

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Fish and Seafood Production and Trade Update

Report Categories:

Fishery Products

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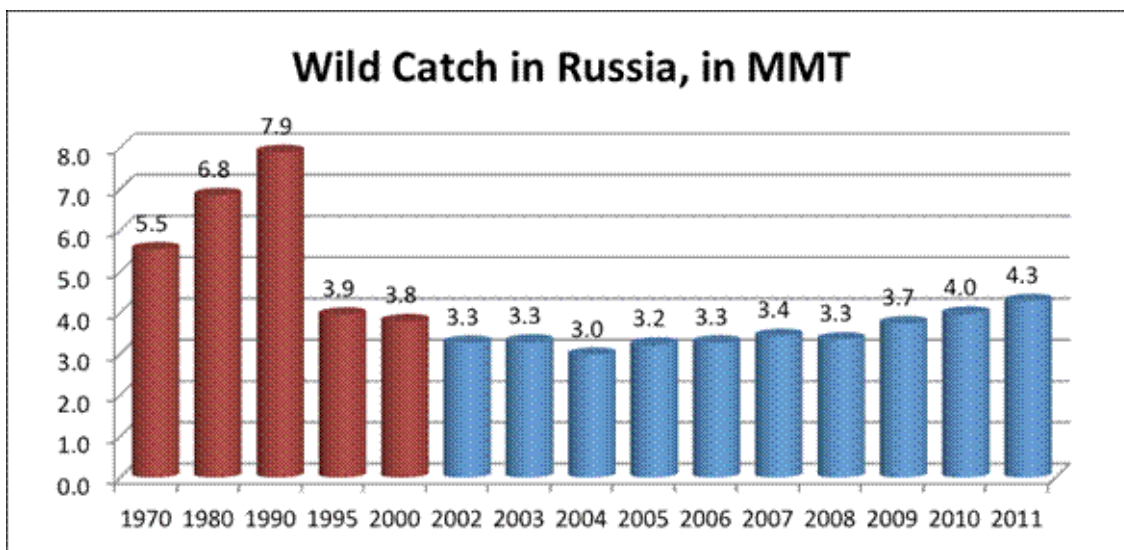
Report Highlights:

Russia's wild catch has demonstrated steady growth for the past few years as fish stocks have recovered. Despite this, fish and seafood imports have continue to rise due to a combination of factors, including a lack of investment in domestic processing infrastructure and strong domestic demand. In total, Russia's imports of fish and fish products equaled \$2.36 billion in 2011, an annual increase of nearly 20 percent. The demand for fish in Russia is projected to continue to increase, both in lower-priced and higher-priced segments. A recently adopted Strategy for Development of the Russian Food Industry calls for Russia to expand its capacity to process high-value fish products and, among other initiatives, promotes a self-sufficiency target for Russia of 80-85 percent as well as sets production targets.

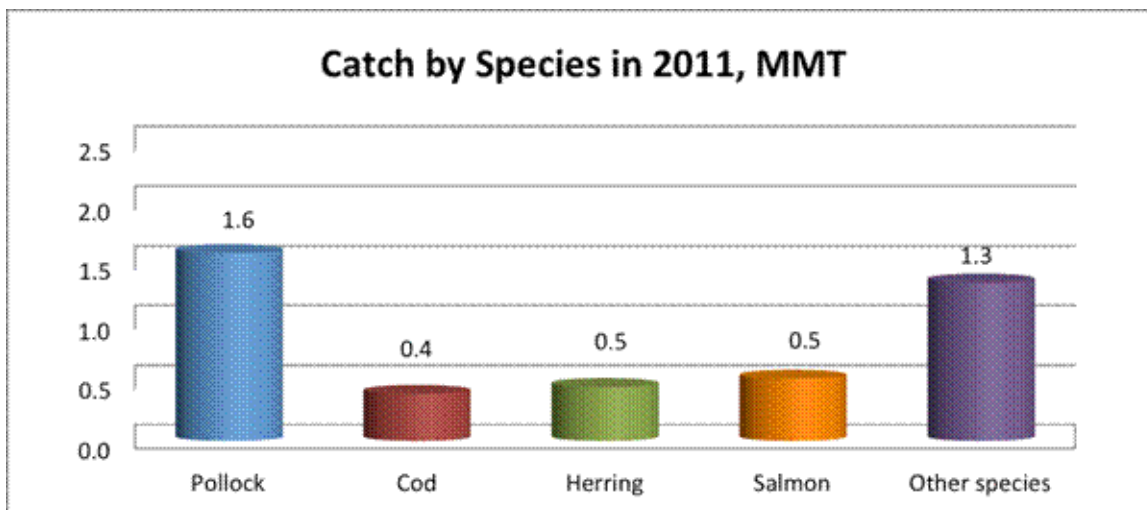
General Information:

Production

The fish and seafood catch in Russia continues its recovery after the sharp decline at the beginning of the century. Total catch reached 1.4 million metric tons (MMT) in the first quarter of 2012, representing a 1 percent annual growth. During this period, an increase in catch was reported for crab, cod, far eastern cod, herring, greenling, and rockfish, while levels decreased for flounder, grenadier, and pollock. Despite its lower number, pollock still accounted for 60 percent of Russia's total fish and seafood catch between January and March 2012, followed by cod, herring, and flounder. Total catch for 2011 reached 4.3 MMT, a growth of almost 8 percent.

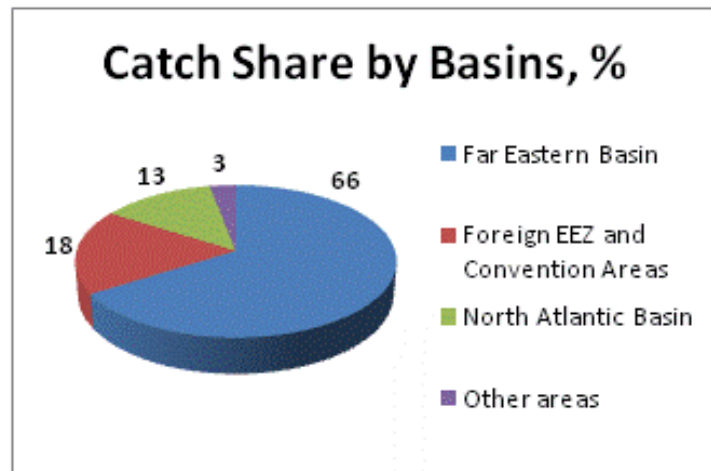


Source: Federal Fishery Agency (Rosrybolovstvo)

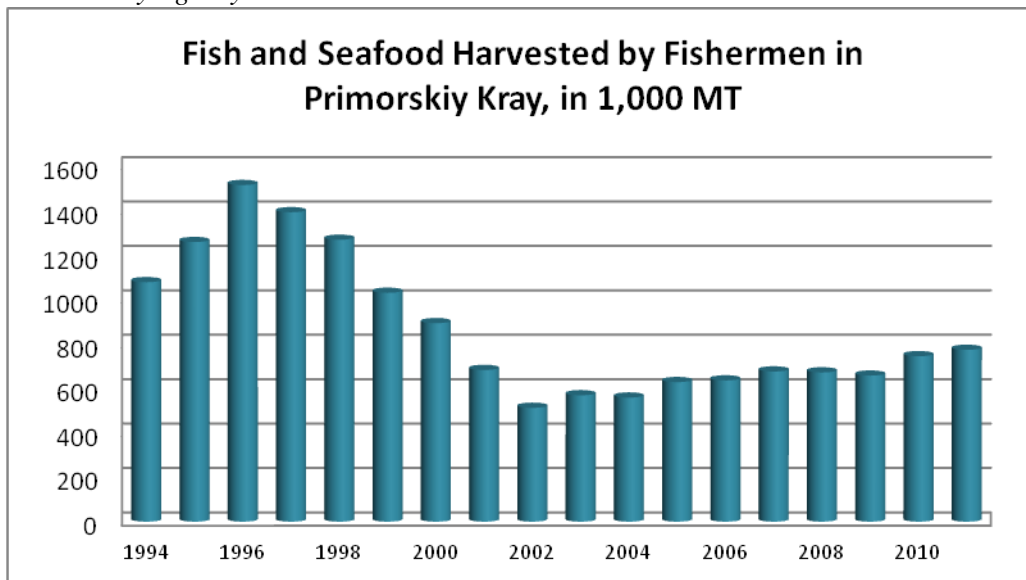


Source: Federal Fishery Agency

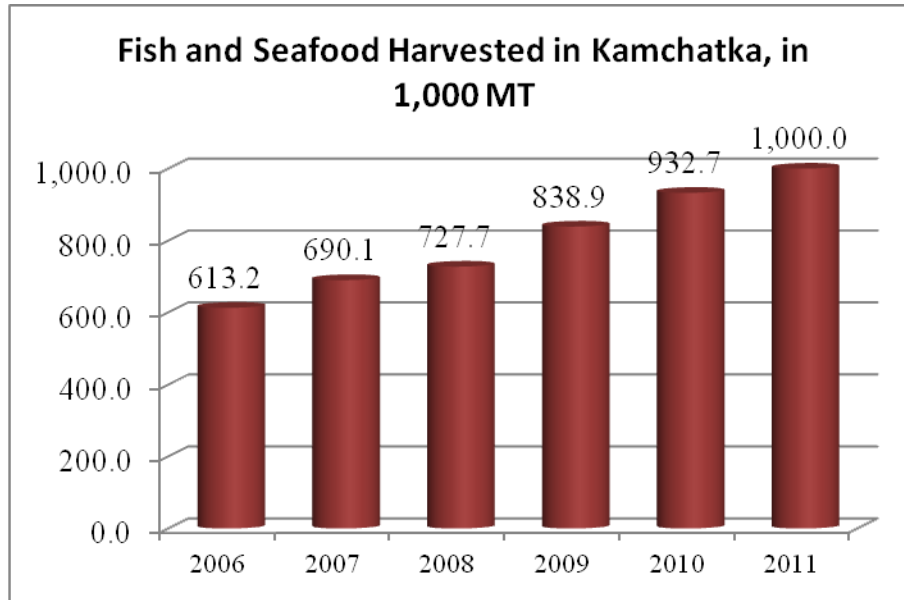
There are five harvesting basins in Russia, with the Far Eastern basin accounting for 66 percent of total annual catch in 2011, followed by the North Atlantic basin. In general, stocks have been improving steadily in the Far East over the course of the last six to eight years. In Primorskiy Kray, for example, harvest levels bottomed out in 2002 due to massive overfishing and poor regulations. Today, however, stocks have now begun to recover. According to Primorskiy Kray’s Regional Statistics Committee, fishery exports grew by 19 percent in the first quarter for 2012 in comparison to 2011, with fresh and frozen fish accounting for 71 percent of total exports (\$139.2 million), followed by fish roe and livers, and crustaceans.



Source: Federal Fishery Agency



Source: Primorskiy Kray Federal Statistical Agency



Source: Federal Statistical Agency in Kamchatka

Currently, there are 680 small, medium, and large fishery companies operating in Russia. The country's most significant fishery processing facility is found in the Far Eastern basin, where 55 percent of Russia's total processing capacity is located. About 19 percent of the country's fish processing capacity is located in the Northern basin. The Eastern and Caspian basins account for 12 percent of the sector's processing potential, while the Southern basin makes up only 2 percent. Processing facilities for canned production utilize 45 percent of Russia's total processing capacity.

Total Allowable Catch (TAC)

The Russian government sets the total allowable catch (TAC) levels for fish and seafood. 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 Bering Sea more than doubled between 2010 and 2012. TAC growth has also been noted for rockfish and far eastern cod from the Bering Sea, far eastern flounder from the Bering and Okhotsk Seas, and pollock from the Sea of Japan. The rise of these TAC levels is attributed to recovering fish stocks, as well as more detailed scientific research and fish population forecasts.

Some TAC levels, however, have declined. The TAC for cod from the Okhotsk Sea was reduced from 28,112 MT in 2010 to 19,697 MT in 2012. In addition, the TACs for different crab species have also decreased, including for snow, opilio, and tanner crab from the Sea of Japan. These changes are said to be a result of overfishing during the 1990s and early 2000s, and the Russian government's effort to create sustainable fisheries and protect stocks from illegal fishing.

TAC Levels for Bering Sea (in Thousand MT)

	2010	2011	2012
Pollock	797	652	765
Pacific Herring	11	18	23
Cod	71	72	74
Far Eastern Flounder	9	20	21
Black Halibut	2	2	2
Pacific Halibut	4	4	3
Greenling	85	88	89
Rockfish	2	3	5
Far Eastern Cod	2	17	16
King Crab	<1	<1	<1
Blue Crab	1	1	1
Golden King Crab	<1	1	1
Snow Crab Opilio	3	3	3
Tanner Crab	1	1	1
Squid	75	85	85

TAC Levels for Okhotsk Sea (in Thousand MT)

	2010	2011	2012
Pollock	970	970	959
Pacific Herring	344	382	293
Cod	28	33	20
Far Eastern Flounder	22	55	55
Black Halibut	13	13	13
Pacific Halibut	1	1	1
Far Eastern Cod	N/A	13	18
King Crab	1	1	1
Blue Crab	2	2	2
Golden King Crab	3	3	3
Snow Crab Opilio	16	16	12
Tanner Crab	2	1	1
Northern Shrimp	4	4	7

TAC Levels for Sea of Japan (in Thousand MT)

	2010	2011	2012
Pollock	10	41	38
Pacific Herring	2	<1	<1
Cod	5	2	7
King Crab	<1	1	1
Blue Crab	<1	1	1
Spiny crab	1	1	1
Snow Crab Opilio	4	3	<1

Tanner Crab	27	16	14
Northern Shrimp	10	9	22
Pacific Squid	200	200	0
Sea Urchin	2	2	2

TAC Levels for Chukotsk Sea (in Thousand MT)

	2010	2011	2012
Pollock	8	6	5
Pacific Herring	<1	<1	<1
Cod	3	2	7
Sea cows (1,000 pcs)	N/A	<1	2

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

	2010	2011	2012
Pacific Salmon (pink salmon, sockeye, coho, chum, Chinook)		23	23

Government Policy:

Strategy for the Development of the Russian Food Industry

In April 2012, the Russian government approved the “Strategy for the Development of the Russian Food Industry Through 2020,” which analyzes the different sectors of the country’s food industry, the problems they face, and sets production targets for 2020. Furthermore, it identifies the level of investment that will be necessary in order for these objectives to be fulfilled. Addressing the fishery sector in particular, the Strategy calls for Russia to expand its capacity to process high-value products and, among other initiatives, promotes a self-sufficiency target for Russia of 80-85 percent as well as sets production targets. The document, however, remains fairly vague when discussing how these targets will be achieved. The government outlines the following recommendations for the fishery sector:

- Modernize 40 percent of Russia’s total processing facilities, of which 60 percent is to include canned fish facilities and 30 percent cold storage
- Renovate old processing facilities and establish new ones in the North Eastern Federal District, after which the region will account for 34 percent of the country’s total fishery production and 50 percent of canned fish products
- Develop new coastal processing facilities in the Southern Federal District.

Overall, the government places a high priority on modernizing canned fish production and cold storage facilities. By 2020, the Strategy envisions a four percent growth in Russia’s total fish processing capacity, of which 13 percent is to include canned fish production. In the short-term, between 2013 and 2016, it calls for 400 processing facilities to be upgraded, with a special focus on 150 facilities in the Far Eastern District. By the end of 2020, total investment in the industry is estimated at 36.9 billion rubles, including 28.3 billion from private corporations and 8.5 billion from government subsidized loans. As a result, the Strategy concludes that Russia’s share of high-value fish products in the world market will total 0.83 percent by 2016 and 0.94 percent by 2020. Moreover, the industry’s annual capital renewal is expected to grow from 5 percent to 6 percent during the same period.

Outlined Production Targets

	2013	2014	2015	2016	2017	2018	2019	2020
Production of fish and products, including canned fish (1,000 MT)	3,886	4,032	4,200	4,345	4,450	4,590	4,826	5,255
Average per capita consumption of fish and seafood products (kg)	23	24	24.5	25	25.3	26.2	27.1	28
Share of domestically produced fish and seafood products in the Russian market (in %)	80.1	80.5	81	81.5	82	83	84	85

Trade:

Imports

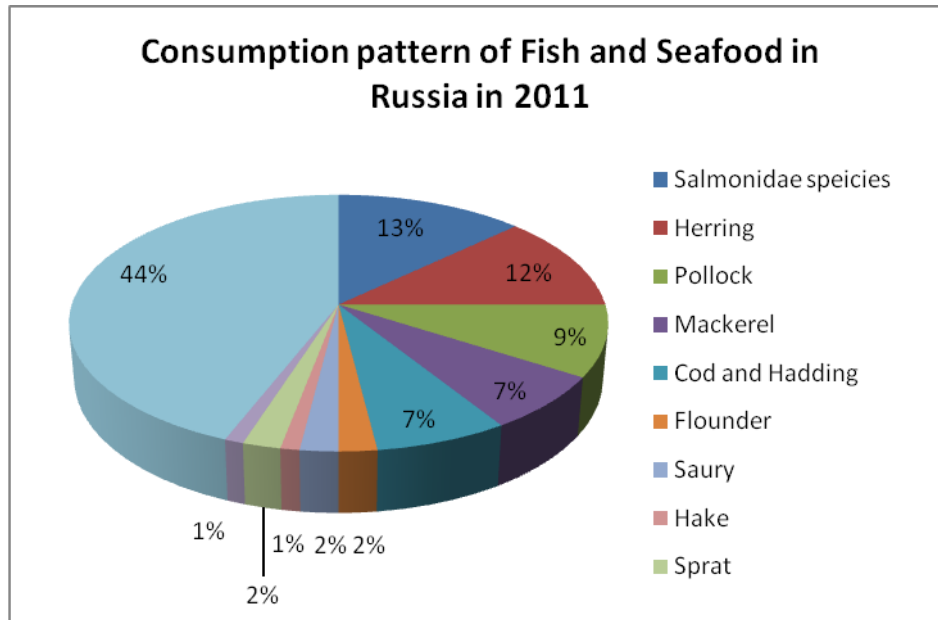
Russia's imports of fishery products have continued to rise in recent years. Experts attribute this trend to a combination of factors, including a lack of investment in the sector's processing infrastructure and strong domestic demand. As a result of poor processing facilities, Russia continues to be at a competitive disadvantage relative to other global producers. The inadequate state of processing infrastructure is especially detrimental to the sector, as a significant amount of fish imported from China was actually caught in Russia and shipped to China for processing. The government has tried to curb this phenomenon by introducing legislation that requires all fish and seafood caught within Russia's territory to be cleared by Russian customs. Processors in port cities such as Vladivostok have reported that this law has helped increase the level of domestic processing and reduced local prices. Moreover, local governments in the Far East have also increased funding support for coastal processing facilities.

According to the Federal Custom Committee, Russian imports of fish and seafood (HTS code 03) has dropped 12 percent in January to May 2012 when compared to the same five month period in 2011. However, for 2011, Russia's imports of fish and fish products equaled \$2.36 billion, an annual increase of nearly 20 percent. At present, Norway remains the largest supplier of fish products to Russia, with exports totaling \$935.4 million (39 percent market share), followed by China at \$244.8 million (10 percent), Iceland at \$161.5 million (6.8 percent) and Canada at \$114.7 million (4.8 percent).

Between January and December 2011, fish and seafood imports from the United States decreased slightly, dropping by four percent when compared to 2010 and totaling \$58.568 million. During this period, imports of frozen roe (red caviar) and fish liver remained strong and accounted for more than 50 percent of Russia's total imports for this category. However, higher levels of domestic catch of salmon in 2011 caused the import of these goods to fall 15 percent from 2010 to \$18.120 million. Nevertheless, Russian demand for salmon and salmon roe from the United States will remain strong in the coming years.

According to Rosstat, retail prices for fish and seafood in Russia rose by 9 percent in the first quarter of 2012 when compared to the previous year. The projected outlook suggests a higher domestic demand for fish and an increase in per capita consumption, both in lower-priced segments such as herring, hake, pollock, and cod, as well as in more expensive fish and processed products. Higher imports of chilled

fish and ready to eat products are due to changes in eating habits, increased consumer demand, and economic recovery. Current annual per capita fish and seafood consumption is estimated at 21 kilograms. Fish consumption patterns will continue to depend heavily on household incomes, prices, and preferences within the population. Consumption preferences of the Russian population have been stable over the last years and include herring, pollock, mackerel, salmon and trout. Frozen fish is also traditionally popular in Russia.



Source: Federal Fishery Agency

Exports

The Federal Custom Committee reported that Russian exports of fish and seafood (HTS code 03) for January through May 2012 decreased 16 percent to \$1.05 billion. Total Russian exports of fish and seafood in 2011 is estimated at \$2.6 billion, an increase of 22 percent in comparison with 2010. In 2011, Russia's primary seafood export markets were concentrated in East Asia, with exports to China totaling \$1.059 billion (40 percent of Russia's total seafood export), \$1.016 billion to South Korea (39 percent), and \$197.4 million to Japan (7.5 percent).

As mentioned previously, some of Russia's fish exports to China is re-imported to Russia as processed product. Many fishing companies prefer to supply Asian markets rather than to try to sell their products domestically, as Asia offers more competitive prices, fewer logistical and administrative obstacles, and large and steady consumer demand. Whether fish is supplied domestically or exported also depends on the species, as for example, most pollack and mollusks are exported, while most herring is sold domestically.

Illegal Fishing and Trade:

Illegal, non-reported, and unregulated catch (NNN) in Russia has resulted in both short and long-term economic losses and the sustainability of fish populations. As a result, in recent years, the Russian

government has increased its efforts to fight NNN using various measures. Beginning in 2003, Russian companies were allocated individual catch quotas based on historical data for a period of five years. However, in order to increase efficiency within the sector and encourage companies to raise their level of long-term investment, in August 2008 the government allowed for quotas to be distributed on a 10-year basis. These longer term quotas mean that those companies that have quota now have much more to lose if they are caught in illegal fishing activities. Moreover, the Russian government attempted to further reduce NNN through new legislation that requires all fish caught within the country's territory to be cleared through customs at a Russian port. Although this has added expense to fishermen and exporters since they can no longer ship directly from fishing grounds to export markets, it has significantly cut down on illegal trade (see chart below). In addition, the government has also improving monitoring capabilities and today all Russian vessels are required to have GPS tracking devices so that their activities can be easily monitored by the Federal Fishery Agency. Internationally, Russia has also addressed NNN by ratifying agreements with China and South Korea. Trade sources reveal that similar negotiations are currently taking place with Japan.

Russian Crab Exports

Russia's stricter monitoring policies are noticeably impacting the fishery sector and especially crab. Prior to 2008, Russian Customs reported much lower crab export statistics when compared to the official data released by importing countries. Now that all Russian crab must be cleared by customs, this statistical gap has begun to narrow, indicating that illegal crab trade has diminished. In the near-term, experts believe that the volume of crab export registered with customs will continue to rise, as crab export duties are set to decrease from 10 to 5 percent with Russia's accession to the World Trade Organization (WTO).

Crab (030614) Export Data Discrepancy Between Russian Customs and Data from Importing Countries (thousand metric tons)

