

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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## Russian Federation

**Post:** Moscow

### Fishery Sector Production and Trade Update

**Report Categories:**

Fishery Products

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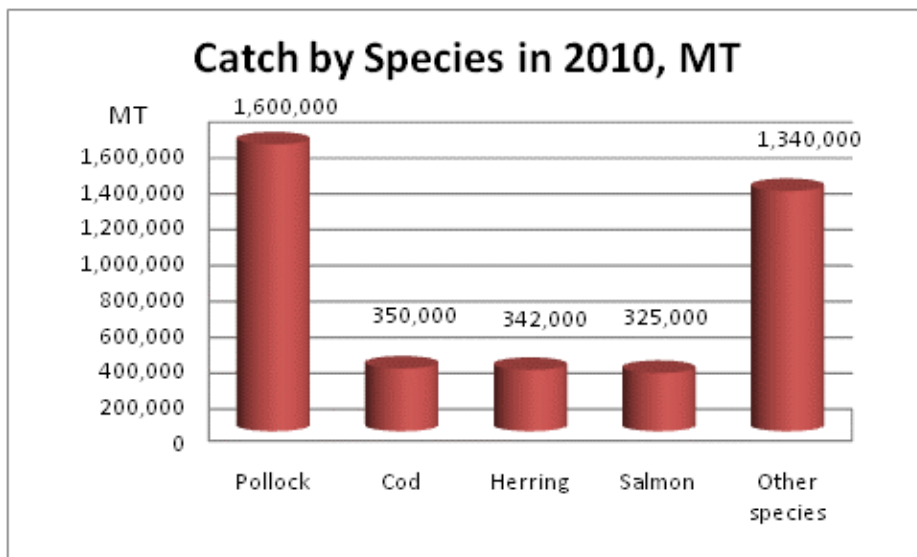
**Report Highlights:**

Russia's wild catch has continued to rise steadily for the past few years, and according to the Russian Fishery Agency, during the first half of 2011, Russian fishermen harvested 2.1 million MT of fish and seafood, 1.4 percent more than during the same period in 2010. The catch for salmon especially has grown, and the forecast for salmon catch in 2011 is estimated at 430,000 MT, 24 percent higher than in 2010. Meanwhile, imports of fish have also continued to expand, and those from the United States for the period October 2010 – May 2011 reached a record \$40 million, a 122 percent increase over the same period in 2010.

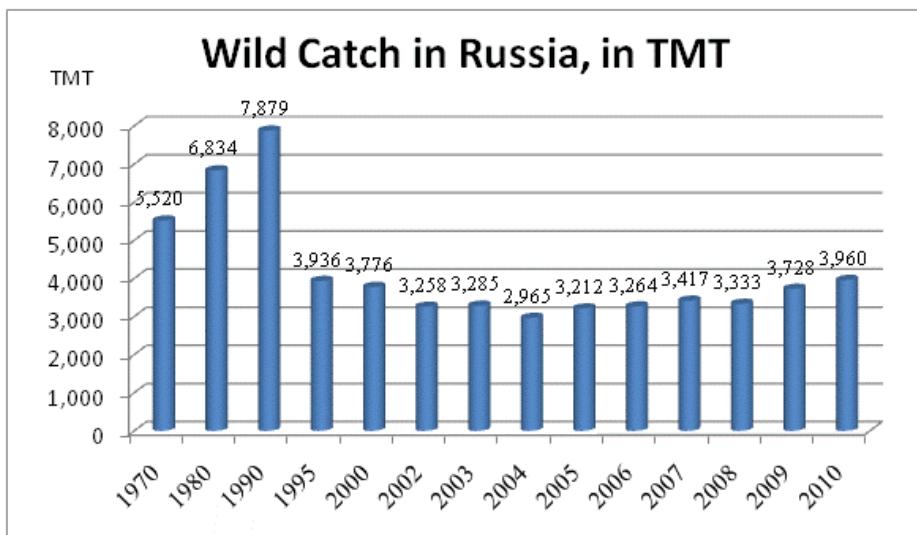
## General Information:

### Production

According to the Russian Fishery Agency (Rosrybolovstvo), during the first half of 2011, Russian fishermen harvested 2.1 million MT of fish and seafood, 1.4 percent more than the same period in 2010. The higher catch is attributed to improved levels of herring, cod and salmon, while the catch of pollock is two percent lower than the same period of 2010. Pollock accounted for 40 percent of Russia's fish and seafood catch in 2010, followed by cod, herring, pink salmon, haddock and others. Despite a continued rise in catch for the past 8 years, levels still remain far below those before the fall of the USSR.

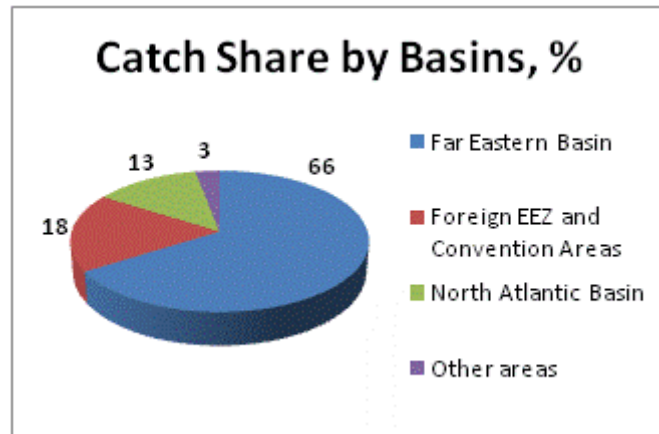


Source: Federal Fishery Agency



Source: Federal Statistics Service

There are five harvesting basins in Russia, with the Far Eastern basin accounting for 66 percent of the total annual catch, followed by Northern basin. The Eastern basin, Caspian, Azov, and Black sea basins contribute an insignificant share to the Russian fish catch. Although overall fish catch is up from last year, Rosrybolovstvo reports indicate that there have been major changes by basin, with the Far East basin catch up 6 percent, the Northern basin up 16 percent, the Caspian up 1 percent, while the catch in foreign countries and convention districts is down 29 percent.



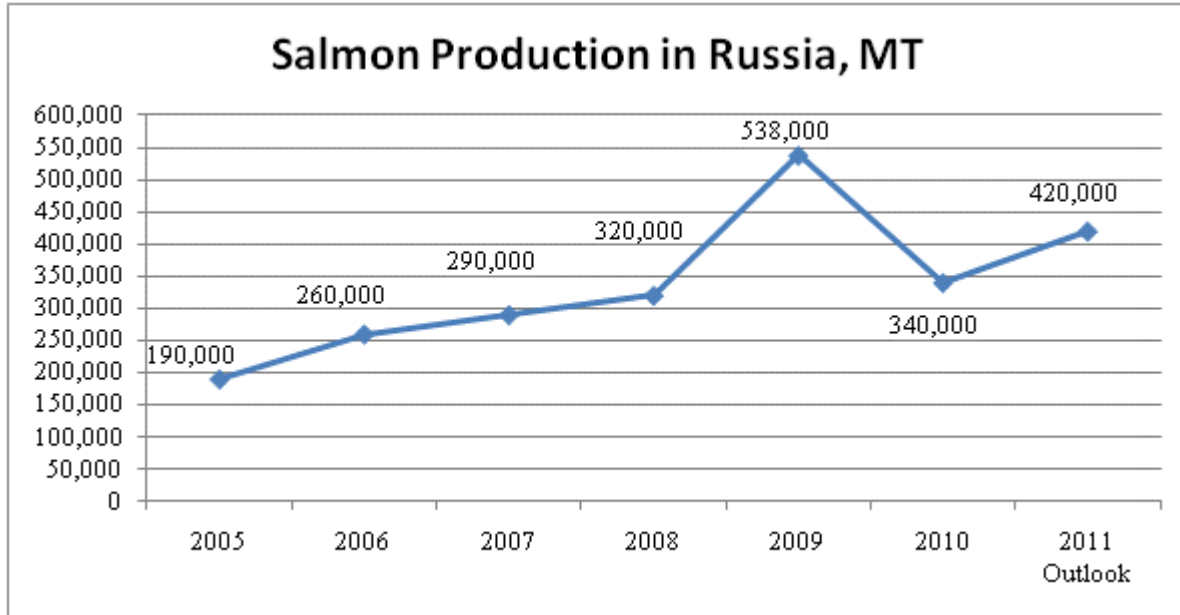
Source: Federal Fishery Agency

The major market players on the Russian market are: “Russkoye more”, “ROC-1”, “Meridian”, “Santa Bremor”, “Baltiyskiy bereg”. Baltiyskiy bereg has a large share in production of fish and seafood as well and in distribution of chilled and frozen fish and seafood.

### Salmon Production and Trade

The salmon catch is forecast to increase 24 percent in 2011 and reach 420,000 MT. According to trade sources, the salmon market has ample supply as a result of increased forecast for catch in the Far East, increasing salmon production and export from Chile as well as large stocks of Chilean salmon in cold storages in the ports of St. Petersburg and Murmansk. These factors are decreasing world prices for salmon, and have pushed wholesale prices for Norwegian salmon down by 17 percent - from 300 Rubles/kilo in March to 250 Rubles/kilo in mid-June. Prices of domestic catch have also shown a downward tendency, and in the Far East, average prices for pink salmon are 90-97 Rubles/kilo; chum salmon – 115-135 Rubles/kilo; and sockeye salmon 165 – 180 Rubles/kilo. The larger domestic salmon catch is also affecting wholesale prices for salmon roe.

Despite increased supply and some decrease in prices, according to trade sources, high prices which were set by suppliers/exporters during the poor catch in 2010, still have not fallen commensurate with the new supply outlook. As a result, many domestic wholesalers and distributors of salmon, including salmon roe, have ample supply in their cold storages and are waiting to conclude contracts for 2011 until the salmon harvesting season finishes and prices more reflect the supply and demand situation.

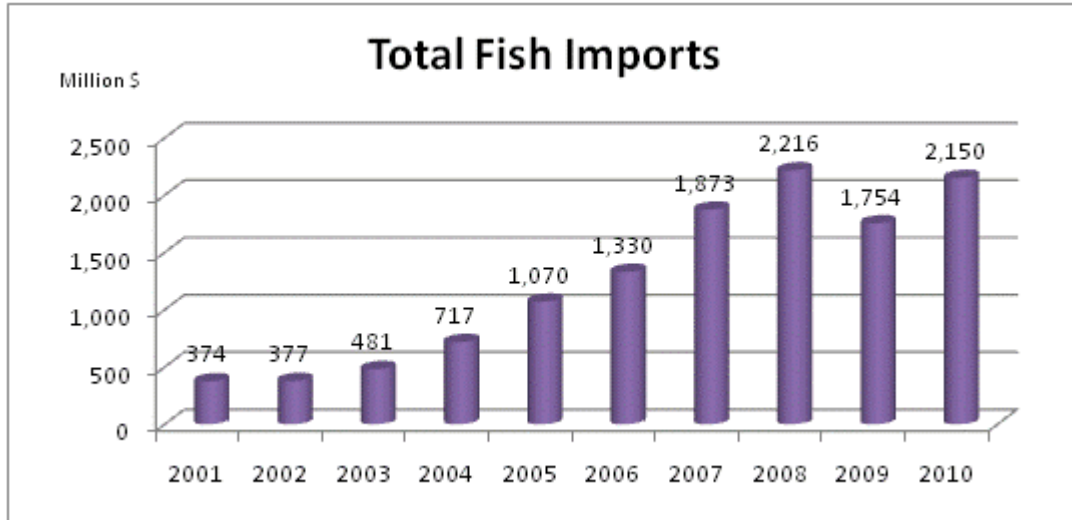


Source: Federal Statistics Service (Rosstat) and Federal Fishery Agency

## Trade

Russian fish imports have continued to expand. Although imports dropped in 2009 as a result of the financial crisis, they recovered in 2010, and in the first 5 months of 2011 are up another 24 percent from the same time last year. Major suppliers to Russia are Norway, China, Iceland, Canada, and Chile. Although U.S. market share remains low, U.S. exports have surged recently, and reached a new record of nearly \$63 million in 2010, more than double the previous year. Much of this growth has been in roe, which saw a nearly 9 fold increase last year from less than \$4 million in 2010 to nearly \$32 million in 2011. These increases can be partially attributed to the poor domestic catch of salmon (and hence salmon roe) in 2010 and continued strong demand for salmon roe and salmon in general.

According to Rosstat, retail prices for fish and seafood in Russia increased 4.8 percent in 2010. The outlook for 2011 suggests higher demand for fish and an increase in per capita consumption, both in lower-priced segments such as herring, hake, and perch, as well in the more expensive fish and processed products, including traditional salmon and salmon roe. 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 18 kilograms. Fish consumption patterns will continue to depend heavily on household income, 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. Trade sources expect an increasing demand of salmon roe if import prices for the product remain at the 2010 levels.



Source: Russian Customs Service

Although Russia is a major fish importer, fish exports have also surged from Russia and last year reached a record \$2.2 billion with Asian markets such as China, South Korea, and Japan being the major buyers.

### Government Policy

According to the head of Rosrybolovstvo, one of the main obstacles for developing the fishery sector in Russia is imperfect price formation. Trade sources report price margins between wholesale and retail prices for most fish products is above 50 percent of the final product cost. For example, the wholesale price for frozen pollock in Vladivostok is 40 Rubles/kilo, while the retail price in Moscow for the same product is 130 Rubles/kilo.

According to the Russian Federal Antimonopoly Service, the mark-up of middlemen is estimated at 46 percent of the total price for fish. Trade retail chain's share in the total price is accounted for 20 percent, with fish processors getting 34 percent, while the outstanding share belongs to middlemen companies. The monitoring of the market conducted by the Russian Antimonopoly Service identified the largest mark up price for social important and lower priced fish products, such as herring - 49 percent, poutassou – 64 percent, and capelin – 52 percent. For more expensive fish species, such as salmon and trout, the mark up on price is about 10 percent (as much more increase and these species become unaffordable for many consumers). According to the Service, the scheme can be beneficial both processors and sellers mainly to avoid paying taxes. Recently at a government meeting, Deputy Prime Minister Zubkov instructed agencies to investigate the reasons for extremely high prices for fish in retail. In regards to tariffs, recently Rosrybolovstvo applied to the Ministry of Economic Development with the proposal to increase import tariffs for frozen Pollock fillet. They claim that raw product is being exported to China, processed there and re-exported back to Russia, thereby hurting the local processing industry.

Another major obstacle for the sector is poaching and corruption. The most difficult situation is with trade in Kamchatka crab. Analysis conducted by the Federal Fishery Agency revealed that the allowable catch level for Kamchatka crab is being exceeded by 6 times, and horsehair crab –by 15 times. This illegal catch and trade is evidenced by the fact that major crab importers customs data reports much larger imports of crab from Russia than shows up in Russian export customs data.

The government sees aquaculture as the growing point in the sector. Currently the Law on aquaculture is pending the second reading in the Duma. Industry estimates that Russia has the potential to increase aquaculture production to 400,000 MT, from its current production of less than 200,000 MT.

### **Fish Interventions**

During the summer of 2009, after a record salmon catch in the Far East, the government announced its intention to start fish interventions. However, since this announcement, no additional movement or pronouncements were made regarding this until recently. In light of the larger salmon harvest this year in the Far East, the head of the Russian Fishery Agency (Rosrybolovstvo) Andrey Krayniy stated that the government is planning to allocate 1 billion rubles to conduct fish (salmon) interventions this year to soften price fluctuations for salmon. According to Rosrybolovstvo officials, Federal Enterprise “National Fishery Resources” will conduct these fish interventions. According to the source, the objective of these interventions would be to mitigate severe price fluctuations, hence improving conditions for fishermen in the Far East in years of large supply as well as restrain price hikes for consumers in the European part of Russia when supplies are tight. According to the plan the government will purchase pink salmon from the fishermen if the price is below average market prices compared to past years. Some trade sources believe that fishery market does not need government price regulation as the market has been quite competitive before. Many experts think that federal government involvement will add more uncertainty to the market and add unneeded competition.