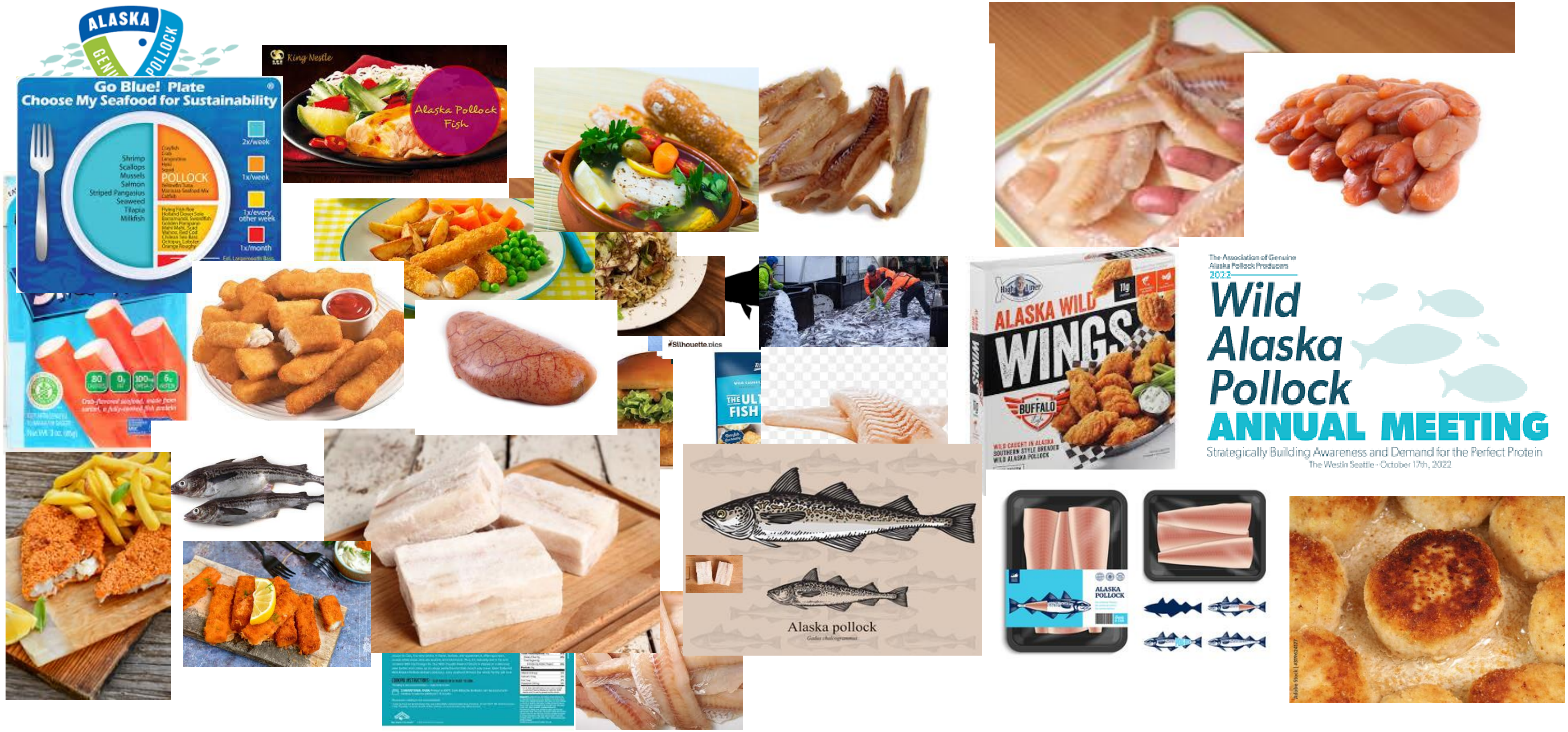
REGIONAL WORKSHOP:
TECHNOLOGY INNOVATION
AND MARKET OPPORTUNITIES

13 SEPTEMBER 2022, GDAŃSK, POLAND

With special thanks to the AIPCE –CEP for their consent to use the data From the FinFish Study * 2022

*The Finfish Study has been prepared by and for the seafood processing and trade industry in Europe for more than 30 years and has been a useful tool in explaining the activities of the fish and seafood processing industry and trading sector.

WHAT IS THE POLLOCK- THE ALASKA POLLOCK?



WHAT IS THE ALASKA POLLOCK ?
WHAT IS SO SPECIAL ABOUT THIS FISH?

- Pollock is one of the seven key wild whitefish species imported and consumed in the EU (cod, Alaska pollock, hake, haddock, saithe, redfish & hoki)
- 94% of the Alaska pollock imports in 2021 consisted of frozen fillets, followed by frozen Alaska pollock meat (6%).
- Germany is the main importer of Alaska Pollock, followed by Poland, France and the Netherlands

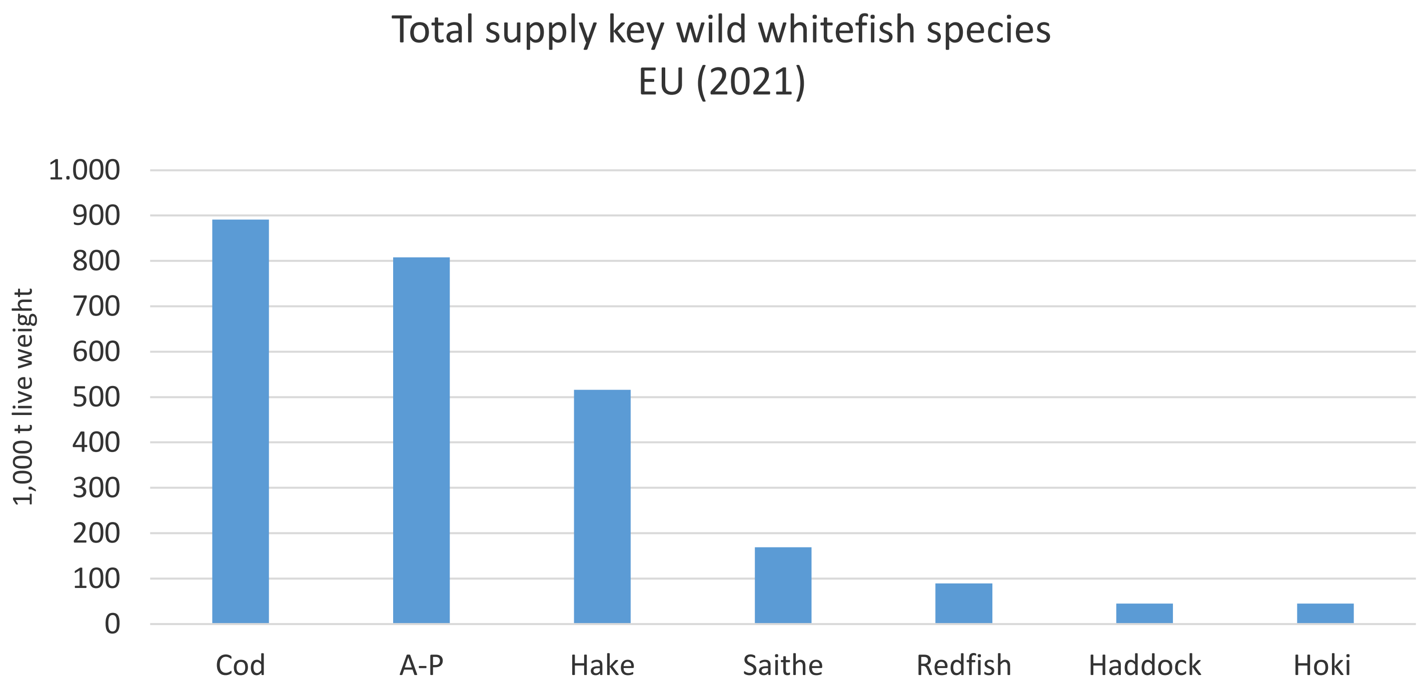


Figure 5.1: Total volumes utilized in the EU of key wild captured whitefish species in 2021; Source: Eurostat/Comext, text source FinnFish Study 2022

What is the ALASKA Pollock ?

Cod and Alaska Pollock are the most important whitefish species in the EU supply, accounting to 891 thousand tonnes and **808 thousand tonnes** in 2021 respectively.

Species like Alaska pollock and hoki are fully dependent on imports from outside the EU (figure 5.2).

The total ATQ quantity is 340,000 tonnes and was 78% used at the end of 2021 (93% utilisation in 2020)!

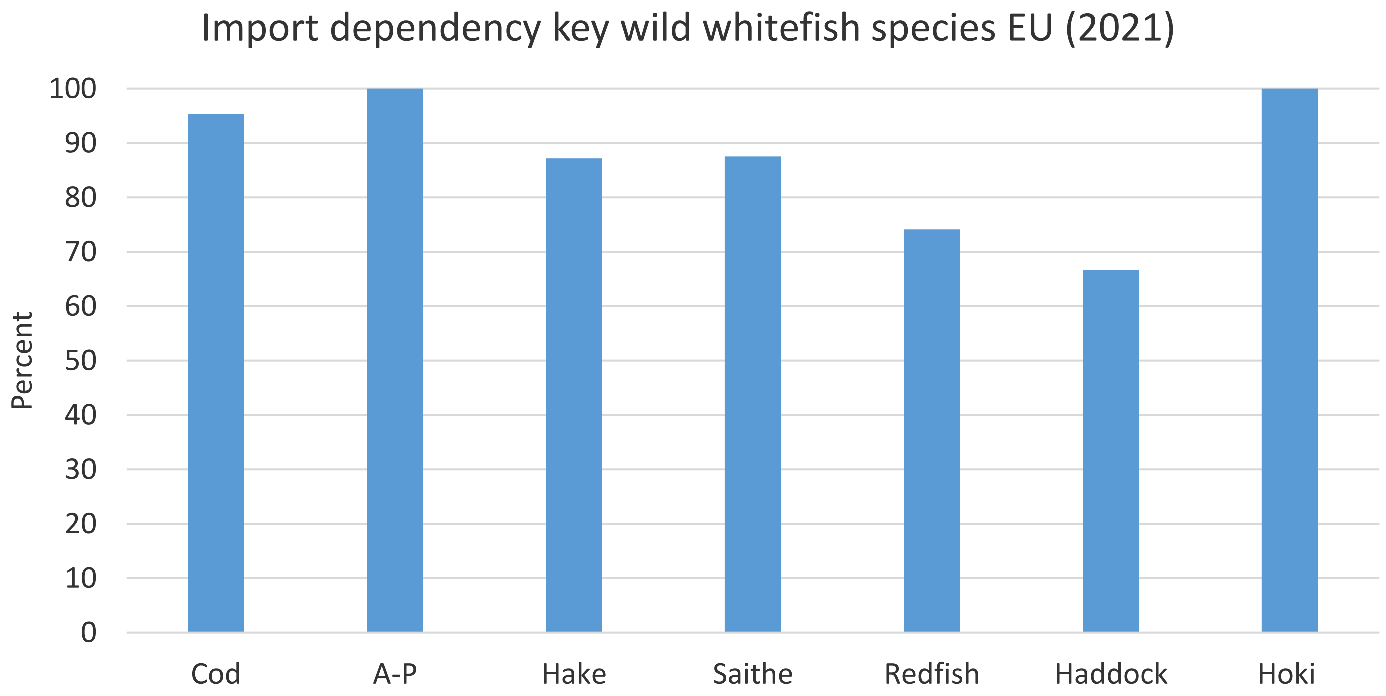
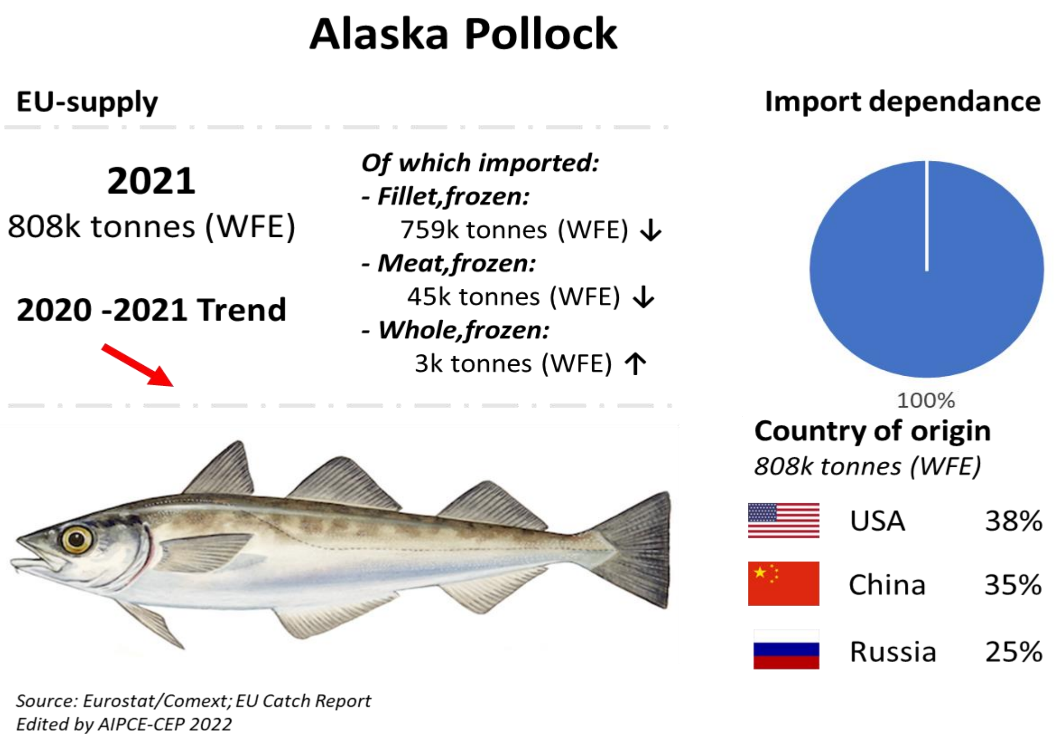


Figure 5.2. Import dependency EU for key wild captured whitefish species in 2021; Source: Eurostat/Comext, text source The FinnFish Study 2022

WHAT IS THE ALASKA POLLOCK ?

- The EU is fully depending on third country imports of Alaska Pollock,
- **Self-sufficiency is 0%.**
- The most important sourcing countries for Alaska pollock in 2021 were USA (38%), China (35%) and Russia (25%).
- Important to know is that over 95% of the Alaska pollock imported from China has a Russian origin.



Source: Eurostat/Comext, text source The FinnFish Study 2022

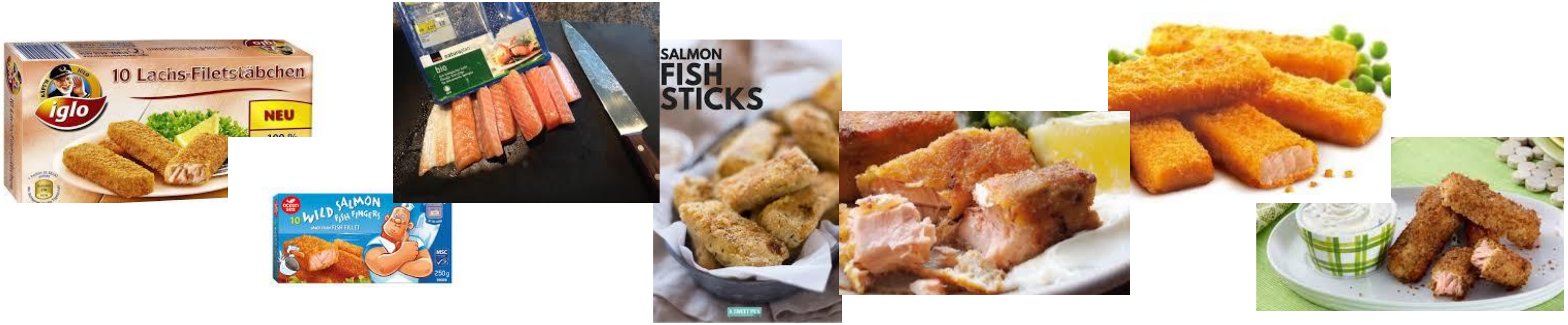
BASIC QUESTIONS

IF ALASKA POLLOCK IS SO IMPORTANT :

- MAYBE ALASKA POLLOCK IS THE ALTERNATIVE? WHICH , WITH TIME, BECAME **THE IRREPLACEABLE**?
- IS THERE ANY REAL ALTERNATIVE FOR ALASKA POLLOCK, AT ALL?
- IN WHAT PRODUCT CATEGORIES? ALL OF THEM? SOME OF THEM?
- CAN ALASKA POLLOCK BE REPLACED BY ANY OTHER SPECIES FROM REMAINING OTHER SIX KEY WHITEFISH SPECIES?
- CAN IT BE REPLACED BY ANY OTHER NEW SPECIES RETURNED ON THE MARKET ?
- CAN IT BE REPLACED IMMEDIATELY?
- CAN ALASKA POLLOCK BE REPLACED BY ANY OTHER WHITE FISH SPECIES? TOTALLY ? PARTLY ?
- WHAT ABOUT FISHERIES SUSTAINABILITY?
- WHAT ABOUT A CERTIFICATIONS REQUIRED BY THE MARKETS?
- WHAT ABOUT IMPORT DUTY FOR THE ALTERNATIVE?
- WHAT ABOUT THE PLACE OF THE PRIMARY PROCESSING: CHINA? EU? THIRD COUNTRIES ADJACENT TO THE EU? SEA PROCESSED AND SEA FROZEN?
- TALKING ABOUT THE ALTERNATIVE IN A TIME OF CRISIS: WHAT ABOUT THE PRICE FLEXIBILITY OF THE EU MARKET & EU CONSUMERS?- HAS THE RECENT INCREASE OF THE PRICE OF THE BREADED FISH STICKS IN GERMANY , OF 40%, OPENED THE NEW ERA FOR THE “FROZEN IN TIME“PRICE OF THIS ONE OF MOST POPULAR AND CONTINUOSLY GROWING CATEGORY?
- WHAT ABOUT GROWING DOMESTIC DEMAND OF THE FISHING COUNTRIES: E.G. IN THE US-AFTER COVID? FOR THEIR OWN FISHED WHITE FISH SPECIES?

AND WHAT IF
THERE IS ALREADY

OBVIOUS ALTERNATIVE?
FOR THE MAJOR CATEGORIES-
ALTHOUGH NOT A WHITE FISH?

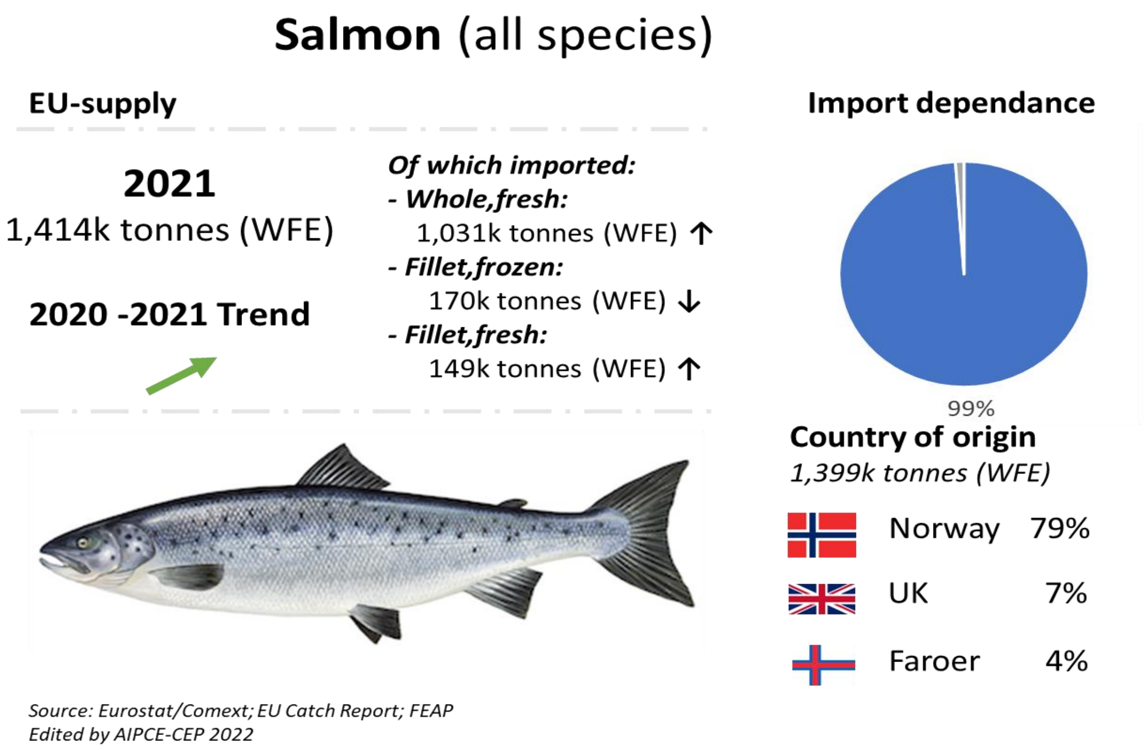


Salmon is ALREADY the most consumed seafood species in the EU.

From all salmon species, Atlantic salmon is the most important one.

The total EU salmon supply increased to 1,414 thousand tonnes in 2021 (+2%; +23 thousand tonnes).

Since the UK, an important producer of Atlantic salmon, left the EU 99% of all salmon comes from outside the EU-27 WHILE
the total whitefish wild caught production worldwide decreased around 7.1. million tonnes in 2020, having Alaska Pollock (3,5 million tonnes), Atlantic cod (1.1. million tonnes) and Hakes (1.1. million tonnes) as most important species



WHERE TO LOOK FOR THE ALTERNATIVE ?
AMONG THE EU DOMESTIC CATCHES?

BUT

Supply from EU catches of species under quota management show a decreasing trend for many years.

In 2021 the total landing volume of whitefish amounted to 166 thousand tonnes, a decrease of 37% compared to 2020.

Especially cod (-38 thousand tonnes; -48%), haddock (-25 thousand tonnes; -63%), saithe (-17 thousand tonnes; -45%) and hake (-10 thousand tonnes; -13%) were caught in lower quantities in 2021.

The domestic EU production of all whitefish species decreased in 2021, mainly due to the lower fishing effort due to COVID-19.

What about the ambitions of the EU and Nordic producers? There is no step back!

Was the Alaska Pollock the historical alternative here- for the true cod? Was Pollock the Plan B?

source FinnFish Study 2022

WHERE TO LOOK FOR THE ALTERNATIVE ? AMONG IMPORTED WHITEFISH SPECIES?

The most important external sourcing countries in 2021 were:

China (407 thousand tonnes; -9%),

Norway (388 thousand tonnes; -1%),

USA (374 thousand tonnes; -14%),

Russia (367 thousand tonnes; +18%)

and Iceland (308 thousand tonnes; +12%).

China’s share of EU imports of whitefish has dropped to 17% (in WFE).

Almost all whitefish import from China and USA are frozen fillets (especially Alaska Pollock).

If imported- then the customs duty should apply

source FinnFish Study 2022

WHERE TO LOOK FOR THE IMPORTED ALTERNATIVE?

THE TRADE AGREEMENTS

1. **TCA Agreement UK, t**he EU and UK realized a Trade and Cooperation Agreement (TCA) on 24 December 2020 that has been applied provisionally from 1 January 2021… but be careful about the *Rules of origin* and remember about *the Catch certificates* full requirements !

2 **EVFTA Vietnam, t**he EU-Vietnam Free Trade Agreement (EVFTA) entered into force on 1 August 2020. The EVFTA is described as the most ambitious trade agreement the EU has ever concluded with a developing country, eliminating 99% of custom tariffs… BUT ISN'T IT TOO LATE FOR PANGA, NOW?

3. **EPA Japan,** An Economic Partnership Agreement (EPA) between the EU and Japan entered into force on the 1st of February 2019. Under the Agreement, all fish products have been, or will be liberalised over time.

4. The **EU-Canada Comprehensive Economic and Trade Agreement (CETA**) is a progressive trade agreement between the EU and Canada. It eliminates duties on 99% of all tariff lines.

5. **EEA Agreement with Iceland and Norway.** The supply of fish and fishery products from the Nordic trading partners is significant and facilitated by comprehensive preferential trade instruments.

source FinnFish Study 2022

WHERE TO LOOK FOR THE IMPORTED ALTERNATIVE? AUTONOMOUS TARIFF QUOTAS (ATQS) LOW HANGING FRUIT?

- At the end of 2020 the latest cycle of ATQs entered into force (Council Regulation (EU) 2020/1706). This latest cycle is triennial and focuses on the years 2021-2023.
- Some whitefish quotas have been successfully extended, and also new whitefish species were introduced, in the new cycle, like whole frozen flatfish (7,500 tonnes on 0% import tariff),
- The strength of ATQs is that they are not country specific.
- All of seven key whitefish species are included to the ATQ

but

within the limits of their designated and limited ATQ allowances

and

the significant Autonomous Tariff Quota (ATQ) allowance for Alaska pollock (09.2777) is the largest single ATQ assignment. The total ATQ quantity is 340,000 tonnes and was 78% used at the end of 2021 (93% utilisation in 2020).

source FinnFish Study 2022

LOOKING FOR IMPORTED ALASKA POLLOCK ALTERNATIVE ...BE CAREFUL ABOUT THE IUU

1. In respect of the IUU regulation the European Commission continue to use their system of "yellow and red cards" to deter and eliminate Illegal, Unregistered and Unregulated fisheries.

2. At the beginning of August 2022 three third countries have a "red card". These countries are:

- Cambodia, since November 2013;
- St Vincent and the Grenadines, since May 2017;
- Comoros, since May 2017.

Imports of seafood products, into the EU, from red carded third countries are not allowed.

3. The following countries received a "yellow card" since 2020:

- Cameroon, in February 2021;
- Ghana, in June 2021.

4. The following countries saw their "yellow card" removed since 2020:

- Kiribati, in December 2020, which had been in place since April 2016.

5. The total number of countries having a yellow card accounts to 9 (Cameroon, Ecuador, Ghana, Liberia, Panama, Sierra Leone, St. Kitts and Nevis, Trinidad and Tobago and Vietnam).

source FinnFish Study 2022

Sourcing Alaska pollock alternatives in a time of crisis: Still from Alaska? Alaska Pacific cod?

- Alaska seafood is wild caught, sustainable and certified. The EU –US trade relation is well developed.
- Alaska Pacific cod , *Gadus Macrocephalus* is known in the EU and included to the ATQ allowance (110 thousand tonns).
- Pacific cod are mainly caught by USA/Canada, Russia, Japan and Korea.
- Bering Sea Pacific cod quota decreased by 21% in 2021 to 111 thousand tonnes.
- For 2022 the North Pacific Fishery Management Council (NPFMC) recommended an increase of the Pacific Cod quota by 23%, to 136 thousand tonnes.

Can Pacific Flatfish be Alaska Pollock alternative, in the times of crisis?

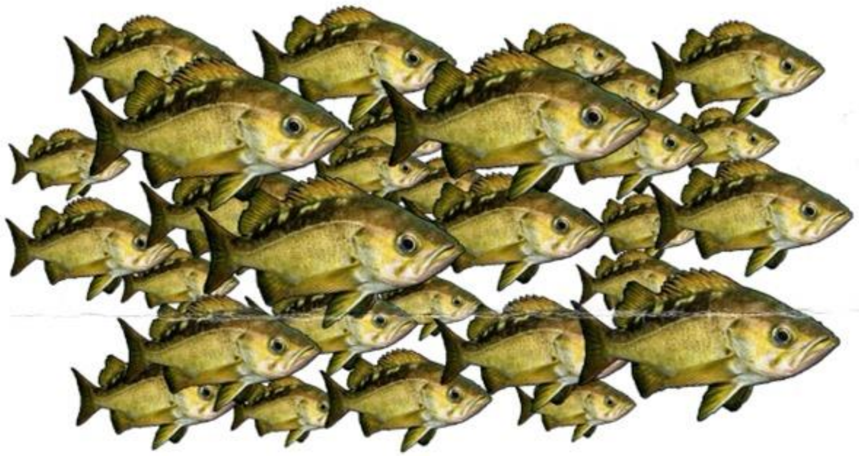
Five species from the North Pacific, including three from Alaska, have been included to the ATQ

- There are ATQ allowances for flatfish fillets (09.2778) and whole flatfish (09.2503) available for EU industry.
- The flatfish imported via these ATQs are not European plaice but additional or complementary flatfish species.
- The ATQ allowance for **flatfish fillets (only)** was fully utilised in recent years (also after a quota lift up to 10,000 tonnes in 2020).
- Quota was already fully utilized far before the end of the year (October 2021).
- The new introduced ATQ for whole frozen flatfish (7,500 tonnes) is not fully utilized yet. It is a new quota that needs to find the way to the processing industry**. Is this the time ?**
- Compared with 2021, the introduction year of this quota, quota use increased in 2022 with already a higher quota use in August 2022.
- This uptake will increase and this ATQ expected to be insufficient in the coming years if domestic production of European plaice stays low.

source FinnFish Study 2022

Could the Pacific- the US West Coast rockfish be Alaska Pollock alternative, in a time of crisis?

They're Back!



West Coast rockfish stocks have largely recovered from the year 2000 groundfish disaster declaration and 2017 has seen dramatic quota increases. Ask us about are MSC certified rockfish fishery.

These sustainable and price balanced species have not been, though, included to the current ATQ cycle.
The customs duty applies.

Quota increases for the 2017 West Coast groundfish trawl fishery have been dramatic, especially for Widow and Canary rockfish. Not only will there be a lot more of those rockfish available this year, but the larger quotas will also open up opportunity for a number of other groundfish species in the fishery.

	2017 Allocation	Increase 2016	Stock Status
Bocaccio rockfish	666,671	356%	38%
Canary rockfish	2,235,685	2280%	56%
Chilipepper rockfish	**4,234,596**	161%	64%
Darkblotched rockfish	1,119,055	173%	39%
Longspine thornyheads	**5,951,979**	96%	76%
Minor shelf rockfish N.	2,531,101	105%	N/A
Minor shelf rockfish S.	423,724	100%	N/A
Minor slope rockfish N.	2,797,196	103%	N/A
Minor slope rockfish S.	953,930	102%	N/A
Shortspine thornyheads N.	**3,419,996**	99%	74%
Splitnose rockfish	**3,663,604**	101%	109%
Widow rockfish	**25,116,346**	802%	80%
Yellowtail rockfish	**9,360,952**	97%	68%

MSC certified species in Bold

While the fishery is open year round, May 15th is the date when mid-water nets can be used on the West Coast. That's when you will start to see more and more MSC certified rockfish, specifically Widow and Yellowtail, being landed.

For more information, please contact the Oregon Trawl Commission at: info@ortrawl.org

Merluccius spp.- *especially the North Pacific hake* – a time for the new role as the Alaska Pollock alternative in a time of crisis?

Hake

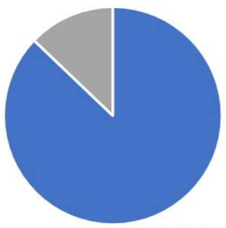
EU-supply

2021
516k tonnes (WFE)

2020 -2021 Trend

Of which imported:
- Fillet,frozen: 317k tonnes (WFE) ↓
- Whole,frozen: 62k tonnes (WFE) ↓
- Meat,frozen: 58k tonnes (WFE) ↑

Import dependance



Country of origin
450k tonnes (WFE)

 Namibia 38%

 South Africa 18%

 Argentina 17%

Source: Eurostat/Comext; EU Catch Report
Edited by AIPCE-CEP 2022

- EU hake supply slightly **increased to 516 thousand tonnes in 2021** (+3 thousand tonnes; +1%).
- 87% of this supply is imported from third countries, mainly Namibia (38%), South Africa (18%) and Argentina (17%) for the 450 thousand tonnes of imported hake.
- **EU catches accounted for 66 thousand tonnes in 2021**, corresponding with an utilisation of 61% of the EU available fishing quota for hake.
- Two ATQ allowances are available for hake: Frozen hake for processing (09.2760) has a limit of 10,000 tonnes and frozen fillets and other meat from North Pacific hake and Argentine hake (09.2774) have a 40,000 tonnes duty free import allowance.
- The base limit for frozen hake fillets and other meat (09.2774) was for 92% used at the end 2021 (fully used in 2020).
- 70% of the 2021 hake imports consisted of frozen fillets, followed by frozen whole hake (14%).
- Hake is imported into the EU via Southern European countries mainly, especially via Spain. Spain exports the hake into the EU especially to France, Italy and Portugal. East European non-EU countries (Ukraine, Moldavia, Serbia) are the main destinations for hake exported from the EU, mainly as whole frozen hake.

source FinnFish Study 2022

THANK YOU FOR YOUR ATTENTION

JAREK ZIELIŃSKI

POLISH FISH PRODUCERS ASSOCIATION