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Russian Federation

Fishery Products

Russia Bans Norwegian Fish

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Report Highlights:

Russia recently announced a ban on all chilled fish from Norway starting January 1, 2006 after samples taken in early December showed high levels of heavy metals. Minister of Agriculture Aleksey Gordeyev said that the ban is not politically motivated and has only to do with food safety and human health concerns. He added that prospects for reinitiating fish imports from Norway may be examined after fish farms are 'jointly inspected' by Russian and Norwegian veterinary services. The ban will cause a deficit of salmon in the Russian market and thus, significantly increase prices by an estimated 20-30 percent.

Includes PSD Changes: No
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Executive Summary

Russian Federal Veterinary and Phytosanitary Surveillance Service (VPSS) Head Sergey Dankvert announced that Russia will ban all imports of chilled fish from Norway beginning January 1, 2006 due to safety concerns. According to Russian officials, samples will be taken frequently from frozen fish imported from Norway as well to check heavy metal levels. If similar heavy metal levels are found in frozen fish samples, then Russia will ban all fish and seafood products from Norway.

Trade sources believe that politics is behind the ban and that food safety has nothing to do with it. The forthcoming fish and seafood deficit in the Russian market is expected to raise prices by 20–30 percent.

Background

On December 20, 2005, Russian veterinary officials placed restrictions on salmon imports from four Norwegian fish farms. According to Minister Gordeyev, levels of lead in the fish were 10 to 18 times higher than Russian safety standards and cadmium levels were almost four times higher. Gordeyev added, "Prospects of reinitiating imports from the Norway may be examined after fish farms are jointly inspected by Russian and Norwegian veterinary services." It is widely believed that negotiations that took place in Moscow on December 20, 2005, between the veterinary officials of both countries deteriorated after Norway refused to facilitate joint inspections.

Seafood is Norway's most valuable export after energy and metal, and Russia is its biggest and fastest growing seafood market. Norwegian fish farms raise around 570,000 metric tons (MT) of Atlantic salmon per year; about half of global production. According to Klaus Hatlebrette, a market analyst with the Norwegian bank DNB NOR, if the Russian laboratory's test results are correct, then safety concerns will spread to Asia, the United States and Europe which would severely cripple global demand for salmon. In addition, Hatlebrette believes that the ban will impact prices since fish farms must sell salmon when they reach a certain size or they will die and be worthless. In 2005, the price of a kilo of salmon in Norway increased to an average of 29 Norwegian crowns (US \$4.31), the highest level since 2001.

Consumption

Russia is the world's biggest importer of Norwegian salmon and as its middle class expands and logistics improve, demand continues to boom. Between January and October 2005, Russia imported over \$200 million worth of salmon from Norway, a 60 percent increase from the previous year. Russian importers have already estimated their weekly losses at \$3.2 million dollars a week once the ban is imposed. According to Deputy Director of the Russian Scientific Research of Fishery and Oceanography, share of Norwegian trout and salmon in the Russian market is estimated at 30 to 50 percent. In 2006, Norway anticipated export sales of fish and seafood products to Russia to reach US \$440 million. Russian fish processors are saying that chilled salmon will start disappearing from the shelves and prices for frozen fish will increase by 20-30 percent after the New Year.

European Union Sides with Norway

The European Union (EU) threw its support behind Norway on the day after Russia banned fresh salmon from the Nordic country. A EU Health Commission representative stated, "As far as the EU is concerned, we have no evidence that there are any problems with salmon from Norway. The EU will continue to import fresh salmon from non-EU country Norway."

Norwegian Prime Minister Jens Soltenberg announced that, "There is no reason to shut salmon out of the Russian market. We will take it up with the Russians."

Comments

Russia and Norway are embroiled in an ongoing dispute over fishing rights in the Svalbard Archipelago in the Barents Sea. Russia does not accept Norway's claims that it has full sovereignty over these waters. The dispute recently intensified when a Russian trawler fled the Norwegian Coast Guard with two Norwegian inspectors trapped on board. The timing of Russia's sudden import ban suggests that sanitary and phytosanitary measures are being used as a policy tool and retaliation rather than to address true food safety concerns. So far, the ban placed on Norwegian fish does not include frozen product. Frozen salmon in Norway is produced in exactly the same way as fresh and would have no difference in toxin levels, a factor that hints that the dispute may be symbolic of other disagreements between the nations. These actions draw a parallel with Sergey Dankvert's previous public comments that sanitary and phytosanitary measures are Russia's only remaining foreign policy tools.

Trade

Table 1. Russian Imports of Fish and Seafood (HTS 03), Jan. -Sept., 2005, in Millions USD

Rank	Country	2003	2004	2005	% Change 04/05
0	The World	259.495	406.104	585.791	44.25
1	Norway	116.501	171.954	241.808	40.62
2	Denmark	19.192	24.911	39.328	57.88
3	Mauritania	12.981	19.467	29.058	49.27
4	United States	4.182	14.377	25.670	78.55
5	United Kingdom	18.562	31.259	25.298	-19.07

Table 2. Russian Imports of Fresh Fish, Not Fillet (HTS 0302), Jan. -Sept., 2005, in Millions USD

Rank	Country	2003	2004	2005	% Change 04/05
0	The World	20.65	44.148	84.145	90.6
1	Norway	17.88	40.570	80.082	97.39
2	Cyprus	0.79	1.170	1.432	22.33
3	France	0.57	0.673	0.750	11.42
4	Poland	0.48	0.375	0.509	35.86
5	Finland	0.22	0.029	0.351	1088.93

Table 3. Russian Imports of Frozen Fish, Not Fillet (HTS 0303), Jan. - Sept., 2005, in Millions USD

					% Change
Rank	Country	2003	2004	2005	04/05
0	The World	168.355	260.639	325.556	24.91
1	Norway	88.065	123.036	151.824	23.4
2	Mauritania	12.981	19.467	29.058	49.27
3	United Kingdom	18.040	30.792	24.515	-20.38
4	Iceland	1.484	8.723	17.746	103.44
5	United States	2.321	8.791	15.672	78.28

Source: Customs Committee of Russia