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Russian Federation

Fishery Products

Outlook for Sturgeon and Caviar Production

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Report Highlights:

After the demise of the Soviet Union, illegal trade in sturgeon and caviar increased significantly. Russia is home of eleven species of sturgeon, all of which are currently in decline. The main causes for declining sturgeon populations are over-harvesting, poaching, and environmental pollution. In order to curb illegal production and trade in caviar, the Russian government is considering a proposal to re-establish a government monopoly on sturgeon fishing and sturgeon and caviar sales.

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Executive Summary

After the demise of the Soviet Union, illegal trade of sturgeon and caviar increased significantly. As a result, all of Russia's eleven species of sturgeon are currently in decline and, some believe, are on the brink of extinction. The main causes of declining sturgeon populations are over-harvesting, poaching, and environmental pollution. Reliable and transparent production and trade data for sturgeon and caviar are not available, which has further hindered regulation of this sub-sector of the fishing industry. In order to curb illegal production and trade of caviar, the Russian government is considering a proposal to re-establish the government monopoly on sturgeon catches and sturgeon and caviar sales that was abolished after the end of the Soviet Union.

Sturgeon

It is estimated that 70 percent of the world's sturgeon stocks are in the Caspian Sea. Traditionally, beluga, kaluga, sterlet, and stellate sturgeon have been the main source of commercial sturgeon fishing and trade in Russia. All 27 species of sturgeon and paddlefish, including Caspian Sea species, are listed under the Convention on the International Trade in Endangered Species (CITES). As a result, trade in three Caspian Sea species is subject to labeling and reporting requirements. These requirements have not been sufficient to protect and restore beluga sturgeon, which may be in danger of extinction. The factors causing the sharp decline in overall sturgeon stocks can be divided into three categories:

- a) Over-harvesting: Sturgeon are vulnerable to over-harvesting because they reproduce more slowly than other fish, take a long period of time to reach sexual maturity, and females reproduce only once every three years;
- b) Illegal trading/poaching: The former Soviet Union had strict control of the caviar market and could trace any sturgeon caviar back its source. With the demise of the Soviet Union, illegal trade in sturgeon meat and caviar increased significantly, and private businesses were created to replace state-owned enterprises. Partly as a result, the official sturgeon catch in the Caspian Sea plummeted from more than 22,000 metric tons prior to 1992 to approximately 1,000 metric tons in the late 1990's. It is estimated that Russia loses about \$800 million in tax revenue annually as a result of poaching and unofficial exports of sturgeon products. According to Russian environmental organizations and CITES calculations, the annual illegal sturgeon catch is 10-12 times more than that reported in official statistics;
- c) Environmental Degradation: Pollution from various sources (industrial discharge, dam construction, gas and oil exploration and exploitation, and diversion of river water for irrigation and other purposes) contributes to drastically reduced spawning runs in many of the large river systems used by sturgeon. As a result, these species are losing their natural habitat.

A recent survey released by the Caspian Environment Program (CEP), an internationally funded regional organization for environmentally sustainable development, found 28 sturgeon species in the region. According to the study, 85 percent of these fish were immature. According to Dr. Ellen Pikitch, Director of Marine Programs for the Wildlife Conservation Society (WCS), the data presented in this new report are very discouraging for the survival of beluga and other sturgeon.

However, there is optimism for rebuilding the sturgeon population. Russian scientists have confirmed that there was an increase in sturgeon stocks in the Caspian Sea in the past two years. Sources at the Federal Agency for Fisheries reported that scientific research organizations from Russia, Azerbaijan, Kazakhstan, Iran and Turkmenistan conducted joint

investigative expeditions in 2003 to study the condition of sturgeon species and other biological resources in the Caspian. The results indicated some positive changes in the structure of sturgeon stocks. In particular, in the Northern Caspian the number of beluga increased by 2.3 million (23 percent), stellate sturgeon by 3.0 million (28 percent), and other sturgeon species by 4.2 million (16 percent).

Since April 1, 1998, international trade of all species of *Acipenseriformes* (sturgeon and paddlefish) must be in compliance with the provisions of the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES). CITES applies controls to live fish and all parts and derivatives of these species, including meat, caviar (roe) and eggs. This classification resulted from decisions made during the tenth meeting of the Conference of the Parties of CITES in June 1997. At that time, the Parties of the Convention decided to list the remaining 23 of the existing 27 species of *Acipenseriformes* under Appendix II of the Convention. Two species (Atlantic sturgeon - *Acipenser oxyrinchus* and American paddlefish - *Polyodon spathula*) were already included in the Appendix II, while common Baltic sturgeon (*A. sturio*) and Short nose sturgeon (*A. brevisrostrum*) are in Appendix I.

During the CITES meeting in October 2004, a 50 percent reduction in the 2004 export quota for caviar from Caspian Sea beluga sturgeon was announced. The quota for stellate sturgeon was reduced by 40 percent compared to 2003, while permitted export levels of caviar from Russian and Persian sturgeon were cut by ten percent. According to the CITES Secretariat, these figures were instituted in 2005 and will now be considered the new base levels for discussions of quotas for future years. The following table provides an overview of the Russian quotas, by species:

Russian Federation	2001	2002	2003	2004	2005
Beluga	2,300	1,500	1,600	800	600
Russian Sturgeon	17,300	16,700	16,200	14,580	12,800
Stellate Sturgeon	13,500	13,500	13,800	8,280	7,200
Ship Sturgeon	0	0	0	0	0
Sterlet	100	100	100	100	100

Source: CITES (http://www.cites.org/common/quotas/2005/sturgeon_quotas2005.pdf)
Quotas are in kilograms.

Caviar

According to information provided to "Sea and Food Magazine" (Vol. 27, No. 3, 2004), the world caviar market, excluding the CIS, is estimated at 330-370 metric tons annually. The Russian share of the world caviar market is estimated at 23 to 30 percent, including illegal caviar trade (while the total volume of gray-market black caviar production in Russia is estimated to be up to 600 metric tons).

According to the monitoring survey conducted by various environmental organizations, up to 95 percent of black caviar sold domestically is of illegal origin. Of all illegally produced caviar, an estimated 90 percent is distributed inside Russia and only ten percent exported.

The result is a vicious cycle: as sturgeon stocks decrease, caviar prices are driven up by scarcity and as sturgeon caviar becomes more valuable, poaching is more profitable. This

predictable cause – and - effect relationship places a heavy burden on law enforcement in producing and consuming countries effectively to monitor and control trade in sturgeon products. Despite protection of the species under international law, most experts believe that caviar trade is dominated by the black market. However, experts agree that legal caviar trade turnover has decreased by a factor of three in comparison with the late 1990's and 30 times versus the beginning of eighties. In the beginning of the 1990's, Russia was leading the world caviar market with two-thirds of legal world trade (450 tones), but that current Russia legal exports of caviar account for only 10 percent of overall trade.

Trade

Russia's Exports of Caviar (HTS 160430) 2001-2003, kilograms

Rank	Country	KG - 2001	KG - 2002	KG - 2003	KG - Jan-Nov 2004
	--World--	432,920	573,414	370,969	611506
1	Ukraine	33,946	59,213	135,466	414,390
2	Japan	43,585	186,870	59,636	13,345
3	Israel	81,359	70,296	45,222	7,832
4	Country Unknown	0	24,630	28,098	10,838
5	Germany	27,063	31,587	25,529	28,236
6	United States	152,504	128,313	16,059	31,815
7	Latvia	13,776	11,955	11,864	2,284
8	Lithuania	44,788	30,774	8,037	10,587
9	Czech Republic	3,956	3,460	7,974	7,015
10	Moldova	0	690	6,401	27,765

Source: Customs Committee of Russia

Preliminary 2004 trade data (January - November) shows an almost 100 percent increase in the volume of Russian caviar exports compared to 2003. The value of caviar exported also increased, but at a much lower rate. Total value traded in 2005 is estimated at \$11 million. Ukraine remains as the main destination of Russian caviar, accounting for nearly 70 percent of exports. (Note: There is no distinction in this tariff code between sturgeon and other types of caviar.)

Consumption and Prices

Black caviar is not affordable for most of the Russian population, though is very highly valued because of cultural associations and its delicate taste. Average prices for black caviar in Moscow vary from 300 to 500 dollars per kilogram, while salmon caviar costs from 50 dollars to 80 dollars.

A brief survey of different types of retail food outlets in and around Moscow showed that the prices for different species of sturgeon caviar vary by 10 to 30 percent depending on the outlet and its distance from the center of the city. Moscow is setting the trend in retailing that targets middle and upper class consumers, but still has open air markets that target all segments of society where black caviar is also sold. The formal retail outlets closer to the center of the city are most expensive. Prices for Atlantic salmon (syomga), trout, sturgeon (beluga) downtown range from 450 to 650 rubles, compared to 210-250 rubles for salmon and up to 500 Rubles per kilogram for beluga in the open air markets in the same area.

Policy

The Russian Federation Council (upper chamber of Parliament) is currently seriously considering a resolution establishing a government monopoly on sturgeon catches and sturgeon and caviar sales. Currently, there is no control over this highly lucrative sector other than the normal food safety and business registration requirements. Proponents of re-establishing the government monopoly contend that de-regulation has resulted in large economic losses to the federal budget and encourages fly-by-night operators who evade the law.

According to government sources, a new Federal State Enterprise (FGUP) will be established to monitor sturgeon-processing operations and sturgeon sales. Though details are still in flux, the draft currently proposes that only government-owned boats would be able to catch sturgeon species and that the fish would be processed at private factories under license and supervision of the government. Sturgeon products would then be sold only with strict government authentication (labeling, packaging, and accompanying documents) of the meat or caviar's legal origin. The new FGUP would be provided with greater funds to fight illegal producers and poaching, but also granted greater responsibility.

The resolution envisions that all sturgeon products confiscated from poachers are to be processed into fish flour to avoid re-sale. Through these means, government officials believe that the resolution will prevent illegal trade in caviar and sturgeon. However, according to specialists from the All-Russian Research Institute of Fisheries, if criminal responsibility and custom barriers are not established against poaching under a new body that is able to enforce export control and clearance, the attempt to re-regulate the sector will not be effective.

Executive Director Valeriy Pal'tsev of the Association of Companies for Sturgeon Catch and Breeding, which represents the largest private fishing companies, indicated that government monopoly over this sector would be a serious blow to private companies. The Director for the International Office of Swiss's Planet Caviar, which specializes in trading Russian caviar, was surprised by the news regarding the Russian government intention to set up a state monopoly for the sector. He noted that Iran, the largest producer and exporter of caviar, is currently considering privatizing its state caviar monopoly due to the lack of profitability.