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Russian Port of Vladivostok Snapshot

Report Categories:

Agriculture in the News

Agriculture in the Economy

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Report Highlights:

The commercial port of Vladivostok (CPV) is a part of FESCO Transportation Group. It is located on the northwest part of the Golden Horn Bay (ice free) which ensures year-round navigation. CPV is a leader in terms of volume of containers handled in the Russian Far East. By the end of 2013, CPV transshipped 476,800 twenty-foot equivalent units (TEUs) and handled more than 30 percent of the containers market in the seaports of the Russian Far Eastern basin. Large investments in infrastructure such as the development of new transport corridors and the launching of new direct container trains are described in the Port Development Strategy for 2015.

General Information:

The commercial port of Vladivostok (CPV) was founded in 1897 and is located on northwest (ice-free) part of the Golden Horn Bay which ensures year-round navigation. CPV is part of FESCO Transportation Group and provides services in handling general, bulk, containerized cargo. CPV is the leader among the Russian Far Eastern ports in handling containers, cars, heavy-duty vehicles, and heavy lifts and the port has unrivalled experience in servicing grain cargo. There are stevedore, agency, freight-forwarding, towage, surveying, tally and other companies at the port that provide a wide range of services complying with international standards.

The commercial Port of Vladivostok has 15 berths with a total length of more than 4 kilometers. It is one of the largest multi-purpose and the best-equipped ports in the Russian Far East. Its modern cargo handling equipment enables the stevedore company to provide the customers with the innovative solutions in cargo handling. Developed rail infrastructure creates additional competitive advantages for the company to provide the further shipment of the customers' cargo to different destinations in Russia. Being Russia's gateway to the Pacific, CPV carries out the handling of foreign trade and sabotage cargoes.

Main Points of Entry for American Products:

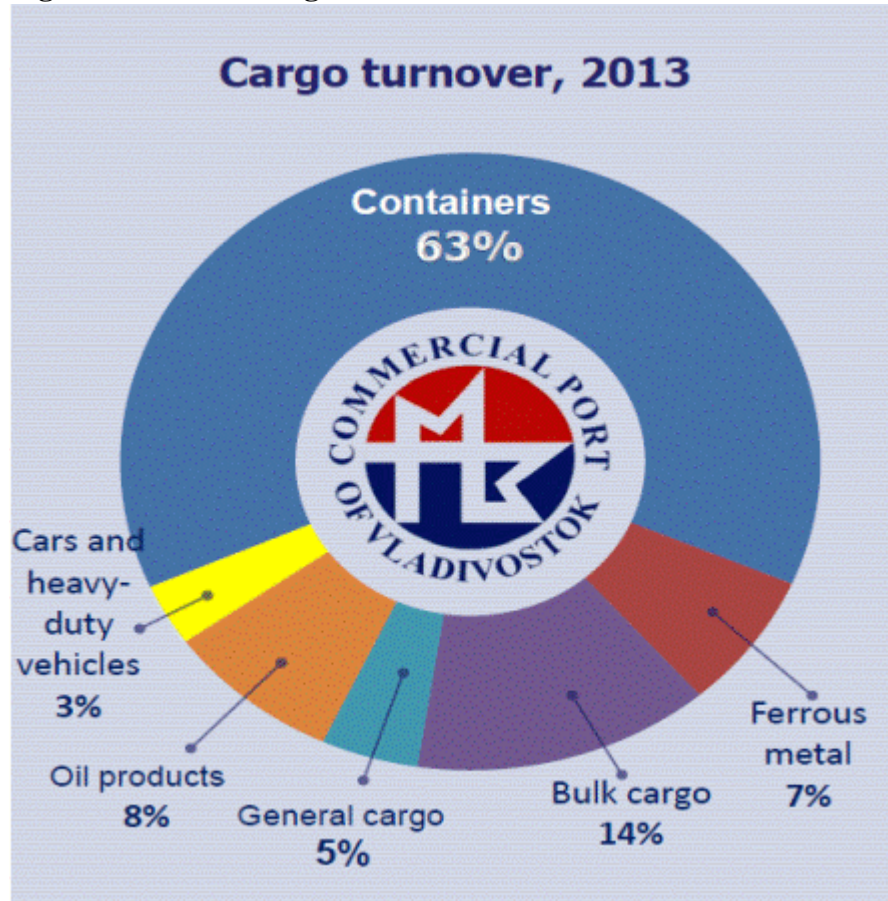
Russia has 4 major sea points where American products enter the Russian market: St. Petersburg, Novorossiysk, Vladivostok and Kaliningrad. Roughly 75 percent of all U.S.-origin food and agricultural products enter Russia via the Port of Saint Petersburg.



American products are largely shipped in containers. The container turnover in Russian ports has been

growing since 2005 except in 2009 when it dropped 36 percent due to the global economic downturn. The trade volumes recovered quickly and in 2012, the container flow via Russian ports reached a record 5 million (TEUs) [1]. Based on industry reports, export/import container traffic via Russian ports grew by 10 percent in 2013 but dropped substantially in 2014 as the economy began to cool. The Greater Port of St. Petersburg has historically been the largest container handling port in Russia.

Figure 1: Russia: Cargo Turnover and Structure of Commercial Port of Vladivostok



Source: vntp.ru

The commercial port of Vladivostok is one of the major employers in the region and a large source of tax revenue to the local government. According to CPV statements, in 2013, the port's operating revenue totaled 5.5 billion rubles compared to 2.6 billion rubles a year earlier. The net profit of the port exceeded 1.2 billion rubles versus 721 million rubles a year earlier (an increase of 59 percent). The authorized capital stock for the year increased from 177 million rubles to 247 million rubles.

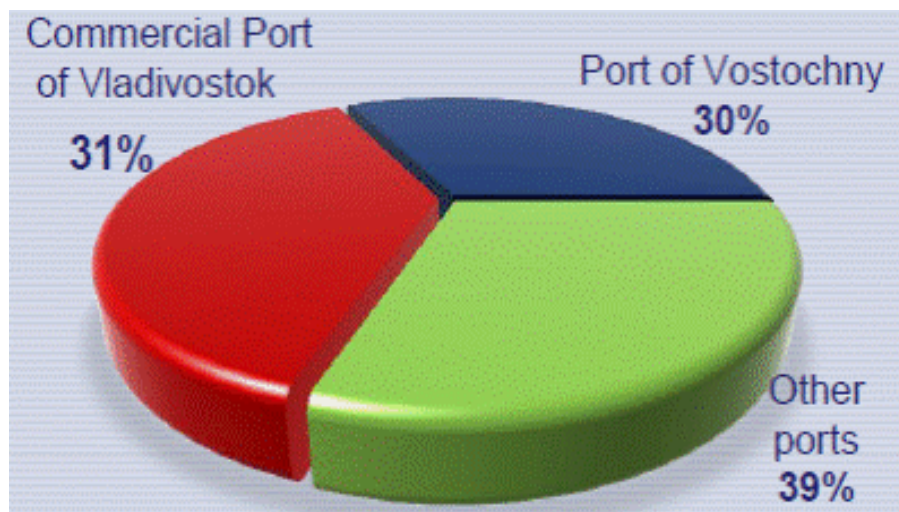
^[1] Twenty Equivalent Unit (TEU) is equivalent to a 20ft container.

The Port Development Strategy through 2015 includes projects to enhancement cargo turnover up to 8.5 million metric tons, including expansion plans to handle more containers up (to 650,000 TEUs), as well as high-valued cargo namely cars and heavy-duty vehicles, heavy lifts and project cargo. The port is planning to implement these projects to ensure greater throughput of the existing container terminal due to the redevelopment of the berths; to develop dedicated car and heavy-duty vehicle terminals; to reconstruct and upgrade oil terminals in order to enhance capacity and compliance with environmental standards; and increase road and rail access capacity to the port. In particular, the company will reclaim sea in order to expand its territory outwards. As a part of modernization plans, CPV is going to increase the length of berthing front by 770 meters and to build railway lines longer than a thousand meters long.

Container Handling

CPV is the leader in terms of volume of containers handled in the Far East of Russia. In June 2014, the CPV achieved its own record for monthly volume having transshipped 47,800 TEUs. By the end of 2013, CPV transshipped 476,800 TEUs and took more than 30 percent of the market of containers handled in the seaports of the Far Eastern basin.

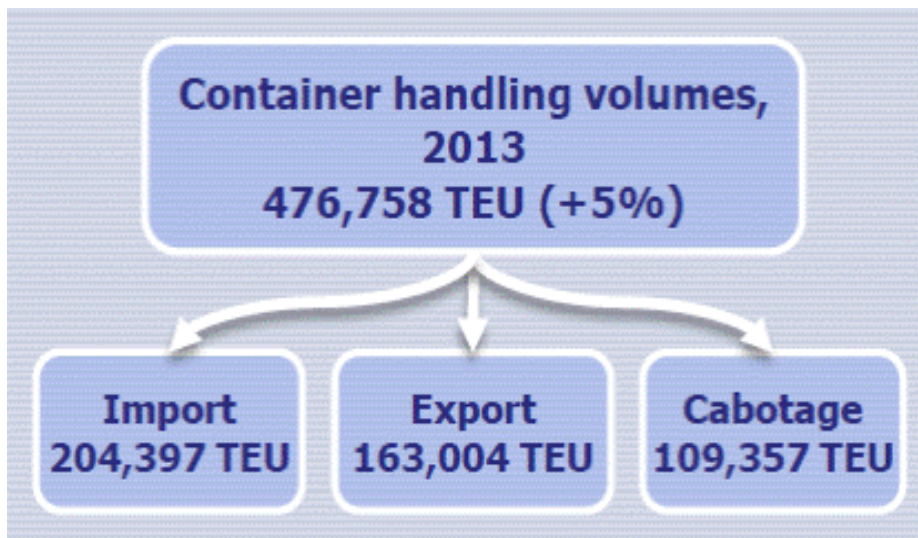
Figure 2: Russia: CPV Share, Total Container Handling, in Volume in the Far East, 2013



Source: vntp.ru

The structure of containers turnover is shown in Figure 3. It demonstrates that totals almost 43 percent of the total turnover, export – 34 percent, and cabotage cargos – 23 percent.

Figure 3: Russia: CPV Container Handling Volumes: Imports, Export, Cabotage, 2013



Source: *vmtp.ru*

Figure 4: Russia: CPV Container Handling Volumes 2009-2013



Source: *vmtp.ru*

As of December 22, 2014, CPV transshipped 500,000 TEUs since the beginning of 2014 which is a

record in terms of container handling in the ports of the Russian Far East. According to the President of the transport group FESCO and CEO of CPV Konstantin Sokolov, the company will steadily increase containerized cargo handling in the future. Volume growth is ensured by implementing the measures of infrastructure development - in particular increasing the number of shipping lines calling at the port and engaging transit goods. In addition to FESCO's own services, Increasing container handling is one of the top priorities for port officials. In 2015, due to operational improvements in container terminals, the capacity of CPV is planned to be increased up to more than 600,000 TEUs.

The commercial port of Vladivostok is known as the gateway for U.S. agricultural products to the eastern part of Russia. Before the introduction of the food import ban in August 2014, the port received many U.S. food products coming through South Korea including pork, beef, poultry, fruits, wine, and others.

Container Operations and Global Container Market

After the 2008/2009 economic crisis, the global container market recovered regular lines and showed a gradual increase in turnover. The turnover of the world's container lines towards the end of the 3rd quarter of 2014 increased compared to the same period of 2013 by 5.8 percent and the flows increased almost in all directions. In Russia, the container turnover decreased by 1.2 percent compared to the same period of 2013 and totaled 4 million TEUs. This is the first decline seen since 2009 container turnover at the sea front. An increase was observed only in the Far East basin - by 4.5 percent, up to 1.2 million TEUs. Currently, the level of containerization of cargo in Russia is five times lower than in Europe or North America. The share of containerized cargo in the country is 30 percent, and only 3.5 percent is transported by all means of transport.

Container traffic development in the Russian Far East has been a critical issue for local authorities for more than a year. Due to lack of proper infrastructure, it is estimated that millions of TEUs pass by Vladivostok to other ports in the region leading to significant missed profits. The first reason for this situation is lack of modern infrastructure. One of the biggest problems facing CPV is the lack of railway stations which can handle 20-foot and 40-foot containers and sorting systems at intermediate stations do not move cargos at high speed. Only in some areas are there trains that go from station to station without stopping. Another major constraint is that in the near future, the world sea transportation market will move towards larger ships which will likely force out current vessels with a capacity of 9,000 TEUs - which are still considered large today. This trend has already been observed and will further intensify in the coming years. It will require the construction of new, deep-water and high-performance terminals. Therefore, experts agree that to solve infrastructure problems of coastal ports it will be necessary to expand the access roads to the ports. This cannot be done without construction of new transport hubs and logistic centers, a lack of which nowadays prevents absorption of transit goods which often go through the Suez Canal.

Today, the busiest ports in the Russian Far East are the commercial port of Vladivostok and the port of Vostochny. Other Far Eastern ports (Magadan, Korsakov, Petropavlovsk-Kamchatsky, Sakhalin, etc) are minor players in the region. For example, Korsakov handles 78,000 containers per year, port of Vostochny – 399,000, Vladivostok – 730,000. But the port of Vostochny has a major advantage: it is the only port in the Russian Far East able to accept new mega shipping vessels.

