UK Industry – Verification visit report

Case TS0002: Rainbow Trout exported from Turkey

|  |  |
| --- | --- |
| **Date:** | April 2021 |
|  |  |
| **Company visited:** | Selcoth Fisheries Ltd |
|  |  |
| **Verification visit date:** | Remote Verification |
|  |  |
| ***NOTE:*** *The views and opinions in this report will be reviewed by the case investigator teams and may not reflect the final decision of the Trade Remedies Investigations Directorate* |

Contents

[SECTION A: Background 3](#_Toc68870461)

[A1. Background 3](#_Toc68870462)

[A2. Company verification 3](#_Toc68870463)

[A3. Meeting Details 3](#_Toc68870464)

[SECTION B: The Goods 5](#_Toc68870465)

[B1. The goods subject to review 5](#_Toc68870466)

[B2. Goods Produced by Selcoth Fisheries 6](#_Toc68870467)

[B3. Conclusion on the Goods 6](#_Toc68870468)

[SECTION C: Injury and market trends 7](#_Toc68870469)

[C1. Injury claims 7](#_Toc68870470)

[C2. Volume trends 7](#_Toc68870471)

[C3. Sales value, profit and profit margin 8](#_Toc68870472)

[C4. Conclusion on verification of injury and market trends 14](#_Toc68870473)

[SECTION D: Economic Interest Test (EIT) 15](#_Toc68870474)

[D1. Identification of stakeholders 15](#_Toc68870475)

[D2. Economic performance of producer under investigation 15](#_Toc68870476)

[D3. Conclusion on verification of EIT data 16](#_Toc68870477)

[SECTION E: Annex 1 18](#_Toc68870478)

[SECTION F: Annex 2 22](#_Toc68870479)

[SECTION G: Annex 3 25](#_Toc68870480)

[SECTION H: Annex 4 26](#_Toc68870481)

[SECTION I: Endnotes 27](#_Toc68870482)

1. Background
	1. Background

On 28th February 2020, the Secretary of State for International Trade (the Secretary of State) published a Notice of Determination[[1]](#endnote-2) regarding the countervailing duty on certain rainbow trout originating in Turkey. In accordance with the Trade Remedies (Dumping and Subsidisation) (EU Exit) Regulations 2019 (D&S Regs) and this Notice, the Trade Remedies Investigation Directorate (TRID) were required to conduct a transition review of the original EU measure imposing this countervailing duty.

On 4th March 2020, the Secretary of State published a Notice to initiate a transition review of the aforementioned EU trade remedies measure in relation to certain rainbow trout originating in Turkey. This Notice of Initation[[2]](#endnote-3) had the effect of initiating the transition review.

The Period of Investigation (POI) for this transition review is 1st January 2019 to 31st December 2019. In order to assess injury, TRID examined the period from 1st January 2016 to 31st December 2019.

* 1. Company verification

Selcoth Fisheries responded to the UK producer questionnaire on 25th August 2020. Selcoth Fisheries Ltd has been producing rainbow trout since its foundation in 1979. It currently produces one product which is defined within the goods subject to review being non-organic, pink, fresh/chilled trout weighing less than 1.2kg (product control number NPC1 (see section B1 of this document)). It was purchased by its current owners, *REDACTED*, in 2010. Shares in Selcoth are 100% owned by *REDACTED*. This was verified against the list of shareholders and officers filed at Companies House.

* 1. Meeting Details

The global Covid-19 pandemic affected TRID’s ability to conduct site visits and verify the data in person. All the verification activity with Selcoth Fisheries took place remotely, via emails and video conferencing.

|  |  |
| --- | --- |
|  |  |
| **Company name:** | Selcoth Fisheries Ltd |
| **Address:** | Selcoth Farm, Moffat, DG10 9LG |
| **Meeting dates:** | Thursday 11th February 2021, Thursday 4th March 2021, Tuesday 16th March 2021 and Tuesday 23rd March 2021 |

TRID held four separate remote meetings with Selcoth Fisheries:

* + 1. Thursday 11th February 2021

|  |  |
| --- | --- |
| **Organisation** | **Name – Title** |
| Selcoth Fisheries | Shara Routledge – Director  |
| Oliver Routledge – Director  |
| TRID | Lead Investigator |
| Investigator |
| Verification Specialist |

The minutes (Annex 1) were shared with Selcoth Fisheries for comments and accepted as accurate.

* + 1. Thursday 4th March 2021

|  |  |
| --- | --- |
| **Organisation** | **Name – Title** |
| Selcoth Fisheries | Shara Routledge – Director  |
| Oliver Routledge – Director  |
| TRID | Lead Investigator  |
| Investigator |
| Verification Specialist |

The minutes (Annex 2) were shared with Selcoth Fisheries for comment and accepted as accurate.

* + 1. Tuesday 16th March 2021

|  |  |
| --- | --- |
| **Organisation** | **Name – Title** |
| Selcoth Fisheries | Shara Routledge – Director  |
| Bookkeeper |
| TRID | Lead Investigator  |
| Investigator |
| Verification Specialist |

The minutes (Annex 3) were shared with Selcoth Fisheries for comment and accepted as accurate.

* + 1. Tuesday 23rd March 2021

|  |  |
| --- | --- |
| **Organisation** | **Name – Title** |
| Selcoth Fisheries | Shara Routledge – Director  |
| Bookkeeper |
| TRID | Lead Investigator  |
| Investigator |
| Verification Specialist |

The minutes (Annex 4) were shared with Selcoth Fisheries for comment and accepted as accurate.

1. The Goods
	1. The goods subject to review
		1. Definition

The goods relevant to this report (‘goods subject to review’), as defined by the Notice of initiation[[3]](#endnote-4), are:

Rainbow trout (Oncorhynchus mykiss) described as:

* live weighing 1.2 kg or less each, or
* fresh, chilled, frozen and/or smoked:
	+ in the form of whole fish (with heads on), whether or not gilled, whether or not gutted, weighing 1.2 kg or less each, or
	+ with heads off, whether or not gilled, whether or not gutted, weighing 1 kg or less each, or
	+ in the form of fillets weighing 400 g or less each.
		1. Relevant combined commodity codes

The goods are currently classifiable within the following commodity codes[[4]](#endnote-5) (given only for information):

* 0301 91 90 11,
* 0302 11 80 11,
* 0303 14 90 11,
* 0304 42 90 10,
* 0304 82 90 10,
* 0305 43 00 11.
	+ 1. Product Control Numbers

TRID uses Product Control Numbers (PCNs) to define and distinguish the different types of products that fall under the goods description above.

PCNs, which come in the form of an alphanumeric code, help to create a categorisation system so that comparisons can be made between goods produced in the domestic UK market and those produced in overseas markets.The following table is provided for reference only.

|  |  |  |
| --- | --- | --- |
| **Characteristic**  | **Explanation** | **Code** |
| Product Quality | Non-organic | N |
| Organic | O |
| Pigmentation | Pink | P |
| White | W |
| Type | Live | L |
| Fresh/Chilled | C |
| Frozen | F |
| Smoked | S |
| Presentation | Whole Fish, weighing 1.2kg or less | 1 |
| Gutted Fish, with head and gills on, weighing 1.2kg or less each | 2 |
| Gutted Fish, with head and gills off, weighing 1kg or less each | 3 |
| Fillets (fresh/chilled/frozen) weighing 400g or less each | 4 |
| Fillets (smoked) weighing 400g or less each | 5 |

* 1. Goods Produced by Selcoth Fisheries

Selcoth Fisheries produces portion trout for the table trout market. It also produces fingerlings to be sold to other UK trout producers for on growing. Fingerlings refer to live rainbow trout from 100 to 500g.

Portion Trout is an industry term which refers to rainbow trout of approximately 450g that are grown and harvested for consumption. This term can refer to trout of up to approximately 600g, but it is not a strictly defined term. Portion trout refers to whole fish.

Table trout is a fish sold to consumers for consumption, as opposed to restocking or ornamental purposes. Although, fish used for restocking does end up being consumed, it is differentiated from table fish as restocking is used to meet demands of the recreational fishing industry, rather than just strictly consumption.

Selcoth Fisheries currently produces only one product which is defined within the goods subject to review being non-organic, pink, fresh/chilled trout weighing less than 1.2kg (PCN code NPC1). Some of the trout produced is sold as fingerlings, which falls within the scope of the review. Verification was conducted back to a harvest sheet and invoices supplied by Selcoth Fisheries.

Selcoth Fisheries have one farm where all goods are produced, which is located in Moffat, Scotland. Although on-site verification was not carried out, TRID was able to verify the farm location using Google Maps, company website and Marine Scotland Inspection Report.

* 1. Conclusion on the Goods

On the basis of the verification undertaken, TRID concluded that the goods produced by Selcoth Fisheries fall within the description of goods subject to review and are wholly produced in the UK.

1. Injury and market trends
	1. Injury claims

Within their questionnaire submission (received on 25th August 2020), Selcoth Fisheries claim that they are not currently suffering injury resulting from the import of rainbow trout from Turkey because the countervailing measure is currently in place and serving its purpose.

* 1. Volume trends
		1. Domestic sales volume

Selcoth Fisheries presented data for domestic sales between 2016 and 2019.This can be seen in the table below:

Domestic sales volume of the goods subject to review, 2016-2019

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **2016** | **2017** | **2018** | **2019** |
| **Sales Volume (tonnes)** | 102 | 204 | 200 | 279 |

TRID observed an overall trend in the increase of domestic sales volume for rainbow trout. Selcoth Fisheries explained that the increase in sales was due to a greater demand from clients, which were two main processors Dawnfresh Seafoods Ltd and Kames Fish Farming Ltd.

TRID requested information regarding total sales volume for 2019. Selcoth Fisheries provided a sales report generated by Fish Talk.

Fish Talk is the stock management system used by Selcoth Fisheries. Figures are input into the Fish Talk system on a weekly basis. It records data such as number of fish, mean weight, biomass (actual weight), feed in (stock inwards), mortalities / fish out (stock outwards).

From looking at the annual sales report provided by Fish Talk, TRID were able to verify the domestic sales volume figure for 2019 under the column ‘total biomass’.

* + 1. Export sales volume

Selcoth Fisheries presented data for export sales volume between 2016 and 2019. This can be seen in the table below:

Export sales volume from 2016 to 2019

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **2016** | **2017** | **2018** | **2019** |
| **Export Sales (tonnes)** | 62 | 52 | 5 | 0 |

TRID observed a decline in export sales.

Selcoth Fisheries explained that the relationship with P&G Germany, the main customer and source of exports, tailed off, partly due to concerns around Brexit.

TRID requested evidence of the export sales.

Selcoth Fisheries provided the year end ledger showing sales to P&G Germany from 2016 to 2019. TRID were able to verify that no sales to P&G Germany took place in 2019.

* + 1. Production volume

Selcoth Fisheries presented data for production volume between 2016 and 2019. This can be seen in the table below:

Production volume of the goods subject to review, 2016-2019

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **2016** | **2017** | **2018** | **2019** |
| **Production Volume (tonnes)** | 265 | 279 | 262 | 285 |

TRID observed an overall trend in the increase of production volume. TRID requested information regarding total production volume for 2019. Selcoth Fisheries provided an annual production report generated by Fish Talk.

TRID were able to verify the production volume figure for 2019 to the annual production report under the column ‘gross growth in period’. This refers to the total tonnes produced, taken at a point in time.

TRID carried out a reconciliation of production volumes against sales volumes. The differences are due to how fish production is measured as compared to how fish sales are measured. Fish production is based on the growth of all fish on site during a given time period, only some of which will have left the site as sold fish during the same period. This varies annually depending upon client requirements and at what age and stage of growth different groups of fish are sold. The Fish Talk report is taken at a point in time and will change depending on that time. There will always be a certain level of mortalities and fish not suitable for consumption.

TRID identified a significant difference between tonnes produced in 2016 and tonnes sold. Selcoth Fisheries confirmed that the extraordinary high temperatures and low rainfall during the summer of 2015 caused a one-off mortality incident in a batch of juvenile fish which had a knock-on effect on tonnes sold in 2016. TRID is satisfied with the production figures provided.

* + 1. Market share

Selcoth Fisheries presented data for market share of UK table trout production of rainbow trout between 2016 and 2019. Table trout refers to fish sold to consumers for consumption, as opposed to restocking or ornamental purposes This can be seen in the table below:

Market share of UK rainbow trout 2016-2019

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **2016** | **2017** | **2018** | **2019** |
| **Market Share %** | 1 | 2 | 3 | 3 |

This is looked at further under section D.2 of this report.

* 1. Sales value, profit and profit margin
		1. Domestic sales value

Selcoth Fisheries presented data for domestic sales value between 2016 and 2019. This can be seen in the table below:

Domestic sales value 2016-2019

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | 2016 | 2017 | 2018 | 2019 |
| Domestic Sales (£) | \*\* | \*\* | \*\* | \*\* |

*[\*\* Sensitive financial data redacted.]*

TRID were able to verify the 2019 figure to turnover in the financial accounts for 2019.

Selcoth Fisheries also provided the sales year end ledger for 2019. TRID found a variance of 4% which is not considered material.

* + 1. Export Sales Value

Selcoth Fisheries presented data for export sales value between 2016 and 2019. This can be seen in the table below:

Export sales value 2016-2019

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | 2016 | 2017 | 2018 | 2019 |
| Export Sales (£) | \*\* | \*\* | \*\* | - |

*[\*\* Sensitive financial data redacted.]*

Selcoth Fisheries provided the year end ledger showing sales to P&G Germany from 2016 to 2019.

As there were no export sales in 2019 TRID focused on 2018. TRID were able to verify the figure back to the year end ledger.

* + 1. Profit and profit margin

Selcoth Fisheries presented data for profit and profit margin between 2016 and 2019. This can be seen in the table below:

Profit and profit margin from 2016 to 2019

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **2016** | **2017** | **2018** | **2019** |
| **Profit (£)** | \*\* | \*\* | \*\* | \*\* |
| **Profit Margin %** | \*\* | \*\* | \*\* | \*\* |

*[\*\* Sensitive financial data redacted.]*

TRID observed that Selcoth Fisheries had a loss in 2019.

Selcoth Fisheries explained that they had borrowed a significant amount which has continued beyond 2019 due to infrastructure investments and projects. In 2019 there was a significant project connecting the fish farm sites to a new renewable hydro-electric electricity supply.

There have also been increases in the cost of production. Due to concerns over the EU Exit, Selcoth Fisheries stockpiled feed twice in 2019. A dry summer in 2019 led to fish requiring additional inputs of supplementary oxygen due to low water levels combined with high water temperatures (there being less oxygen available in warmer water than cold water). Oxygen is one of Selcoth Fisheries’ largest input costs.

TRID is satisfied that Selcoth Fisheries’ business explanation of material change from profit making to a loss in 2019 is reasonable.

The increase in cost of production corresponds with what TRID has seen in upward costs of sales trend over injury period in Selcoth Fisheries’ financial accounts. Turnover falling is supported by the sales figures TRID has seen in the financial accounts.

* + 1. Capacity and capacity utilisation

Selcoth Fisheries presented data for production capacity between 2016 and 2019. This can be seen in the table below

Production capacity and capacity utilisation from 2016 to 2019

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **2016** | **2017** | **2018** | **2019** |
| **Production capacity (tonnes)** | 300 | 300 | 300 | 300 |
| **Capacity Utilisation %** | 88 | 93 | 87 | 95 |

Capacity utilisation is calculated by production volume divided by production capacity. Selcoth Fisheries explained that the Scottish Environment Protection Agency (SEPA) issues abstraction licenses for volumes of water that can be used.

The other factor in determining production capacity is stocking densities. This is dependent on welfare and guidelines such as those set by the RSPCA. Selcoth Fisheries have a target of 60 cubic meters stocking density as set by the RSPCA. Acceptable levels also depend on age of fish and local environmental conditions: higher stock density in winter is more appropriate than in summer.

TRID requested and was provided with abstraction licences for the 3 distinct water inlets: the hatchery, the Moffat Water ponds and the New Farm ponds (all three sites forming part of Selcoth Fisheries Ltd).

This confirmed the maximum rate of abstraction per second and per day.

Alongside this Selcoth Fisheries provided an extract from Fish Talk (Stock Sheet). This does not show capacity output in a given year. This is a static snapshot of what the fish farm is holding at the time of the extract.

Selcoth Fisheries explained further that the tonne annual capacity of 300 is an estimation of the total output that the farm would be capable of in a perfect year.

TRID requested clarification and received the following explanation.

The production capacity of Selcoth Fisheries Ltd is limited by the following constraints:

* Fixed volume of water that Selcoth Fisheries are licenced to abstract from the river system by SEPA as per the licences provided.

	+ The figures in these licences relate to water flow per second, which in turn determines the dimensions and organisational layout of the fish holding units (tanks and ponds) to create a water flow through the ponds that is of an appropriate speed for the rainbow trout to be able to hold their position in the water column (i.e. to not be too fast) whilst also being fast enough to bring fresh oxygen into the units and assist with clearing out fish waste and excess food.
	+ The cubic metre dimensions and positions of the fish holding units are therefore fixed and will remain fixed until such time as the abstraction volumes change. The abstraction volumes have not changed in the past and there is no expectation of them changing in the future. The quantity and biomass of fish that can be stocked within a given volume of water is limited by welfare constraints with a target upper threshold of 60kg/m3. This is set by the RSPCA Farm Assured production quality standard[[5]](#endnote-6) and is an optional standard that Selcoth Fisheries Ltd chooses to be accredited to.
* The stocking densities of each unit are permanently fluctuating based on fish growth, fish harvest/sale activities and fish mortalities.

	+ Fish populations (based on the batch of rainbow trout ova received into the sites) are kept separated for traceability purposes and once graded for size/quality or vaccinated according to final destination fish groups cannot be remixed.
	+ The individual stocking densities within each holding unit are constantly adapting and being managed and cannot be kept at an even 60kg/m3 throughout the production cycle. Fish groups are separated at different times throughout their life cycle according to speed of growth (front runners separated from middle of the pack separated from slow growers), quality and vaccination requirements as determined by final sale/destination. When grading fish from a given unit into new units Selcoth Fisheries are required to have between two and four additional empty units to place the newly separated fish into. This is another reason why stocking densities cannot be kept at an even 60kg/m3 across the available water within all of the holding units.

Taking into account these factors, and the historic actual production figures over the last 5 years where production has been steadily increasing year on year, the upper limit of production capacity has been estimated by Selcoth Fisheries at 300 tonnes/ year.

TRID is satisfied that the explanation provided by Selcoth Fisheries is reasonable.

* + 1. Cash Flow

Selcoth Fisheries report under the Financial Reporting Standard (FRS) 102 as applicable for small entities.

Part of this standard stipulates that a small company is not required to produce a cash flow statement. Under FRS 102 Selcoth Fisheries does not produce a cash flow statement. Selcoth Fisheries did not originally submit cash flow figures to TRID as part of their questionnaire submission. As the overall submission was not considered materially deficient, TRID progressed to verification.

TRID requested the trial balances from 2016 to 2019. TRID were then able to take the cash flow figures from account code 692 in the trial balance. Selcoth Fisheries then confirmed that these were the correct figures to use in their submission.

Cashflow from 2016 to 2019

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **2016** | **2017** | **2018** | **2019** |
| **Cashflow (£)** | -16,492 | 25,325 | -71,932 | -80,028 |

TRID checked the 2019 financial accounts for the figures ‘Cash in hand’ and ‘Bank Loans and Overdrafts’. TRID requested a copy of Selcoth Fisheries December 2019 bank statement to reconcile the figures in the financial accounts and found a variance of £19,892.42.

Selcoth Fisheries explained the variance found was due to the repayments due on two Bank of Scotland loans.

TRID were able to trace the variance to the trial balance, as well as the bank overdraft amount and cash asset. TRID was also satisfied that the variations in cashflow corresponds with what TRID had seen in the profitability of Selcoth Fisheries.

* + 1. Employment and Wages

Selcoth Fisheries presented data for employment between 2016 and 2019.

TRID queried these figures as there was a variance between these figures and the financial accounts. Selcoth Fisheries confirmed that the figures in the financial accounts should be used but highlighted there was an error in the 2019 financial accounts. Selcoth Fisheries confirmed the correct figure, in line with previous financial accounts (2016 – 2018).

The corrected figures can be seen in the table below:

Employment from 2016 to 2019

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **2016** | **2017** | **2018** | **2019** |
| **Employment** | 7 | 7 | 7 | 7 |

TRID requested a copy of the 2019 payroll report. Selcoth Fisheries provided the payroll report, which was carried out by an external company Saint & Co. As the payroll report ran from April 2019 to March 2020, TRID requested a further report to cover the months January 2019 to March 2019. This was provided on 25th January 2021.

The figures below are representative of actual cost to employer, rather than the cost based on the annual full time equivalent (FTE).

The payroll reports confirm the employment figure provided by Selcoth Fisheries. Selcoth Fisheries did not originally submit median wage figures to TRID as part of their questionnaire submission. As the overall submission was not considered materially deficient, TRID progressed to verification.

TRID were able to calculate median wages using the financial accounts for 2016 to 2019. Selcoth Fisheries confirmed that the median wages calculated by TRID were the correct figures to be used in their submission. These can be seen in the table below:

Median wages from 2016 to 2019

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **2016** | **2017** | **2018** | **2019** |
| **Median Wages (£)** | 14,530 | 13,599 | 16,254 | 20,719 |

TRID reviewed the payroll report provided for January 2019 to December 2019 and compared this against the information in the financial accounts.

TRID found a variance of 0.9% which is not considered material. TRID were satisfied with the figures provided.

During further verification, TRID updated the figures for 2019 to reflect the employer’s contributions made. TRID was unable to update the figures for previous years, but a similar uplift would be expected. The new figure for 2019 was £24,046.

* + 1. Investments

Selcoth Fisheries presented data for investments they made between 2016 and 2019.

Investments from 2016 to 2019

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **2016** | **2017** | **2018** | **2019** |
| **Investments (£)** | 17,425 | 36,199 | 262,389 | 125,391 |

TRID were able to reconcile the 2016 and 2017 figures to the financial accounts. As there was a material difference in 2018 and 2019 between the figures provided and the financial accounts, TRID chose to focus on both years.

Selcoth Fisheries does not formally maintain a detailed fixed asset register. TRID requested the Sage fixed asset nominal reports for the calendar years 2018 and 2019, specifically to look at motor vehicle additions, freehold property additions, plant and machinery additions, improvements to property.

TRID was able to verify almost all transactions back to the nominal Sage reports.

For one transaction in 2018 and 2019 TRID requested further information. Selcoth Fisheries explained that the total amounts are made up of a number of smaller payments. TRID requested invoices for the largest transactions that made up the totals. TRID were then able to trace the transactions back to the relevant nominal Sage reports.

TRID is satisfied that the relevant investments took place and the figures are correct.

Selcoth Fisheries reported that investments in specialist fish farming equipment were predominantly to improve fish welfare. The significant investments in 2019 were in relation to a project connecting the fish farm sites to a new renewable hydro-electric electricity supply. This involved laying cabling and installing electrical equipment.

* + 1. Inventory

Selcoth Fisheries presented data for stock year end between 2016 and 2019. This can be seen in the table below:

Stock year end from 2016 to 2019

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **2016** | **2017** | **2018** | **2019** |
| **Stock year end (Tonnes)** | 105 | 67 | 106 | 99 |

TRID observed that there was a decrease in stock year end. Selcoth Fisheries advised that stock year end was not planned and that fluctuations were products of the varying requirements and timescales for live fish movements off the Selcoth Fisheries Ltd sites onto client sites. A higher stock year end was likely caused by January dispatches and a lower stock year end by December dispatches. Selcoth Fisheries did not think that the trend in stock year end was significant.

TRID was able to verify the 2019 figure provided by Selcoth Fisheries to the annual production report generated by Fish Talk, under the column titled ‘closing biomass’.

* 1. Conclusion on verification of injury and market trends

This process has given TRID assurance that it is reasonable to treat the data provided by Selcoth Fisheries as relevant, accurate and complete for the purposes of the likelihood of injury assessments for which the data is going to be used by TRID.

1. Economic Interest Test (EIT)
	1. Identification of stakeholders
		1. Distributors of the goods subject to review and the like goods.

Selcoth Fisheries report that they sell to Dawnfresh Seafoods Ltd and Kames Fish Farming Ltd. This has been verified by the sales report.

* + 1. Upstream suppliers of inputs for manufacturing of the goods subject to review and the like goods

Direct inputs used in the production of the goods subject to review include rainbow trout ova and fingerlings.

Ova is grown and imported from countries such as Denmark. Fingerlings are bought from UK producers such as Selcoth Fisheries for on-growing.

During the POI Selcoth Fisheries bought rainbow trout ova from Aquasearch ova Aps.

Feed is the dominant cost of trout production, comprising up to 50% of costs[[6]](#endnote-7). The fish feed for Selcoth Fisheries is bought from Skretting France in monthly shipments.

Other inputs include oxygen and vaccines. Selcoth Fisheries buys oxygen from Air Products & Chemicals Ltd. Vaccines are purchased from Europharma Scotland Ltd.

A full list of suppliers has been provided by Selcoth Fisheries. Selcoth Fisheries advised that all invoices are stored in paper copy and can be provided upon request. Although the cost of production is not being verified, TRID are satisfied through searching the company information that the upstream suppliers listed exist and that they supply the relevant inputs for manufacturing.

* + 1. Downstream suppliers of the goods subject to review and the like goods

Selcoth Fisheries are one of several companies supplying rainbow trout to the company Dawnfresh Seafoods Ltd. Dawnfresh Seafoods Ltd are a larger processing company who produce their own fingerlings and also purchase from other farms similar to Selcoth Fisheries.

TRID were able to reconcile the invoices provided against the transaction list, as well as against the sales ledger for Dawnfresh Seafoods Ltd. TRID is satisfied that Dawnfresh Seafoods Ltd is a processor and sales company for the goods subject to review as TRID has received submissions from Dawnfresh Seafoods Ltd in relation to this transition review.

* 1. Economic performance of producer under investigation
		1. Location of sites

Selcoth Fisheries Ltd farm at one farm location. It is located in Moffat, Scotland. Although verification was carried out remotely TRID was able to verify the site location using Google Maps, the company website and Marine Scotland Inspection Report.

* + 1. Employment and Labour costs

In 2019 Selcoth Fisheries Ltd had 7 employees at Selcoth Farm. This has been verified by the payroll report.

The median wage in 2019 was £24,046 and this was confirmed by TRID through review of Selcoth Fisheries’ financial accounts and payroll information.

* + 1. **Exports**

Selcoth Fisheries did not export in 2019. This has been verified by the sales year end ledger for 2019.

* + 1. Market Share

In 2019 Selcoth Fisheries produced 285 tonnes of rainbow trout. This has been verified by the production report.

2019 rainbow trout production figures are available for Scotland, however data collection for England, Wales and Northern Ireland was delayed by the Covid-19 pandemic.

An estimated figure for 2019 is calculated as an average of the previous three years by the Centre for Environment, Fisheries and Aquaculture Science (CEFAS).

Market Share 2016-2019

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **2016** | **2017** | **2018** | **2019** |
| **UK Table Production (tonnes produced)** | 11,016 | 10,465 | 9,546 | 10,479 |
| **Selcoth Fisheries (tonnes sold)** | 101 | 203 | 199 | 279 |
| **Selcoth Fisheries Market Share** | 1% | 2% | 2% | 3% |

***Source: 2016 to 2018 = CEFAS Production data, 2019 = CEFAS estimate***

Using CEFAS estimates, the market share reported by Selcoth Fisheries in 2019 is the same. The market share figures Selcoth Fisheries provided is accepted by TRID as a reasonable percentage.

* + 1. Financial Solvency

Selcoth Fisheries unaudited accounts for the year ended 31st December 2019 showed a decrease in shareholders’ funds to £146,083 (2018: £236,057), representing a loss of £89,974 for the year and a corresponding decrease in retained earnings. TRID’s upwards sales verification gave TRID reasonable assurance as to the accuracy of the 31st December 2019 accounts, and therefore TRID took the positive balance sheet in the management accounts as at 31st December 2019 as evidence Selcoth Fisheries was solvent at that point.

* 1. Conclusion on verification of EIT data

This process has given TRID assurance that it is reasonable to treat the data provided by Selcoth Fisheries for the EIT as complete, relevant and accurate.

Annex 1

**Verification Meeting
Thursday 11th February 2021
13:00
Remote**

|  |  |
| --- | --- |
| **Attendees:**  |   |
|  |  |
| **Selcoth Fisheries** | **Trade Remedies Investigations Directorate (TRID)** |
| Shara Routledge (SR), Company DirectorOliver Routledge (OR), Company Director | Lead Investigator  Verification Specialist   |
|  | Investigator  |

1. Introductions
2. Production

Selcoth Fisheries use the system FishTalk as a stock management system. It is a standalone system. SR inputs figures/fish stock into FishTalk on a weekly basis.
FishTalk records data such as number of fish, mean weight, Biomass (actual weight), feed/feed in (stock inwards), mortalities/fish out (stock outwards). SR gave a walkthrough on screen.

Mean weight based on:

i) batch sampling (group of fish taken and weight measured collectively)

ii) profile sampling (group e.g. of 100 fish taken and anaesthetized, each then individually weighed)

Fishtalk will record what has been sold/achieved: output/tonnage sales/tonnage despatched

Production levels partly driven by feed conversion ratio (FCR) [amount of feed needed for fish to gain 1 kg of body weight].

**Action: SR to provide a report from FishTalk for 2019 confirming production volume**

1. Production Capacity

TRID enquired about the reason for the fixed production capacity over the injury period of 300 tonnes. The Scottish Environment Protection Agency (SEPA) issues abstraction licenses for volumes of water that can be used. The other factor in determining production capacity is stocking densities. [estimate of density of fish per cubic meter] This is dependent on welfare, and guidelines such as RSPCA. Target of 60 cubic meters stocking density. Exceptional circumstances that cause a backlog of fish can cause stock density thresholds to be temporarily exceeded under which circumstances notification is provided to and advice/ approval sought from the designated fish vet and the RSPCA e.g. last summer when Tesco stopped selling fresh fish. Acceptable levels also depend on age of fish, and local environmental conditions due to greater availability of oxygen in winter than in summer. Also depends on type of fish: a lot of juvenile fish taken on by other companies e.g. Dawnfresh Seafoods.

Restraint is due to licence but also business constraints e.g. pressure on husbandry, hygiene, oxygen, feeding levels, biosecurity, disease challenges. Greater problems in these areas if stocking density is higher. Fish destined for restocking or live fingerling sales may be held with even lower stocking density thresholds than those set by the RSPCA in order to ensure outstanding fin and tail quality prior to dispatch .

**Action: SR to provide relevant licenses**

1. Capacity Utilisation

SR explained that fish are grown to order. The increase in capacity is due to market-based requirement from processers such as Dawnfresh Seafoods and Kames (biggest customers, make up 99%). 200,000 fish at 250g: using more of ponds than previous years (150,000). Demand is more, more intense operation.

Selcoth Fisheries are constrained in capacity by abstraction licenses, so there are no plans to increase capacity. Selcoth Fisheries have looked into diversification but do not wish to expand.

Expect to continue operating at or near full capacity as long as demand continues. Driven by Dawnfresh, Kames and others being able to continue to find markets for portion and large trout.

**Action: SR to provide capacity report from Fishtalk to support 2019 capacity figure.**

1. Sales

SR explained that the increase in sales is due to a greater requirement from clients, which are two main processors Dawnfresh Seafoods and Kames [Fish Farming Ltd]
This could be due to a trend in large trout. Selcoth Fisheries sells juveniles which then go on for further growing.

**Action: SR to provide a sales report for 2019 from Sage**

1. Cash Flow

TRID has calculated cash flow figures for 2016 to 2019 using the financial accounts provided by Selcoth Fisheries.

**Action: TRID to send cash flow figures to SR. SR to confirm figures.**

SR explained that the negative figures could be due to timings (cut-off) such as a large feed bill (can be up to £35/£40K) due just before or after cut-off, or awaiting an expected payment.

Selcoth Fisheries has borrowed significant amounts (continued beyond 2019). There has also been infrastructure investments and projects. In 2019 there was a project connecting fish farms to new renewable hydro-electric electricity supply. There was stockpiling of fish food twice in 2019 due to Brexit concerns.
There were also increases in cost of production. A dry summer in 2019 led to fish increase in oxygen inputs needed to to cope with higher than average water temperatures (this corresponds with what TRID has seen in upward costs of sales trend over injury period).

Turnover fell [supported by sales figures TRID has seen in the accounts from £908K in 2018 to £903K in 2019].

**Action: SR to provide a loan statement for 2019 (covering loans due within and beyond one year, as well as statement confirming the 2019 cash asset balance).**

1. Profit

As covered under cashflow, the reasons for a negative profit in 2019 are due to increases in spending and cost of production and fall in turnover from 2018 to 2019.

1. Employment and Wages

TRID have taken employment figures from financial accounts for 2016 to 2019.

SR advised that there must be an error in the accounts figure for 2019, and that this should remain at 7/8 employees, not 15.

Selcoth Fisheries do also hire a number of subcontractors throughout the year, such as vermin control, vaccinators, maintenance staff, but this is not included in the employment figure.

Directors rem reported in admin expenses in accounts, but some of directors’ time spent directly on work that is part of the cost of production of like good.
TRID have also taken median wages from financial accounts for 2016 to 2019.

**Action: TRID to send workings of median wages. SH to confirm figures.
Action: SR to send report from Payroll for 2019, confirming number of employees and wages (including any directors rem reallocation as appropriate). SR to then confirm if trend is falling as per TRID estimated figures, and if so reasoning behind this (median wages).**

1. Investments

Discussed workings from investments made. TRID thanked SR for Hire purchase asset workings provided, which included asset description, end date of hire purchase monthly payments, loan value, monthly payments, and start date.

TRID explained that there is insufficient information to be able to work out year end investment balances for the 11 assets provided. Example given for the New Aqualife Fish Pump asset, where dividing loan value by monthy payments gives 40 payments; working back from end date of June 2020 gives predicted start of March 2017, which does not agree with SR start date of 2019. SR agreed start dates provided not correct.

SR explained that fixed asset register is kept and updated once a year. This will include the 11 hire purchase investment assets.

**Action: SR to provide fixed asset register from Sage for 2019.

Action: SR to check the figures provided in Annex 25 Investment Summary, and provide updated, total investment figures for 2016, 2017, 2018 and 2019 and explain the reasoning for trends over the injury period.**

1. Exports

Relationship with P&G Germany, the main customer and source of exports, tailed off, partly due to Brexit.

Selcoth would export again in future if feasible.

**Action: SR to provide TRID with Sage ledgers from 2016/2017 evidencing P&G as main source of export sales.**

1. Market Share

Discussed market share calculation. TRID explained that it has been able to roughly estimate based on grossing up sales of another interested party using their submitted market share. But TRID will need a submission from SR which TRID can then assess for reasonableness against its own figure. TRID explained that SR will have access to BTA data which may assist; SR asked if TRID had a submission from the BTA, TRID confirmed that it did not.

**Action: SR to send estimates of market share for 2016, 2017, 2018 and 2019, and then if explain any trends from this across the period e.g. if a negative trend is suggested by SR estimates (negative trend of -2% was suggested by TRID’s estimates).**

1. Inventory

All figures taken from FishTalk system.

**Action: SR to provide FishTalk system report confirm stock year end figure for 2019 & 2017 and provide reasoning for anomaly in 2017 and fall of circa 7% over injury period.**

1. Any other business

Query on what percentage of goods are like goods in comparison to whole company. Questionnaire states 54%.
SR explained that she believes that figure is higher, and that all rainbow trout that Selcoth Fisheries produce are like goods, apart from restocking trout.

A successful batch would be considered to be 85% (rather than 80%, which would indicate excess/surplus fish)

**Action: SR to send calculations.**Lead Investigator gave an overview of case and timelines.

Annex 2

**Verification Meeting
Thursday 4th March 2021
16:00hrs (MS Teams)**

|  |  |
| --- | --- |
| **Attendees:**  |   |
|  |  |
| **Selcoth Fisheries** | **Trade Remedies Investigations Directorate (TRID)** |
| Shara Routledge (SR), Company DirectorOliver Routledge (OR), Company Director | Lead Investigator  Verification Specialist   |
|  | Investigator  |

**Minutes (session 1)**

A pre call (09:50 – 11:00hrs) was held with Shara Routledge, Lead Investigator and Verification Specialist to clarify some of the requests prior to the meeting at 13:30hrs.

1. Cashflow

Evidence is required for:

End of year cash balance - supporting bank statement for 31 Dec 2019

Loan documentation for the £120k HP asset purchase contained within the loan payment schedule submitted by Selcoth

Hire Purchase documentation **ACTION: SR** to provide the relevant documentation prior to this afternoon’s meeting.

1. Median Wages

Clarified a query relating to the calculation of median wages i.e not including the subcontractors wages but including the Director’s salaries. SR also confirmed the number of employees for 2019 was incorrect and should read 7.15 (not 15). **ACTION: SR** to confirm in writing that the median wages was calculated using the figures provided for 2016 to 2019 by Selcoth Fisheries. Furthermore, as discussed, **SR** confirmed that TRID had correctly extracted the median wage figure from the Selcoth accounts as submitted by Selcoth as part of their submission.

1. Production Capacity

Clarification is required to understand how Selcoth Fisheries calculated their 300t production capacity.

**ACTION: SR** to provide a summary as to how this is calculated.

1. Sales volume

Sales volume for the period 2016 to 2019 is required. This is held in Fish Talk. **ACTION: SR** to provide reports from Fish Talk for the years 2016 to 2019.

Due to the time required for SR to gather the documentation for TRID and then the analysis by TRID, it was decided to move the afternoon meeting to 16:00hrs. **Minutes (session 2)**

1. Sales Reports

There was a discrepancy between the tonnage and biomass for 2017 – 203t vs 311t.

SR explained there are fish which do not grow to the required size but are still shipped to the customer. They are not necessarily invoiced for these but Fish Talk will record them as part of the volume batch. Fish Talk is not used to record invoice variances.

Sales report for 2016 to 2018 also include export sales.

1. Investments

SR noticed errors in Selcoth’s initial submission, “Appendix 25”.

**ACTION: SR** will review and forward a corrected document. SR will also confirm investments figures for each of 2016/2017/2018/2019. Subsequent to which TRID informed Selcoth that the team would likely take a sample of the largest investment in the year and ask for supporting documentation.

1. Bank Statement 31 Dec 2019

There is a discrepancy with the bank statement recording an overdraft of ~ £80k and the accounts reading ~ £99k. **ACTION: SR** to ask the company accountants to investigate and also provide a consolidated cash position for year end 2019. TRID also repeated a previous request, for the cash figures to be provided for all the years of the injury period.

1. Median Wages

SR confirmed this morning’s conversation and agreed Selcoth’s figures were used to calculate the median wages.

Specific figures confirmed were as below:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| 2016 |  | 2017 |  | 2018 |  | 2019 |
| £14,530.43 |  | £13,598.71 |  | £16,253.86 |  | £20,719.16 |

Rationale was to take total wages, excluding subcontractors (whose time it was confirmed was not directly attributable to the production and sales of the like good, despite the accounts reporting subcontractors within cost of production) and including directors’ remuneration (whose time it was confirmed was directly attributable to the production and sales of the like good, despite the accounts reporting directors’ remuneration within admin expenses). Total wages was then divided by the total number of employees as disclosed in the accounts (all of which, it was confirmed, were involved directly in the production and sales of the like good). See above for corrected employee figure for 2019.

1. Close

Annex 3

**Verification Meeting
Wednesday 16th March 2021
14:00hrs (MS Teams)**

|  |  |
| --- | --- |
| **Attendees:**  |   |
|  |  |
| **Selcoth Fisheries** | **Trade Remedies Investigations Directorate (TRID)** |
| Shara Routledge, Company DirectorBookkeeper | Lead Investigator  Verification Specialist   |
|  | Investigator  |

1. Investments

TRID explained there is a variance in the investment figures provided and financial accounts. TRID requested to review the Sage fixed asset nominal reports for the calendar years 2018 and 2019, specifically to look at motor vehicle additions, freehold property additions, plant and machinery additions, improvements to property. This was because Selcoth Fisheries confirmed that a detailed fixed asset register is not formally maintained.
 **Action**: Selcoth Fisheries to send the downloaded reports by email.
TRID requested proof of purchase for largest investment in 2019 (Hydro-electric connection & installation of office portacabin).
 **Action**: Selcoth Fisheries to send invoices by email.

1. Cash Flow

TRID explained that written confirmation is needed, that the cash flow figures being used are correct, as below:

|  |  |
| --- | --- |
| 2016 | -16,492.04 |
| 2017 | 25,325.12 |
| 2018 | -71,931.97 |
| 2019 | -80,027.58 |

 **Action**: Selcoth Fisheries to confirm by email.

Annex 4

**Verification Meeting
Tuesday 23rd March 2021
10:30hrs (MS Teams)**

|  |  |
| --- | --- |
| **Attendees:**  |   |
|  |  |
| **Selcoth Fisheries** | **Trade Remedies Investigations Directorate (TRID)** |
| Shara Routledge, Company DirectorBookkeeper | Lead Investigator  Verification Specialist   |
|  | Investigator  |

1. Transaction of £120,000 (Hydro-electric connection & installation of office portacabin).

Query on where the amount is posted.

This is made up of a number of smaller payments and is generally expensed.
Selcoth Fisheries would not expect to see the cabling and electrical infrastructure on the asset register.

The largest invoice of the total has been provided and is for £74,079.00 or £88,895.64 after VAT.

Walkthrough of Sage shows the amount posted.

Second invoice is for the steel framed building and shows a total of £26,957. This is reported as an asset and the amount has already been traced to the relevant sage report.

**Action: Selcoth Fisheries to send a downloaded sage report of where total of £74,079.00 is posted**.

1. Transaction of £16,390.64 (Faivre Fish equipment (grader counters))

Query on where the amount is posted.

This is made up of two payments. The first is a 30% £4,812.33 and the final instalment is for £11,578.31.

This has been identified in the nominal sage report for plant and machinery already provided.
 **Action: Selcoth Fisheries to send an invoice for the total amount.**

1. Transaction of £71,050 (New Farm electric leaf screen & new feed storage shed)

The full transaction is made up of a number of small payments, mostly raw materials. It includes items such as metal work, leaf screen pump, leaf screen motor, etc.

For the shed there is an invoice of £18,911. This is split up. Selcoth Fisheries also noted a discount of £930.

The discount of £930 and amount for supply and installation of screen for £15,759.44 can be traced to the Sage nominal report.
 **Action: Selcoth Fisheries to send a downloaded sage report to where the amount is posted.**

1. Variance

Minor variance is due to using combination of bank statements and invoices, and excel bank loan repayment schedules for figures originally submitted

1. Endnotes
1. Notice of Determination, available on: <https://www.gov.uk/government/publications/trades-remedies-notice-countervailing-duty-on-certain-rainbow-trout-originating-in-turkey/notice-of-determination-countervailing-duty-on-certain-rainbow-trout-originating-in-turkey> [↑](#endnote-ref-2)
2. Notice of Initiation (Case TS0002), available on: <https://www.trade-remedies.service.gov.uk/public/case/TS0002/submission/3087908c-b98b-4c21-9a72-ad78029fb8f6/> [↑](#endnote-ref-3)
3. Notice of Initiation (Case TS0002), available on: <https://www.trade-remedies.service.gov.uk/public/case/TS0002/submission/3087908c-b98b-4c21-9a72-ad78029fb8f6/> [↑](#endnote-ref-4)
4. HMRC trade tariff service, available on: <https://www.trade-tariff.service.gov.uk/chapters/03?day=13&month=1&year=2020>

 <http://www.legislation.gov.uk/ukpga/2018/22/contents/enacted> [↑](#endnote-ref-5)
5. RSPCA standards, available on: <https://science.rspca.org.uk/sciencegroup/farmanimals/standards> [↑](#endnote-ref-6)
6. Page 120 Seafish Report available on: <https://www.seafish.org/document/?id=4382b7aa-ffce-448b-850d-46a8f7959115> [↑](#endnote-ref-7)