

Editor's recap: Chile truck strike; Sykes CEO on M&A, Brexit; Red Lobster re-fi

By [Tom Seaman](#) Aug. 31, 2020 09:58 BST



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Tom Seaman, editorial director of Undercurrent News, brings you a roundup of the main stories from the previous week.

As if the market impact for Chilean salmon farmers wasn't enough, truck drivers in the South American country [started a strike on Aug. 27](#), cutting off the industry from all main markets.

The strike, which revolves around violence in the south of the country, means there will be no trucks to take salmon fillets on the 1,000 kilometer trip from processing plants to the international airport in Santiago, where the fish is loaded onto aircraft bound for US hubs like Miami or Los Angeles, Matt Craze reported.

A drivers' protest is the latest blow to afflict the salmon industry since the outbreak of COVID-19. The sector has suffered lockdown in several farming areas, a sharp drop in prices resulting from the lengthy shutdown of hotels, restaurants and bars, and workers getting sick from coronavirus.

Sykes CEO talks Brexit, shrimp peeling issues

Meanwhile, the fallout of the coronavirus crisis in the UK has Sykes Seafood [looking at opportunistic foodservice acquisitions](#) in its home country, Alan Dale, the company's CEO, told me.

Sykes is in talks to acquire two London-centric foodservice distributors, Dale said. However, the uncertainty around what shape Brexit will take means Sykes' plant investment focus is in continental Europe, not the UK.

It's fair to say Dale does not have much faith in the UK government's ability to handle Brexit, which will come after the economic devastation from the coronavirus-driven lockdowns.

"I think it's just going to be a mess. If you're looking at organizational skills needed for massive projects, let's have a quick look at how COVID has been handled," he said. "I don't have much faith in the government when COVID has been mishandled. Thirty-seven people under 40 with no previous health problems have died, the median age of death is 79.5 and they have totally trashed the economy. Absolutely trashed it."

As a result, Sykes is currently investing around €5 million in expanding the Klaas Puul Beheer plant in Edam, the Netherlands, which the UK company closed a deal for at the end of March. When the project is finished in November, the plant's capacity will have increased by some 15,000 metric tons to 25,000t, Dale said. The increase will take Sykes to 45,000-50,000t of production across all its plants.

The pandemic is also causing significant issues for the North Sea shrimp sector, which is reliant on labor-intensive peeling houses in Morocco, Dale said.

"Having so many peelers in production facilities has been very, very hard with COVID. And Tangier, where our main factories are, is being locked down. Buying the product has not been hard, but the associated cost of peeling has been very, very high, and hard to do. What's been difficult has been getting volume. There have been limits on how many peelers can be in production halls, and how many hours can be worked," he said.

Thai Union not ruling out role in Red Lobster re-fi

In the US, the pandemic has hit foodservice hard. Between April-June, US restaurant chain Red Lobster Seafood Co [lost around \\$90m](#).

It's "too early" to say if Thai Union Group will be required to provide financial support to Red Lobster, said Joerg Ayrle, group chief financial officer of the seafood group, on the firm's recent Q2 earnings call.

April-June was the "worst quarter ever" for Red Lobster, he said. Thai Union has a 25% stake in Red Lobster, with Golden Gate Capital, a private equity, owning the rest.

It's "too early to say yes or no" as to whether financial support from Thai Union will be needed, said Ayrle. "There are no commitments out there at this moment, and the discussions are far too early to say there is or is no financial report required."

There's plenty of time for a deal to be done with lenders, he said.

"We have another nine-to-12 months to refinance the business. I think it's far too early to discuss how this will happen. Red Lobster has started discussing with several banks. They have started to reach out to the current term loan lenders, what their view is", as well as engaged Guggenheim and Solomon, said Ayrle.

Pollock fillet, surimi output down

In Alaskan waters, the production of pollock fillets and surimi [is being hampered](#) by slow catching in US B season, as well as smaller-sized fish, sources told me.

As of Aug. 8, US vessels have caught 928,361t of the 1.39m-metric-ton quota in the Bering Sea and the Aleutian Islands. The 2020 catch level is 67% of the quota, compared to the 74% caught to Aug. 10, 2019. In addition to the slow catching, the COVID-19 outbreak on the American Dynasty factory trawler, owned by American Seafoods Group, has also had an impact on overall production, sources said.

Up to Aug. 8, US vessels and plants have produced 41,000t of surimi, down 23% year-on-year. For pin-bone out (PBO) fillets and blocks, production is 20,100t, down 43% y-o-y. Deepskin pollock production is down 34% y-o-y, to 15,000t.

"Demand is good, so it [the lower PBO production] is not lack of orders. It is all related to fishing and fish size. Yields are much lower this season. The number of small fish is way up; you can see that in the fishmeal numbers," an experienced pollock sector source, who spoke under an agreement of anonymity, said.

Fishmeal production is at 14,600t, down 28% y-o-y. Block production will be hard this season," he said.

Chinese province is latest to ban sale of Ecuador shrimp

Authorities in the Chinese province of Shanxi -- just to the west of Beijing -- have issued a notice [banning the purchase and sale of vannamei shrimp](#) imported from Ecuador.

The Shanxi Provincial Market Supervision Administration issued the order on Aug. 21, temporarily suspending the purchase, sale and use of the shrimp from that date.

It states all food production and catering services in the province will suspend the purchase of Ecuadorian shrimp, and that shrimp from that country will be immediately removed from shelves.

Authorities were ordered to trace the origin of all inventories to ensure they were not from Ecuador.

This comes hot on the heels of a decision by authorities in the Chinese city of Jinan, the capital of Shandong province, to ban the sale of Ecuadorian shrimp imported before Aug. 17.

EU confirms current number of Dutch pulse trawl vessels in breach of new laws

The European Commission [has responded to a complaint](#) from the environmental NGO Bloom, acknowledging that the current number of Dutch pulse trawl vessels is in breach of the EU regulations on the practice imposed last year.

As part of the new regulations, the Dutch are permitted to operate pulse trawl gear aboard 5% of their fleet, or 15 vessels, for research purposes until July 1, 2021, when a full and total ban on pulse trawling will be enforced by the EU.

However, 22 trawlers are still operating with pulse gear according to the environmental NGO Bloom, which it claimed puts the Dutch fleet in breach of EU law in a referral to the EU ombudsman on June 5 this year.

The European Commission has responded by confirming the validity of Bloom's complaints and acknowledging the Dutch had infringed on the new law.

India veteran urges farmers to focus on VAP as shrimp market could reach 'all-time low'

An Indian shrimp veteran has urged farmers in India and Ecuador [to focus on value-added products](#) and to diversify their export markets, anticipating that the shrimp market could reach an "all-time low" if the coronavirus crisis extends into next year, Matilde Mereghetti reported.

Talking during an online event organized by the Ecuadorian Camara Nacional de Acuacultura, which is taking place on Aug. 26 and 27, Manoj Sharma -- owner and director of Mayank Aquaculture, a shrimp farming company in Gujarat, India -- pointed out that raw shrimp prices have dipped below \$4 per kilogram, while for value-added they range from \$8-\$10/kg.

US grocer files for Chapter 11, threatening Ideal Fish, Sushi Mara, Congressional

KB US Holdings, parent of the combined five-state, 35-location Northeast US grocery chains Kings Food Markets and Balducci's Food Lover's Market, [has filed for Chapter 11 bankruptcy protection](#) while owing money to several notable seafood distributors among others, Jason Huffman reported.

But at least some relief may be on the way, as the Parsippany, New Jersey-based company is the subject of a \$75m stalking-horse bid from New York investment firm TLI Bedrock, court documents reveal.

The situation is one to watch for Ideal Fish, a Waterbury, Connecticut-based recirculating aquaculture system producer of branzino, a.k.a. European sea bass. Almost since the moment that the company launched, in mid-2018, Kings and Balducci's have been among its biggest champions in retail.

Ideal Fish sells its fish to Porky Products, a Newark, New Jersey-based distributor, which then sells to the two related grocery chains, explained James MacKnight, Ideal's director of sales and marketing, on Wednesday. Porky is KB's largest unsecured creditor, owed \$2.8m, according to the petition filed in the US Bankruptcy Court for the Southern District of New York on Aug. 23.

Pandemic kills BBNC-American Seafoods deal talks

The Bristol Bay Native Corporation (BBNC) [has broken off deal talks](#) with Bregal Partners over the possible acquisition of American Seafoods, with sources citing the ongoing coronavirus pandemic as the primary cause.

BBNC's plans to put together a group to acquire American are on hold, sources said. Anchorage, Alaska-based McKinley Capital Management, a private equity involved in Rodger May's planned acquisition of Peter Pan Seafoods, was also supposed to be included in the deal plans.

"With the COVID situation, they have decided not to press on for now," one sector executive, who asked not to be named, told me.

American had COVID-19 outbreaks on three of its trawlers during the Pacific hake season in June. Then, in July, American Triumph -- one of the vessels impacted during the hake season -- had another COVID-19 outbreak while catching pollock.

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