

RURAL ECONOMY AND CONNECTIVITY COMMITTEE

SALMON FARMING IN SCOTLAND

SUBMISSION FROM JOE O'DONNELL

I welcome the opportunity to submit. I am a graduate of the Scottish Business School and the retired founder of a large well known Scottish retailer. I have spent my entire career in retailing. I have had relationships with world class manufacturers, suppliers and retailers throughout my career.

I shall submit my comments, questions and observations in the form required by the committee.

Firstly may I congratulate ECCLR on their report. I fully support the conclusions. There can be no future for any industry that does not respond comprehensively when faced with clear challenges.

I have always employed a simple test when selecting a vendor, supplier or manufacturer. Would I buy the product myself?

My test was always continuous. Why? Consumers employ the same test, continuously.

If the test was failed at any time the failed party entered an assessment process which had two outcomes, reform or delisting. If the company concerned demonstrated a willingness to address the issues identified they would be put on notice that specific requirements must be met within agreed timescales. If the failed party's issues or desire to address the issues was judged to be incapable of remedy the relationship was terminated.

If I were a major food retailer Scottish farmed salmon would be in the assessment process as a failing supplier. I do not intend to rehearse the issues that have been expertly discussed through the ECCLR process. Findings of fact are already in place. I support those findings in their entirety.

Analysis of the evidence makes it crystal clear that there is only one technology that solves all of the industry's problems, 100%. That technology is Close Containment. The physical separation of farmed salmon from the environment and wild salmonids solves every problem identified in the ECCLR report.

In my opinion the problems facing this valued industry are such that a failure to adopt Close Containment as the way forward will expose both the industry and the Scottish economy to clear vulnerabilities that will impact the sustainability of the industry in the medium to long term. They are:-

The potential impact of a ban on importation by a major country as a result of inaction

The perception that disease or contamination is present in the product

The perception that deteriorating quality debilitates this protein source.

Future changes in Food Regulations that are outside of our national influence

Long term capacity under utilisation

Failure to invest

Ineffective regulation and enforcement

Piecemeal approach to research

Collateral damage to the environment and other aquaculture sectors

My clear view is that this industry is reliant on ineffective, wasteful and unsustainable technology. It appears to me that the industry retains the will to maintain these methods of production as lower unit costs of production and investment remain attractive despite the impacts of disease. Government action is required to compel the industry to relinquish this myopic stance in the interests of the economy, the environment, the industry, consumers worldwide and the image of the Scottish Food and Drink Industry itself. Inertia when combined with myopia is generally fatal.

A progressive move to Close Containment addresses the vulnerabilities completely. The technology exists. Argyll and Bute have just granted planning permission for a Closed Containment facility at Loch Fyne

Close Containment offers the industry a 33% increase in saleable output. By the industry's own admission 25% of capacity never reaches the market due to disease of one form or another. One in four fish dies.

Would we accept such dire national diseconomies in other food and drink sectors such as whisky or agriculture ? In a world with an insatiable appetite for sustainable sources of protein we are still sending the proverbial canary down the mine.

1. Do you have any general views on the current state of the farmed salmon industry in Scotland?

Mortality rates are reported at the 25% level. Are we to accept that all of the remaining 75% are healthy? What tests are applied? Who regulates entry into the food chain? This industry is in crisis. Self and light touch regulation appears to have produced impotence. When an industry has a track record of failing counter measures and high levels of mortality that have a serious impact on the utilisation of productive capacity, it is time for external intervention. Our industry is largely foreign owned and funded but the environmental pollution is ours. The implosion of the salmon farming industry in Chile, the ban on open net farms in Washington State and moves to Close Containment in the St. Lawrence estuary serve three clear notices on us. Reform or risk further disease, environmental and economic damage and industry implosion. Add climate change and the mix becomes progressively

more toxic. Add the risk of cross contamination of Scottish Food and Drink sectors and the conclusion is clear

“Status quo is not an option “

Are there any other industries in Scotland where the polluter does not pay and the precautionary principle appears to be waived?

2. There have been several recent reports which suggest how the farmed salmon industry might be developed. Do you have any views on action that might be taken to help the sector grow in the future?

Salmon farming development is vital to our economy. We do not have a problem. We have a crisis. Further development without reform risks the future of the industry and damages both our heritage and our future. We have an industrial imperative that is immediate. Inaction is not an option. Two courses of action must take place in parallel. Firstly we must regulate to specify Close Containment for all new salmon farms. Secondly we must impose a timescale for the conversion of all existing farms to Close Containment. I would suggest a maximum of five years. Farms must change or be fallowed. We have the solution. Do we have the vision to implement the correct solution?

3. The farmed salmon industry is currently managing a range of fish health and environmental challenges. Do you have any views on how these might be addressed?

The world’s largest salmon farming company, Marine Harvest, has produced a graph, illustrating the percentage of sites above national sea lice trigger levels in each of the countries in which it operates. Scotland was by far the worst performer in both 2015 and 2016. See page 81 of the company's 2016 Annual Report at <http://hugin.info/209/R/2094101/791700.pdf>

Rising sea temperatures can only exacerbate sea lice and disease issues. Ememectin is becoming less effective. Cleaner fish cannot be bred in sufficient quantities to resolve both existing sea lice levels and salmon farm expansion. The world is turning against antibiotic and chemical solutions in food. A complete separation of farmed stock from wild salmonids is both necessary and available. The precautionary principle must be applied and pollution must be stopped. Close Containment is the only measure that provides the solution to every issue, full stop. It is the failsafe route to a sustainable and healthy industry fit for the future.

4. Do you feel that the current national collection of data on salmon operations and fish health and related matters is adequate?

No. It is not fit for purpose. It requires complete overhaul.

5. Do you have any views on whether the regulatory regime which applies to the farmed salmon industry is sufficiently robust?

If there is concern about outputs it is wise to look at the inputs. We know the outputs are of serious concern. Dr Richard Luxmoore gave the example to the Inquiry of each salmon farm producing more pollution than a town the size of Oban. We have around 250 “Obans” polluting the west coast every year. We have agencies that

appear impotent in the face of a major polluter whose actions are below the water line and invisible to the public. Why are we spending considerable sums from the public purse preventing land based industry from polluting on land and sea yet we allow an off shore polluter to maintain practices that clearly need immediate and robust regulation and enforcement?

6. Do you have any comments on how the UK's departure from the European Union might impact on the farmed salmon sector?

Scottish salmon is produced and denominated in pounds sterling. It is sold and denominated in the Euro. Profits are remitted to the parent by converting sales in Euro or pound to Norwegian Krone. Norway is not a member of the EU but is allied and enjoys the benefits but not the influence of membership. Scottish farmed salmon is subject to all future EU food related directives without the ability to influence change. We will have no say and neither will the parent company domiciled in Norway.

The pound has fallen dramatically in value against the euro due to Brexit concerns. Producer margins are enhanced. As the final agreement becomes clear and we enter the transition period it is likely that the pound will strengthen against the Euro.

Salmon producer prices will then rise and margins will be thinner unless the retail price rises and the benefits flow back through the distribution channel

The old adage that the roof should be fixed when the sun is shining applies.

We have three years to go.

Conclusion

We have failed before. We have lost much of our productive engineering base in traditional industries such as shipbuilding, mining, rail, steel, transport and coal. Will we do it again by failing to innovate in salmon farming? We have succeeded in developing new and sustainable industries in oil, wind and solar power. They are based on traditional engineering skills. Will we use those skills to make salmon farming fit for purpose and thus sustainable or will we yet again allow others to leap ahead and leave another important industry to wither because it failed to innovate? The ECCLR findings confirm that the sun has gone behind a very large dark cloud and the roof needs replaced.....urgently.

Do we have the courage and will to protect the sustainability of Scotland the Brand?

Joe O'Donnell
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