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Report Highlights:

The 2014 total Russian wild catch remained stable, only down slightly versus the total catch in 2013. Russia has continued with the comprehensive reorganization of its fisheries sector, from resources management to processing and distribution, through a number of government resolutions and rules to improve regulation and transparency. However, an obsolete fleet combined with an underdeveloped fishing port infrastructure, poaching, administrative barriers, and lack of investment remain as main constraints to sustainable development of the sector.

General Information:

Production

Wild Catch

The Russian Center of Fishing Monitoring at the Federal Fisheries Agency (Rosrybolovstvo) released its report estimating total wild catch for CY 2014 at 4.215 MMT, about 2 percent lower than in CY 2013. They attribute this drop in catch to the fact that pink salmon largely did not migrate to the traditional places in the Russian Far East, such as the subzones of Kamchat-Kuril and Southern Kuril, as expected. Additionally, hard fishing conditions in the Bering Sea during the pollack harvest and a lower quota for Okhotsk herring were contributing factors. At the same time, the harvest for other species, including cod, flatfish, crab, and shrimp have increased. However, wild catch production in Russia is still well below historical levels.

In the Far Eastern Basin, Russian fishermen harvested 2.7 MMT of fish and seafood in CY 2014, which is 100,000 MT lower than during the same period in 2013. The reason for the shrinking catch is a drop in catch for Pollock in the Okhotsk Sea, the Bering Sea and the Sea of Japan.

In the Northern Basin, the total catch is estimated at 570,000 MT in 2014, or 43,000 MT lower than in 2013. The decrease is due to a smaller catch for both capelin and haddock, by 35,800 MT and 25,700 MT, respectively.

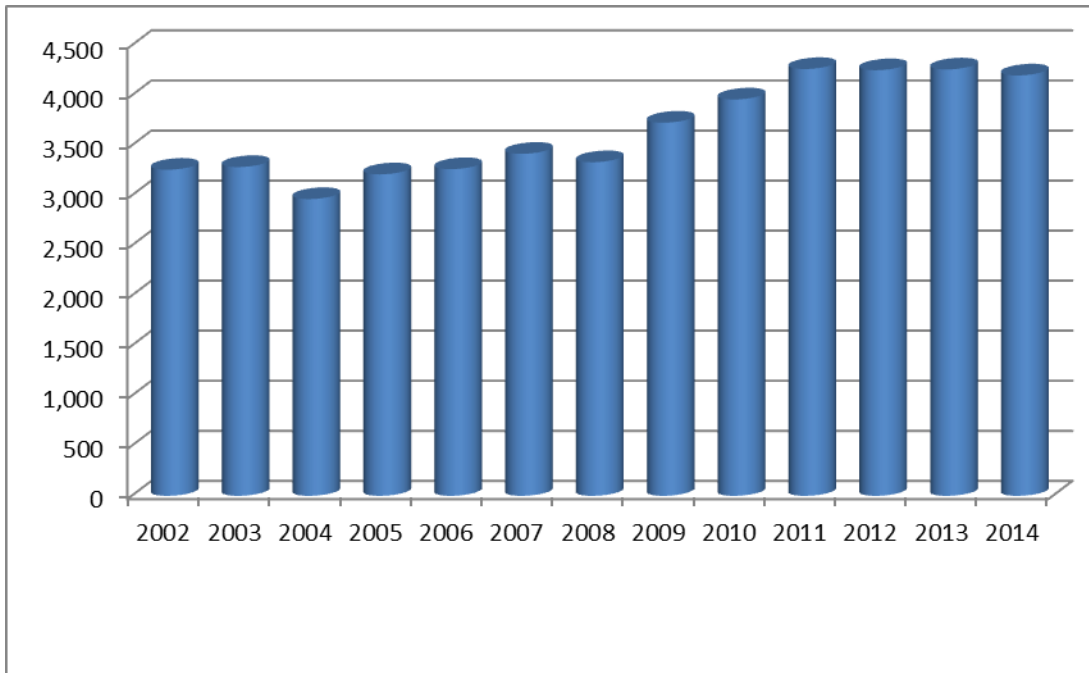
In the Baltic Sea, the fish catch is up slightly in 2014, and is estimated at 47,900 MT, as a result of a larger catch for both sprat and herring.

Improved weather conditions in the beginning of 2014 resulted in an increase in the catch of fish in the Azov Sea, Black Sea and Caspian Sea. Fishermen caught 51,000 MT of fish and other seafood in the Azov Sea and Black Sea in 2013, up almost 20,000 MT from the same period in 2012. These results are attributable mostly to an increase in the catch for sprat and anchovy. The total harvest in the Caspian basin is set at 36,600 MT in 2014, or 3,300 MT lower than the 2013 harvest.

Rosrybolovstvo also reported that in 2014 Russian fishermen caught 534,500 MT of fish in other zones within the country, a drop of 14,200 MT compared to 2013. In regions governed by the convention and on the high sea, in 2014 the catch was up 40.1 percent over 2013, and reached 211,100 MT.

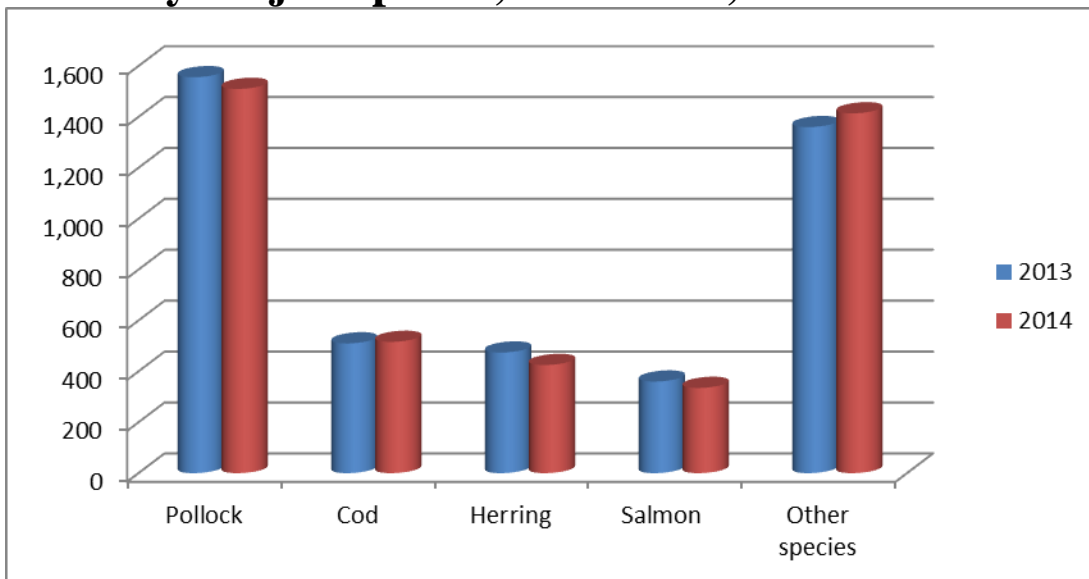
The main species of the Russian wild catch consists of Alaska Pollack (35-40 percent of total catch), followed by Atlantic and Pacific Cod (12 percent of total catch), and herring (11 percent of total catch). While salmon only accounts for nine percent of the total catch (in volume), the species is very important because of its high value. Other important catch include mackerel, capelin, Pacific saury, halibut, haddock, and crab ("All Other" catch is 23 percent of the total catch).

Wild Catch in Russia, TMT



Source: Federal Fishery Agency

Catch by Major Species, 2013-2014, in TMT



Source: Federal Fishery Agency

Consumption

Domestic consumption of fish and seafood has been influenced by the Russian economic situation in 2014 and 2015. The Russian Ministry of Economic Development (MED) has indicated that the Russian economy will decline further in 2015. With a presumption that average annual petroleum oil prices will equal \$50 per barrel, MED expects GDP to contract by 2.8 percent, consumer prices to rise 11.9 percent, and real wages to decline by 9.6 percent over the course of 2015. VTB Capital reportedly estimates that 40 percent of Russian income was spent on foodstuffs in 2014, up from 36 percent in 2013. However, MED forecasts disposable income to decline 6.3 percent over 2015. Given the economic volatility in the market, and the fact that food prices as of February 1, 2015, have increased 23 percent year-on-year, it remains to be seen to what extent Russian consumer demand will continue to contract.

According to the Federal Fisheries Agency, the food import restrictions and the economic crisis have not affected the annual per capita fish consumption in Russia in CY 2014. Based on preliminary data, the agency estimates the annual per capita consumption at 22.3 kg per capita, about the same level of the previous year.

Trade sources believe that the population is shifting consumption to local codfish, Pacific herring (as a substitute for Atlantic herring), sockeye, pink salmon, and coho salmon. Consumption of chilled salmon dropped by 30 percent as a result of a shrinking supply of the product in the market following the August, 2014 implementation of the food embargo. However, Sergey Gudkov, executive director of the Fisheries Union (combined representation of fish production facilities and aquaculture farms) believes that consumption in 2015 will drop significantly as a result of poor economic conditions.

Despite a sharp increase in the price of fish in 2014, retail proceeds for the period January to February, 2015 increased about 10 percent compared to the same period in 2014. Consumer demand for fish products has not declined. However, because of the increase in the price of fish, most consumers budget for fish and seafood has remained constant, but their total purchases are less in quantity. As a result the consumers purchase less. The same source estimates that the price increase for the more popular fish species in Russia (pollack, cod and salmon) ranges between 80 to 100 percent. Fishermen are interested in selling their harvests abroad for foreign currency, or set their domestic prices at the world price level. However, neither harvesting/production costs, nor taxes have increased for exporters.

The Russian Fisheries Union supports recommendations by the Federal Fisheries Agency to involve industry associations in the in-store, domestic fisheries product promotion programs.

The main objective of the Fisheries Union is to promote greater sales of fishery products, which should stimulate companies to produce higher quality products. In an effort to achieve this goal, the Fisheries Union under the auspices of the Federal Fisheries Agency participated in the development of a concept of quality assurance of Russian products, prepared by the Ministry of Industry of Russia and approved by the government commission in April 2014.

Standards for "Pacific salmon salted slices" and "cod fillets frozen" were proposed as pilot projects. The standards were developed by the fisheries research institute, VNIRO, which reports to the Federal Fisheries Agency. These standards provide for the use of domestic raw materials only.

The Far Eastern district, home to the largest segment of the Russian fishing industry, came out with additional initiatives to improve infrastructure to facilitate the supply of fish and seafood to the central part of Russia. Local authorities in the district are working to develop a fisheries cluster that will include fish processing facilities, cold storage facilities (with capacity up to 700 MT), port and transportation

infrastructure, and other logistics facilities, including a trading and logistical center. Local authorities from another major fishing region, Sakhalin in the Far East, have focused their near-term activities on: construction of hatcheries, increasing coastal processing and fleet renovation. Currently, the island region is the absolute leader in Russia for reproduction of salmon, with approximately 80 percent of the total young salmon output in the country. At the moment, there are 41 hatcheries operating in the region. Eleven of these hatcheries are state-owned and the remainders are private businesses. The total capacity of all the enterprises is about 850 million pieces of juvenile salmon released every year. The regional authorities plan to build 11 hatcheries more in Sakhalin region until 2020 and bring the fry output up to 1 billion pieces annually.

Government Policy and Regulation

Since the August 2014 food embargo, one of the major focuses of the Russian government is to further develop the fisheries sector. The goal is to not only cover the gap of imported fish products, but also to increase production of fish and seafood up to 80 percent by 2020, as stated in the Russian Food Security Doctrine. The government announced the development of the aquaculture sector as one of the priorities in the industry. Regulatory bodies worked out a number of initiatives in implementation of the objectives. Thus, on December 18, 2014, the Russian government adopted Resolution # 1416 “On Introduction Amendments to the State Program on the Development of the Russian Fisheries Industrial Sector from 2013 till 2020 (Program).” According to the amended document the total budgetary allocations for implementation of the Program until 2020 will be increased by 9.3 billion rubles – from 83.2 billion rubles to 92.5 billion rubles. The support will be aimed at 1) development of research and science in aquaculture; 2) development of infrastructure; and 3) the government will cover 2/3 of refinancing rate to companies that incur credit for purchasing brood stock and feeds.

For more information please refer to GAIN [Russian Government Further Supports Fishery Sector](#).

Also, in support of the development of aquaculture, the Federal Fisheries Agency is working on a draft program on commercial aquaculture development for 2015-2020. The objective of the document is to increase aquaculture production and stocking material. The document sets forth an increase in aquaculture production up to 195,500 MT (an increase of 25.8 percent to production levels in 2013), and stocking material up to 29,410 MT in 2015. The draft program provides for an increase in aquaculture production by 2016 up to 225,400 MT (an increase of 45 percent), and by 2020 up to 320,200 MT (2.1 times the 2013 production levels). With regard to stocking materials, the Program foresees growth in its production up to 31,290 MT by 2016, and up to 38,680 MT by 2020. Also, the Program provides for increasing competitiveness of the local aquaculture production through the use of new domesticated fish species. Experts in the Ministry of Agriculture estimate that the annual growth in aquaculture production will be between 7-10 percent.

Another measure to support the development of aquaculture in Russia includes the adoption of the Resolution of the Government of the Russian Federation #319 of April 3, 2015. This Resolution approved amendments to the state program "On the Development of the Russian Fisheries Industrial Sector." In particular, the amendments include the rules for granting and distribution of subsidies from the federal budget to the regional budgets for partial compensation of interest rates payments on credits for the development of commodity aquaculture, including the breeding of sturgeon species.

The new subsidizing rules are aimed at the development of domestic commodity aquaculture for the

purpose of import substitution, and decrease Russia's dependence on imported feeds and fish stock.

The document, developed jointly by the Ministry of Agriculture of the Russian Federation together with the Federal Fisheries Agency (Rosrybolovstvo), for implementation of measures of state support for commodity fish breeding, is provided for in Federal law #148-FZ of July 2, 2014 "On Aquaculture and Amendments of Separate Acts of the Russian Federation."

According to the amended rules, since 2015, provide for: the disbursement of subsidies in support of the fisheries sector, compensation for part of interest rates payments on credits signed since January 1, 2014, for implementation of investment projects aimed at the development of commodity aquaculture (commodity fish breeding), except for sturgeon species:

- for a period of one year up to three years - on purchases of feed and fish stock;

- for a period of up to 10 years - on construction, reconstruction and (or) modernization of facilities of commodity aquaculture, feed and fish stock production facilities, aquaculture processing and storage facilities, and also on purchases of equipment, specialized vessels, vehicles and equipment for cultivation and breeding objects of commodity aquaculture.

In addition, the amended rules provided for subsidized loans under investment projects for the development of commodity sturgeon breeding for a period of up to 10 years – on purchases of equipment for cultivation and breeding of sturgeon species, and also on construction, reconstruction and (or) modernization of commodity aquaculture facilities of sturgeon species.

The rules set forth criteria for selecting investment projects that are eligible to be subsidized. This mechanism will ensure more effective investments from the federal budget.

According to the President of All-Russian Association of Fisheries Enterprises and Exporters (VARPE), Aleksandr Fomin, aquaculture production in Russia varies between 140,000 MT to 160,000 MT annually. Herbivorous fish, such as carp, grass carp, silver carp, accounts for 70 to 80 percent of the total aquaculture production in Russia. Recently, the Russian regions started to initiate specific programs on aquaculture development. These regional programs vary depending on climatic and natural conditions and geographic location of the individual regions. According to the information provided by VARPE, the Central Federal district is planning to grow more valuable fish species, such as salmon and sturgeon. On December 18, 2014, the Russian government adopted Resolution # 1416 "On Introduction Amendments to the State Program on the Development of the Russian Fishery Industrial Sector from 2013 till 2020." Special Program "Development of Sturgeon fish farming" was one of the new amended subprograms.

The North Western part of Russia is planning to breed whitefish and salmon species (primarily syomga). Currently the region produces about 20,000 MT of syomga and 8,000-12,000MT of trout.

The North Caucasses Federal region will provide subsidies for fish producers to breed trout. The Far Eastern region will focus on mariculture. They plan to grow scallops, urchin, sea cucumber, pacific oysters and mussels, and seaweed. The Southern District is planning to grow sturgeon and mussels.

Other regulatory efforts and initiatives in the fisheries industry, as reported by the Ministry of

Agriculture, included:

--The Russian Federal Fisheries Agency (Rosrybolovstvo) initiated the establishment of aquaculture centers based on scientific and research fisheries institutes, to stimulate aquaculture development in Russia. The Head of the Russian Fishery\ies Agency, Ilya Shestakov, stated that these newly developed centers could implement scientific and consultative support for businesses and projects in developing aquaculture.

-- The Russian Ministry of Agriculture approved the qualifier in aquaculture in implementation of the Law on aquaculture. The new rules will improve the accounting of enterprises for the provision and distribution of subsidies.

In particular, order #452 of the Ministry of Agriculture of the Russian Federation of November 14, 2014 "On approving qualifier in the field of aquaculture (fish breeding)" (registered in the Ministry of Justice of the Russian Federation 03.12.2014 N 35077) was developed for the purpose of creating the necessary conditions for interaction between Russian organizations and establishments to completely harmonize with the all-Russian qualifiers. The approved document contains classification of aquaculture objects, types of works in the field of aquaculture, fish-breeding farms, objects of fish-breeding infrastructure and production of fish breeding. This list is intended for identification, description and legal regulation of aquaculture industry, and also will allow order process of communication between producers and consumers of different types of production and services of this field of activity.

--On February 28, 2015, via Resolution #180, the Russian government approved amendments to the rules for bidding on quota volume, via auction, for production (i.e., catch) of "water biological resources." The current Resolution amended Government resolution#602 of August 12, 2008. The regional offices of the Federal Fisheries Agency (in the past it was only the Federal Fisheries Agency itself) will organize auctions and must comply with the budgetary code of the Russian Federation.

The Department of Tariff and Non-Tariff Regulation at the Ministry of Economic Development applied to the EAEU commission with the proposal to lower custom export tariffs for trout and salmon fry (HS 0301 9100 0 and 0301 99 110 0) from 10 percent to 0 percent of the customs value. Additionally, lowered tariff rates were proposed for fertilized fish eggs (HS 0511 91 901 9) from 8.7 percent to 0 percent of the customs value, for the period of 3 years. Currently the document is open for public discussion. The GOR believes that implementation of the measure will stimulate aquaculture production and increase production of the local salmon species.

Prices

According to the Russian Statistics Committee (Rosstat), retail prices for fish and seafood increased by 30.8 percent from February 2014 to February 2015. Retail prices for frozen non-eviscerated fish have increased by 32 percent since August 2014.

Since January 2015, retail prices for herring went up by 11.1 percent (up to 103.5 rubles per kilo). The price for live fish increased by 2.9 percent (149.3 rubles per kilo). The price for frozen fish skyrocketed

to 109.6 rubles or 9.2 percent, while the price for fish fillets went up 2.2 percent, to 228 rubles.

In an effort to curb hikes in prices in the domestic market, Rosrybolovstvo suggested that export tariffs for fish be increased from the current three percent to \$US 0.3 per kilo. Currently the proposal is under discussion among the fisheries community and different associations. Experts believe that if export duties are increased, the supply of fish and seafood in the local market will increase 200,000-300,000 MT, and bring an additional \$US500 million to the federal budget. Fishermen are concerned about cost escalation during fish harvesting, and are confident that the major cost increases are on processing, transportation and fish sales. They claim that an increase in the export duty will make fishing unprofitable. On the other hand, fish processors are in favor of Rosrybolovstvo's initiative and hope that it is enacted.

According to the President of the All-Russia Association of Fisheries Enterprises, Entrepreneurs and Exporters (VARPE), Aleksandr Fomin, fishermen's expenditures for production resources, such as fishing gear, fuel and packaging materials, are increasing because they are purchased in dollars or euros. The final price for fish and seafood is based on the total cost of production of services and mark-ups for all market players, including retailers, processors, and transportation companies. Fishermen believe that if export duties are increased significantly, up to 10 percent, it will not be cost efficient to harvest fish and seafood.

Total Allowable Catch (TAC) for 2015

The Russian government sets the total allowable catch (TAC) levels for fish and seafood annually. The Ministry of Agriculture of the Russian Federation approved TAC levels for 2015 by its Order #399 issued on October 21, 2014. With the order the Ministry set TAC for all in-country sea waters, territorial sea of the Russian Federation and on the continental shelf and exclusive economic zone of the Russian Federation, in the Azov and Caspian Seas. TAC for rivers, lakes and other reservoirs throughout Russia, is set by the Ministry of Agriculture Order#458 dated November 19, 2014. Distribution by main fish species caught in major fisheries basins and seas are provided in the table below. In general, the TAC for most species has been relatively stable from year to year, although some species have seen significant fluctuations. For example, the TAC for Pacific herring in the Far Eastern basin and the Sea of Japan in 2015 is estimated at more than 50 percent due to characteristic for these species fluctuations in stock. The TAC for cod and Far Eastern flounder decreased 15 percent in the Far Eastern Basin as an effort to support restoration of these species in the fishing zone. On the other hand, TACs for different types of crab have stabilized with larger increases in TAC for Kamchatka crab from 6,500 MT to 7,000 MT in Barents sea, and in Okhotsk sea from 6,200 MT to 7,700 MT as a result of a restored population and stronger enforcement to combat poaching, as well as more detailed scientific research and collaboration. Also, TAC for squid in the Far Eastern basin, and far Eastern cod in the Okhotsk Sea have demonstrated stable growth as a result of improved populations of the species.

According to scientists from the Russian Scientific Research Institute on Fisheries (VNIRO), the TAC level for all species of crab can be increased from the current quota of 56,700 MT in 2015 to 71,900 MT by 2017, largely due to the restored crab population. The scientists also forecast that the TAC for the most valuable crab specie, King Crab, can be increased from the current 7,000 MT to 20,000-25,000 MT in the next 2-3 years. As a result of a growing catch, the prices for crab meat is likely to be more affordable for the local population.

Far Eastern Fishery Basin (TAC levels for major species in Western Bering Sea Zone and Eastern Kamchatka Zone) (in thousand MT)

	2013	2014	2015
Pollock	740	730	735
Pacific Herring	133	81	39
Cod	81	93	79
Far Eastern Flounder	20	20	17
Black Halibut	2	2	2
Pacific Halibut	4	4	4
Greenling	73	75	73
Rockfish	5	5	5
Far Eastern Cod	15	15	15
King Crab	<1	<1	<1
Blue Crab	1	2	2
Golden King Crab	1	1	1
Snow Crab Opilio	2	2	3
Tanner Crab	1	1	1
Squid	95	95	110

TAC Levels for Barents Sea (in Thousand MT)

	2013	2014	2015
King (Kamchatka crab)	6	6.5	7

TAC Levels for Okhotsk Sea (in Thousand MT)

	2013	2014	2015
Pollock	920	885	968
Pacific Herring	259	275	270
Cod	29	20	25
Far Eastern Flounder	46	49	52
Black Halibut	13	12	13
Pacific Halibut	1	1	1
Far Eastern Cod	13	13	22
King Crab	1	6.2	7.7
Blue Crab	3	4	4
Golden King Crab	3	2.2	2.3

Snow Crab Opilio	12	12	13
Tanner Crab	2	2	2
Northern Shrimp	5	4	4

TAC Levels for Sea of Japan (in Thousand MT)

	2013	2014	2015
Pollock	24	14	13
Pacific Herring	<1	1.5	0.2
Cod	7	2.5	3
King Crab	2	2	2
Blue Crab	2	2	3
Spiny crab	1	1	1
Snow Crab Opilio	11	10	10
Tanner Crab	13	14	13
Northern Shrimp	8	7	12
Pacific Squid	<1	<1	<1
Sea Urchin	2	1	1

TAC Levels for Chukotsk Sea (in Thousand MT)

	2013	2014	
Pollock	6	5	6
Pacific Herring	<1	<1	<1
Cod	7	7	7

TAC Levels for Pacific Salmon in Exclusive Economic Zone (in Thousand MT)

	2013	2014	2015
Pacific Salmon (pink salmon, sockeye, coho, chum, Chinook)	23	23	23

Source: https://fishnews-prod.s3.amazonaws.com/docs/783/prikaz_ob_utverzhenii_odu_na_2015_g.pdf

Trade

Imports

According to Rosstat, Russia's import volume for fish and seafood (HS03 and HS16) in 2014 decreased by 12.8 percent and it is estimated at 884,800 MT. Nearly 50 percent of all imports were frozen fish, 14.6 percent ready to eat and canned fish products, 14.2 percent fish fillet and other fish meat, 9.7 percent fresh and chilled fish and 10 percent crustaceans and molluscs. The largest drop in imports in CY 2014, in comparison with CY 2013, was demonstrated for frozen sardines (down 27 percent to 39,000 MT), frozen capelin (down 30 percent to 44,300 MT) and herring (down 24 percent to 90,000 MT).

In CY 2014, Russia's value of imports of fish and fish products reached \$US2.9 billion, a 5 percent drop over 2013. Despite an almost 50 percent decrease in shipments of fish from Norway in CY 2014, over CY 2013, due to the August 2014 food embargo, Norway still remains the largest supplier of fish products to Russia, with exports totaling over \$US555 million in 2014 (19 percent market share), followed by China at \$US400 million (14 percent), Chile at \$US378 million (13.5 percent) and Iceland at \$US234 million (8.2 percent). Since August 2014, Russia has made an effort to meet demand for fish with imports from alternative suppliers, such as China, Chile and Iceland. In CY 2014, total imports of fish and seafood from China increased by 20 percent, from Chile by 38 percent, and from Iceland by 35 percent.

In 2013, shipments of fish and seafood from the United States to Russia reached reach \$US77 million, up 96 percent increase from 2012. However, after implementation of the food embargo by the Russian government, shipments of fish and seafood from the U.S. declined significantly by 44 percent to \$US43 million in CY 2014.

Exports

Total Russian exports of fish and seafood in 2014 totaled \$2.8 billion, a 7 percent increase in comparison with 2013.

In 2014, Russia's primary seafood export markets were concentrated in East Asia, with exports to South Korea totaling over \$US1 billion (37 percent of Russia's total seafood export), China totaling \$845.0 million (30 percent), and \$473.5 million to Netherlands (17 percent).

Frozen Alaska Pollock (HS030367) accounted for 31 percent of total export share in value, followed by crab, including in shell, frozen (HS030614) with 14 percent, frozen fish livers and roes (HS030390) with 10 percent, and frozen cod fillets (HS030471) with 7 percent. In 2014, Russia exported about \$US3.4 million worth of fish and seafood to the United States, a 6 percent increase over CY 2013. Haddock and cod fillet, dried and salted fish and crab account for about 85 percent of the overall export share of fish and seafood to the U.S.