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Voluntary Public

Date: 8/7/2015

GAIN Report Number: RFATO019

Russian Federation

Post: Vladivostok

Import Substitution for Seafood Growing in Russian Far East

Report Categories:

Agricultural Situation

Agriculture in the Economy

Agriculture in the News

Retail Foods

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Report Highlights:

Consumption of domestic fish products in the Primorye region and throughout Russia is growing. During the first five months of 2015, regional production of fish products sold on the domestic market totaled 28.4 billion rubles - 42 percent higher than the volume sold during same period in 2014. The fishing industry in Primorye includes 196 companies that own a total of 468 ships. During the first 5 months of 2015, fish and seafood exported from the Russian Far East 576,900 MT of fish valued at roughly \$1 million. This is an 8 percent drop from the same period in 2014. On July 3, 2015, LLC Maersk signed an agreement with JSC "Vladivostok Sea Fishing Port" (JSC "VSFP") to increase deliveries of fish products from the Far East to Russia's western and central regions. Fish and seafood prices have risen significantly in Russia over the past year.

General Information:

Consumption of domestic fish products in Primorye region and throughout Russia is growing. During the first five months of 2015, regional production of fish products sold on the domestic market totaled 28.4 billion rubles - 42 percent higher than the volume sold during same period in 2014. The volume of domestically produced canned fish products also increased 25 percent during the same period.

According to the director of the department of fisheries and aquatic biological resources of Primorskiy Krai, the share of fish products accounted for 27.8 percent of the total volume of goods produced in the region during the first half of 2015. Primorye's share of the Far East regional fishery catch basin is roughly 32 percent. During the first half of 2015, the total catch volume amounted to 462.2 MT, including 374.6 MT (or 81 percent of total) of Pollock and 45.7 MT (or 9.9 percent of total) of Herring. The total catch included 45 kinds of fish and crustaceans.

The amount of taxes and fees paid by the Primorskiy fishing industry to the federal and regional budgets from January - May 2015 amounted to nearly 1 billion rubles – up 37 percent compared to the same period in 2014. The average employee salary in the fishing industry reached 54,000 rubles in the first half of 2015, which is 45 percent higher than in 2014. The Primorye fishing industry includes 196 companies that own 468 ships. One of the most serious problems hindering fishing development in the region is the aging fleet. About 90 percent of the fishing vessels exceed the recommended period of operation with an average age of 29 years.

The regional fishing sector is supported by the Federal Program "Development of the Fisheries Industry in the Primorskiy Region for 2013-2017" with funding of 130 million rubles allocated from the regional budget. The federal program enabled the signing of agreements with five companies engaged in aquaculture and reproduction of aquatic biological resources. Eight agreements more were concluded with coastal fish processing enterprises. In total, there are more than 50 companies registered in Primorye that are engaged in aquaculture. They have been provided with 124 fishery plots with total area of 23,700 hectares. However, according to market analysts, the sector is struggling to locate sufficient financing for expansion and upgrades.

According to the Chairman of the Primorskiy Legislative Assembly, the fishing industry Primorye is on the rise and, in spite of difficulties and crisis issues, the fishery sector provides food security for the country. Customs data demonstrate a drop in Russian fish exports and imports. At the same time, domestic consumption of fish products in Primorye and throughout Russia has been growing – particularly after Russia introduced a food import ban on many trading partners in August 2014.

Russian Far East Fish and Seafood Exports Decreasing

The Russian Customs Service in the Russian Far East reports that fishermen harvested 860,000 MT of fish and seafood between January and May 2015, which is 8 percent higher than in the same period in 2014. During the same 2015 period, Russian Far East fishermen exported 576,900 MT of fish – valued at nearly \$1 million. This is an 8 percent drop from the same period in 2014. The Customs Service also noted that 91 percent of exports are comprised of products with either little to no processing or sold frozen. In 2015, the volume of this category fish products export is 59 MT less than in 2014. The export of finished and canned fish products during the first 5 months of 2015 increased 70 percent

compared to the same period in 2014. However the share of finished and canned fish products compared to overall export trade is insignificant. The major buyers of Russian fish and seafood products continue to be China with 69 percent and Korea with 29 percent.

Maersk Signs New Agreement with the Vladivostok Sea Fishing Port to Increase Fish Delivery in Russia

On July 3, 2015 LLC Maersk, a subsidiary of the world's largest ocean carrier of refrigerated containers, signed a memorandum of understanding with JSC "Vladivostok Sea Fishing Port" (JSC "VSFP") to increase deliveries of fish products from the Russian Far East to Russia's central regions. JSC "VSFP" has plans to develop and improve the technology for handling frozen fish and LLC Maersk will expand its refrigerated container fleet at Vladivostok Sea Fishing Port.

Thanks to the agreement, JSC "VSFP" will greatly expand its transportation capabilities for fish and seafood products throughout the country. Using Maersk's equipment and transportation routes will enable fish and seafood shipments to the port of St. Petersburg and by rail to the western regions including Ekaterinburg, Novosibirsk and Moscow.

Prior to this, fish and seafood products were mainly transported by refrigerated trains. Since the Russian container fleet is inadequate in size, the industry experienced severe transportation shortages during the fishing season to ship products from Vladivostok to the western part of the country.

Prices for End Consumers are Still High

Fish and seafood products are present in regional food markets in a wide range. The trade markup for such products averages 20 to 45 percent. According to the Head of Primorskiy Regional Department for Licensing and Trade, in certain retail chains, the markups for some products are fixed below 20 percent: 5.8 percent for Pollock fillet, 12.6 percent for squid, and 19 percent for Flounder and Herring.

However, according to officials from the Primorskiy Statistics Department, the overall price for frozen (un-gutted) fish rose by 28.5 percent, fish fillet by 14 percent, salted Herring by 19 percent and canned fish by 10 percent.

Fish and seafood products are supplied to consumer markets both by fishing enterprises and wholesale companies. Fishing enterprises in Primorye do not have their own logistics chains for the supply of fish products directly to retail due to lack of specialized transportation facilities and additional staff. According to official statistics, fishing companies that supply products to retail stores in the Russian Far East increased their selling prices by an average of 5 percent.