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## Russian Federation

### 1999 Russian Seafood Report

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#### **Report Highlights:**

In 2000 and beyond, Russia is expected to implement stricter fishing quotas in an effort to protect environmental resources. In response to the 1998 economic collapse, the Russian appetite for fish shifted away from upmarket processed and semi-processed products toward cheaper frozen products. However, some imported products were able to fill a void left by domestic producers who exported most of their product to wealthier markets. During 1999, U.S. producers exported a record \$2.3 million of caviar to Russia.

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Includes Trade Matrix: Yes

Annual Report

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## Executive Summary

In 2000, fishing quotas in Russia are expected to reduce commercial fishing catches by 7 percent from the previous year. In 1999, Russia's total seafood catch is estimated at 4.1 million MT, about 6 percent less than in 1998. In response to the 1998 economic collapse, the Russian appetite for fish products has shifted away from upmarket products toward cheaper items such as canned, frozen, and salted fish. However, total demand for fish products also fell, as subsidized pork from the EU competed with some local fish products. The industry faces a number of problems, including lack of financing and the inability to replace worn-out equipment. Russia's fledgling guidelines for state regulation of the fishing industry are unable to prevent poaching and stock-threatening exportation of valuable seafood resources. According to industry experts, some \$ 1.0 billion in fish products is lost to poaching each year. Some imports are filling niches abandoned by local producers, especially in value added products. During 1999, U.S. producers exported a record \$2.3 million of caviar to Russia.

## Production

During 1999, Russia's production of fish and seafood products was estimated at 4.1 million MT, about 6 percent less than the previous year. The decline resulted from reductions in fishing quotas, insufficient investment, and bad weather. In 2000, this trend is expected to continue, as no major new investments seem likely, and governmental sources talk of further quota restrictions to protect environmental resources.

Stocks of fish in Russia are severely threatened by widespread poaching. Therefore, at the end of last year the GOR implemented a commercial quota licensing system that affects all major fishing regions of Russia. Due to the sharp drop in fish reserves caused by intensive fishing in recent years, salmon quotas on the Sea of Okhotsk in the Russian Far East are expected to be further reduced in 2000. In the northern area of the Caspian sea and the Volga delta, although the quota for surgeon is 640 MT, fishermen only caught about 300 MT, reportedly as a result of depleted fish reserves. In comparison with the previous year, the poor harvest of sturgeon in 1999 reduced Russia's exports of caviar by over 30 percent.

It is estimated that some 30 percent of all fish catches in the Russian Far East are attributed to fish farms releasing about 600 million salmon into the ocean each year. However, production of sturgeon in the Volga delta, sea of Azov, Astrakhan region, and the Caspian sea basin significantly declined as a result of quota restrictions, poor reserves of fish,

and bad weather. For example, Russian fishermen were limited to 624 tons of sturgeon in 1999, about half of last year's quota. This year, production of groundfish is 25 million MT, down 9 percent from the last year as a result of low reserves and lack of feed. In 2000, declining production of groundfish is expected to continue, forecast at 23.5 million MT.

Russia's fishing industry is geographically highly concentrated, primarily on the Pacific Coast and Northern coastal areas. The Russian Far East, for example, accounts for 70 percent of total seafood and fish production. Some 54 companies working out of Pacific ports provide three quarters of Russia's catches. The remainder consist of many smaller companies with one or two ships that are badly in need of repair.

Most of Russia's fish and seafood production is exported. According to Russian statistics, about 85 percent of all fish exports are low value primary products – usually fish processed on ship factories. Lacking government support that it once had, the Russian fishing industry has turned to foreign creditors to survive. However, foreign creditors require Russian trawlers to buy fuel in foreign ports, and pay for credits in fresh catches, which are two thirds less valuable than finished products. These investors (e.g. Finnish, Swedish, and Norwegian) in turn process raw products into finished products that are re-exported.

The financial crisis has challenged Russian seafood companies to improve local production and processing. The Russian government is currently undertaking strategies to reduce the level of primary product fish exports, including establishing preferential fishing quotas designed to give Russian companies an incentive to process and supply products domestically. Russian companies specializing in other sectors of food processing are seeking quality Western fish processing, cold storage, and packaging equipment. They hope to increase fish processing, including canning and packaging filleted fish. Reportedly, even governmental agencies based in Moscow are investing in processing facilities in Russia (Far East). Several European companies are planning to place fish processing facilities in Russia, or to place orders with existing Russian plants capable of processing inexpensive fish products, in an effort to retain their presence in the market.

## **Consumption**

In Russia, fish consumption continues to fall due to the dramatic decline in the purchasing power of Russians, and inexpensive subsidized pork from the EU. Since the early 1990s, seafood annual consumption has fallen from about 40 lb to about 20 lb per person today.

Although Russian consumers generally prefer meat over fish products, seafood remains a significant part of Russian nutrition. Last year, market analysts predicted that, as the economic situation deteriorates, Russians would switch from meat products to inexpensive fish products like frozen cod, frozen herring, and dried fish, which cost half as much as the cheapest pork. Today, however, the inexpensive price of EU subsidized pork has affected Russian consumers, and they still show a preference for this artificially inexpensive pork over fish products.

## Trade

During 1999, Russian imports of seafood decreased by 8 percent from the previous year to 440,000 MT. Such a dramatic decline was due to the more than four-fold drop in purchasing power of Russians since the beginning of the financial crisis.

In response to the ruble devaluation, domestic companies exported 1.7 million MT of seafood and fish products in 1999. As Russian seafood producers abandoned local markets and exported much of their seafood products in 1999, U.S. exporters of red caviar were able to export a record \$2.3 million of product to Russia.

According to analyst, the market share of imported seafood products grew from 2 percent in the early 1990s to almost 25 percent in 1999, valued at \$160 million. In 2000, Russia is expected to export less fish products because of reduced catches precipitated by depleted resources and the deteriorating condition of fishing fleets.

## Policy

The Russian government has been taking steps to develop stronger regulation of the fishing industry. Several years ago, specialist in the fishing industry drafted measures to help the industry develop. Although, most experts agree that the proposed measures would help to protect the industry, the Russian Duma has not yet passed all the laws recommended. Following is a list of policies related to the fishing industry adapted by the Russian government within the last year:

- At the end of 1998, Russian president Boris Yeltsin signed a law “On the economic zone of the Russian Federation”. According to the law, owners of fishing vessels in the Russian Far East, must report catches in a 200 mile Pacific Russian Economic Zone. Before, fishermen were only required to report catches within a 12 mile economic zone. Most catches were sold abroad, unreported, and therefore, not included into Russian statistics. Most significantly, before the law, Russian authorities were powerless to prevent stock threatening exports of valuable fish. Now, fishing licenses are required for catches within the economic zone.
- Also, at the end of 1998, the Russian government began selling commercial quota licenses for the right to sell and catch fish. According to government officials, proceeds will be used to generate funds for fishery protection, stock replenishment, research and development of the industry, and fleet overhauls. Collective farms are given concessional rates.
- President Yeltsin also re-established the Russian Fisheries Committee. The Committee acts as an independent body, and lobbies for the interests of the fishing industry. If successful, they are expected to be a key agency to bring about reforms in the fishing industry.
- In the Russian Far East, the Sakhalin region passed its own fishing law, which grants preferential fishing rights to local companies. The law states that companies from other Russian regions and other countries may apply for fishing permits, but only if local quotas have not been used. In addition, the law provides compensatory measures, tax benefits to local fishing businesses, and other guarantees.

## Tariffs

Tables 1 and 2 below present current Russian tariff schedules for exported and imported seafood products:

**Table 1:** Export Duties for fish products, according to GOR resolution No. 987, dated September 3, 1999:

HSC	Commodity	Duty (Percent)
03.01	Live fish	5
Excluding:		
0301 10	Ornamental fish	Free
03.02	Fish, fresh or chilled, excluding fish fillets and other fish meat classified as 03.04	5
Excluding:		
03.02.31	Albacore or longfinned tunas ( <i>Thunnus alalunga</i> )	Free
	Yellowfin tunas ( <i>Thunnus albacares</i> )	Free
03.02.32	Skipjack or stripe-bellied bonito	
	Bluefin ( <i>Thunnus thynnus</i> )	Free
03.02.33	Sardinas pilchardus, Sardinops spp., Sardinella	Free
03.02.39 110	spp. Sprattus sprattus	Free
03.02.61		Free
03.02.64	Mackerel ( <i>Scomber scombrus</i> , <i>Scomber australasicus</i> , <i>Scomber japonicus</i> )	
03.02.65	Dogfish and other sharks	Free
		Free
03.03	Fish, frozen, excluding fish fillets and other fish meat of heading 0304	5
Excluding		

03.03.41	Albacore or longfinned tunas ( <i>Thunnus alalunga</i> )	Free
03.03.42	Yellowfin tunas ( <i>Thunnus albacares</i> )	Free
03.03.43	Skipjack or stripe-bellied bonito	Free
03.03.71	Bluefin ( <i>Thunnus thynnus</i> )	Free
03.03.74	Sardines ( <i>Sardinops pilchardus</i> , <i>Sardinops spp.</i> ,)	Free
03.03.75	Sardinella ( <i>Sardinella spp.</i> ), bridling or sprats ( <i>Sprattus sprattus</i> )	Free
03.03.75	Mackerel ( <i>Scomber scombrus</i> , <i>Scomber australasicus</i> , <i>Scomber japonicus</i> )	Free
03.03.75	Dogfish and other sharks	Free
03.06	Crustaceans, whether in shell or not...	10
Excluding:		
from 03.06 19 900	Other	free
03.06 29 900	Other	
03.07	Mollusks, whether in shell or not...	5
Excluding:		
from 0307.99 900	Other	free
1605 10 000	Crabs	5
1605 20	Shrimps and prawns	5
excluding		
1605 20 100	Other	free
1605 30 000	Lobster	5
1605 40 000	Other crustaceans	5
1605 90 900	Other invertebrates	5

Source: Rossiiskaya Gazeta, September 8, 1999, p.4.

**Table 2: Russian Import Tariffs for Seafood Products**

Code	Item	Duty rate (percent)
03	Fish and Crustacea, mollusks, other invertebrates	10
Including:		

0305 10 000	Flours, meals, and pellets of fish, fit for human consumption	5
0305 41 000	Pacific Ocean Salmon, Atlantic, Danube Salmon	30 percent, but not less than 6 EURO per kilo
0305 49 450		20 percent
0305 49 500		20 percent
Category 16		
1604	Consumer-ready/canned fish and sea foods	15 percent
Including:		
1604 11 000	Salmon	30 percent but not less than 4 euro per kilo
1604 19 100 through 1604 19 980	Other	25 percent
1604 20 100	from salmon	25 percent
1604 30 100 1604 30 900	Sturgeon caviar Caviar substitutes	30 percent, but not less than 32 EURO per 1 kilogram
1605 10 000	Crabs	30 percent, but not less than 4 EURO per one kilogram
1605 20 100  1605 20 910  1605 20 990	Shrimps and prawns In airtight containers  In containers not exceeding 2 kilo gross weight  Other	30 percent, but not less than 3 EURO per one kilo
1605 30 000	Lobster	30 percent, but not less than 5.5 EURO per one kilo
1605 40 000	Other crustaceous	30 percent but not less than 0.3 EURO per one kilogram

1605 90 110 1605 90 190 1605 90 300 1605 90 900	Other	20 percent
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Source: Custom Tariffs Moscow, 1999

## Marketing

Consumption of expensive fish products fell, as Russians have been forced to abandon fish favorites in response to declining incomes. As a result of EU subsidies precipitating inexpensive pork imports in 1999, fish products continued to compete with pork products in the market. However, according to trade information, if the economic situation in Russia stabilizes, the value of the Russian seafood market for imported products could easily double, providing greater incentive for trade and economic investment opportunities.

Today, the most popular fish products are fresh and frozen seafood and river fish. Imported seafood delicacies such as fresh and smoked salmon, sturgeon, lobsters, shrimp, and specialty canned fish, however, have become only available to wealthy people. Even people with above-average incomes reduced consumption of these products as a result of the August 1998 crisis. Except for specialized niche markets targeting wealthy Russians, the best prospects are inexpensive fresh and frozen seafood products.

## Food Aid

Given Russia's traditional appetite for seafood products, the inclusion of 1,600 MT of canned salmon in humanitarian aid shipments could open the gateway for future commercial shipments. Until the economic crisis, the market share of imported seafood products was growing, as Russian consumers experimented with better quality imported products.

## Prices

According to the Russian Statistics Committee, the relative price of fish in the closing months of 1998, was 60 percent of meat and poultry prices, compared with 63 percent during the closing months of 1997. The U.S. and EU food aid programs (which include 400,000 MT of meat) have kept the relative prices of meat and fish relatively stable. Table 3 below indicates that over the last year, there has been little change in the relative prices of fish and meat:

**Table 3:** Index of Average Prices of Various Food Products

Commodity	Compared to the previous month: (percent)		August 1999 compared to:		August 1998 compared to December 1997 (percent)
	July 1999	August 1999	August 1998	December 1998	
Fish and seafood	101.1	101.3	238.2	129.2	104.2
Meat and poultry	103.0	101.9	237.6	129.5	112.2

Butter	97.4	102.7	298.3	94.7	96.2
Sunflower oil	100.7	101.6	263.3	119.7	121.9
Milk and dairy products	100.1	100.9	179.7	119.0	97.8
Sugar	98.0	96.0	217.4	74.3	113.0
Bread and bakery products	106.8	108.9	182.2	155.1	100.0
Groats and legumes	124.1	120.7	431.3	193.5	103.6
Pasta	105.3	108.7	227.5	129.9	105.6
Vegetables	102.1	101.9	183.6	131.2	107.8

Source: Ekonomika Newspaper, Vol. 38, September 1999

**Table 4:** Average Wholesale Price of Fish Products; 1\$ = 25.5 R

	Price per kilogram			
	June 1998		September 1999	
	Rubles	\$	Rubles	\$
Frozen fish				
Flat fish	7.0	1.12	13.60	0.5
sprat	4.5	0.72	10.50	0.42
Cod, processed	5.5	0.88	17.20	0.69
navaga	5.0	0.81	14.00	0.56
Canned fish, in oil				
Salmon, 245 grams	4.0	0.64	14.9	0.6
Sardine, 240 grams	3.5	0.56	10.0	0.40
Crab meat, 240 grams	30.0	4.8	130.0	5.20
Liver of cod, 230grams	6.60	1.06	12.0	0.48

Source: "Ribnoye Khozyaistvo" magazine

PSD Table						
Country:	Russian Federation					
Commodity:	Crab and Crabmeat					
		1998		1999		2000
	Old	New	Old	New	Old	New
Market Year Begin		01/1998		01/1999		01/2000
Beginning Stocks	2050	2050	2000	2000	0	2000
Total Production	49000	49000	50000	48000	0	47000
Intra-EC Imports	0	0	0	0	0	0
Other Imports	700	700	700	500	0	400
TOTAL Imports	700	700	700	500	0	400
TOTAL SUPPLY	51750	51750	52700	50500	0	49400
Intra-EC Exports	0	0	0	0	0	0
Other Exports	25000	25000	26500	27000	0	27300
TOTAL Exports	25000	25000	26500	27000	0	27000
Domestic Consumption	22750	22750	22200	19500	0	18500
Other Use/Loss	2000	2000	2000	2000	0	2000
TOTAL Utilization	24750	24750	24200	21500	0	20500
Ending Stocks	2000	2000	2000	2000	0	1600
TOTAL DISTRIBUTION	51750	51750	52700	50500	0	49400

PSD Table						
Country:	Russian Federation					
Commodity:	Groundfish, Whole/Eviscerated					
		1998		1999		2000
	Old	New	Old	New	Old	New
Market Year Begin		01/1998		01/1999		01/2000
Beginning Stocks	460000	460000	410000	450000	0	380000
Total Production	2750000	2750000	2800000	2530000	0	2350000
Intra-EC Imports	0	0	0	0	0	0
Other Imports	70000	70000	60000	60000	0	60000
TOTAL Imports	70000	70000	60000	60000	0	60000
TOTAL SUPPLY	3280000	3280000	3270000	3040000	0	2790000
Intra-EC Exports	0	0	0	0	0	0
Other Exports	1100000	1700000	1000000	1700000	0	1430000
TOTAL Exports	1100000	1700000	1000000	1700000	0	1430000
Domestic Consumption	1630000	990000	1630000	834100	0	830000
Other Use/Loss	140000	140000	140000	125900	0	130000
TOTAL Utilization	1770000	1130000	1770000	960000	0	960000
Ending Stocks	410000	450000	500000	380000	0	400000
TOTAL DISTRIBUTION	3280000	3280000	3270000	3040000	0	2790000

PSD Table						
Country:	Russian Federation					
Commodity:	Fish,Urchin Roe/Caviar,Livers					
		1998		1999		2000
	Old	New	Old	New	Old	New
Market Year Begin		01/1998		01/1999		01/2000
Beginning Stocks	11000	11000	11500	11500	0	10500
Total Production	55000	55000	52000	52000	0	51000
Intra-EC Imports	0	0	0	0	0	0
Other Imports	400	400	400	350	0	350
TOTAL Imports	400	400	400	350	0	350
TOTAL SUPPLY	66400	66400	63900	63850	0	61850
Intra-EC Exports	0	0	0	0	0	0
Other Exports	12000	12000	11000	10500	0	10000
TOTAL Exports	12000	12000	11000	10500	0	10000
Domestic Consumption	28900	28900	27400	28350	0	26850
Other Use/Loss	14000	14000	14000	14500	0	14500
TOTAL Utilization	42900	42900	41400	42850	0	41350
Ending Stocks	11500	11500	11500	10500	0	10500
TOTAL DISTRIBUTION	66400	66400	63900	63850	0	61850

PSD Table						
Country:	Russian Federation					
Commodity:	Salmon, Whole/Eviscerated					
		1998		1999		2000
	Old	New	Old	New	Old	New
Market Year Begin		01/1998		01/1999		01/2000
Beginning Stocks	10000	10000	11000	11000	0	9000
Total Production	190000	190000	170000	170000	0	150000
Intra-EC Imports	0	0	0	0	0	0
Other Imports	3000	12,000	3000	3000	0	2500
TOTAL Imports	3000	12000	3000	3000	0	2500
TOTAL SUPPLY	203000	212000	184000	184000	0	161500
Intra-EC Exports	0	0	0	0	0	0
Other Exports	55000	84000	50000	66000	0	62000
TOTAL Exports	55000	84000	50000	66000	0	62000
Domestic Consumption	127000	107000	115500	100000	0	83500
Other Use/Loss	10000	10000	9500	9000	0	9000
TOTAL Utilization	137000	117000	125000	109000	0	92500
Ending Stocks	11000	11000	9000	9000	0	7000
TOTAL DISTRIBUTION	203000	212000	184000	184000	0	161500

Export Trade Matrix	Crab and crab meat		
Country:	Russian Federation	Units:	MT
Commodity:	Crab and crab meat		
Time period:	CY		
Exports for	1998		1999
U.S.	1000	U.S.	1500
Others		Others	
Japan	21800		22800
Korea	2000		2650
Total for Others	23800		25450
Others not listed	200		50
Grand Total	25000		27000

Export Trade Matrix	Ground Fish		
Country:	Russian Federation	Units:	MT
Commodity:	Ground Fish, Whole, Eviscerated		
Time period:	CY		
Exports for	1998	1999	
U.S.	27000	27000	
Others			
Japan	1120000	1120000	
China	399000	399000	
Korea	56000	56000	
Total for Others	1575000	1575000	
Others not listed	98000	98,000	
Grand Total	1700000	1700000	

Export Trade Matrix	Salmon		
Country:	Russian Federation	Units:	MT
Commodity:	Salmon, Whole/Eviscerated		
Time period:	CY		
Exports for	1998	1999	
U.S.	3400	3400	
Others			
Japan	34000	26000	
China	13500	10000	
Korea	25900	21000	
Ukraine	5000	4000	
Total for Others	78400	61000	
Others not listed	2200	1600	
Grand Total	84000	66000	

Export Trade Matrix	Roe/Caviar, Livers		
Country:	Russian Federation	Units:	MT
Commodity:	Roe/Caviar, Livers		
Time period:	CY		
Exports for	1998	1999	
U.S.	100	200	
Others			
Japan	10500	9000	
Korea	930	800	
Switzerland	130	100	
China	45	55	
Total for Others	11605	9955	
Others not listed	295	345	
Grand Total	12000	10500	