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Approved by:

Kimberly Svec
American Embassy, Moscow

Prepared by:

Kimberly Svec and Marina Muran

Report Highlights:

Russia's commercial fish catch is expected to increase five percent annually in 2006 and 2007 largely due to greater production from Russia's Exclusive Economic Zone (EEZ). Russia continues to be a net importer of fish and fish products and the trade deficit in the sector reached a record \$138 million in 2005. This trend is likely to continue in the near future. However, the Russian Government aims to stimulate domestic production by fostering investments in technology and the modernization of fishing vessels, and by increasing import restrictions. This report also includes special coverage of Murmansk's fishing industry.

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Executive Summary

Russian fish production in 2006 and 2007 is expected to increase by five percent annually. Continued improvements to Russia's fishing fleet and increased production in Russia's Exclusive Economic Zone (EEZ), combined with strong domestic demand for fish and fish products, are the main drivers behind the increased output. Traders continue to request improvements to the quota system.

Russia continues to be a net importer of seafood – a trend that began in 1998 with the devaluation of the Russian ruble. The total trade deficit in fisheries reached a record level of \$138 million in 2005. This trend is likely to continue in 2006 and 2007 as production continues to fall behind growing demand due to rising consumer income. Special coverage of the fishing industry in Murmansk is included in this report.

Production

Aquaculture

In the absence of reliable government data for aquaculture production in the Russian Federation, industry sources estimate total 2006 fish farm production at 113,000 metric tons, up 10 percent from last year. Most aquaculture output comes from fresh water culture, of which carp, rainbow trout and whitefish represent the majority of the species. Marine aquaculture accounts for about two percent of total output and it is dominated by the production of mollusks and seaweed.

Prospects for marine farming of salmon and cod are limited, but higher for sturgeon and carp species. According to the Head of Elektrogorsk, farm-raised black caviar is also one of the most profitable fields for future investment in aquaculture and could likely enable Russia to meet both domestic and foreign demand. The diversity of fishing reservoirs in the Russian Federation offers a strong opportunity for the development of different production methods. Current development of aquaculture is concentrated in three main areas: ponds, industrial (artificial bodies of water), and ocean farming in pens. Government and private enterprises are developing new technologies to assist producers in improving yields and reducing costs. Some of these projects are joint ventures with foreign companies.

In Russia, aquaculture is seen as an excellent resource to offset depleting wild fish stocks, but current production is still far behind the annual target of 600,000 metric tons established a few years ago by the Russian government. Output growth has been tempered by the following factors: a) demise of former agricultural support policies; b) difficulties in farm-restructuring and enterprise-privatization, which create an uncertain legal status of farm ownership; c) environmental degradation of inland waterways through industrial, urban, agrochemical pollution; d) occasional shortages of imported feedstuffs; e) shortage of investment capital for restructuring, maintenance, and general investment; f) lack of transparent federal regulation; and g) lack of new distribution and marketing channels for both lower and higher priced aquaculture products.

Wild Catch

The government medium-term socio-economic plan calls for an increase in wild catch to 4.5 million metric tons by 2008, and 4.7 metric tons by 2010. This program approved by Prime Minister Fradkov, is expected to reduce the import share of fish and seafood products in the Russian market from 30 percent to 20 percent by 2010.

The Russian Statistics Committee (RosStat) also released its most recent report with estimates of total wild catch of nearly 3.2 million metric tons in 2005, up 8.3 percent from the previous year. (Please see table 1). According to trade sources, last year's production turned out to be higher than previously estimated because of an increase in the catch outside of the Russian EEZ and the operation of new Russian factory ships with a large capacity of 35-40,000 metric tons. However, wild catch production is still well below historical levels.

According to Rosrybolovstvo, during Jan-June 2006, production of fish and other seafood products increased by five percent compared to the same period in 2005. Production in Russia's domestic waters, territorial seas, exclusive economic zone and continental shelf as well as the Azov, Black and Caspian seas totaled 1.1 million metric tons, up 2.6 percent from the same period in 2005. Output from the Far Eastern seas, totaled 932,300 tons of fish in the first half of 2006, up 3.4 percent from 2005, including 631,900 MT of Alaska Pollock and 130,200 MT of herring.

In the Barents Sea and the White Sea, a total of 123,100 MT of fish were harvested during Jan-Jun 2006, four percent lower than the same period in 2005. The drop in fish catch is mostly attributed to the failure of local fishermen to meet the quota for Cod and Peter's fish. In the Baltic Sea, the fish catch is up 7.4 percent for Jan-Jun 2006 as a result of a 700-ton increase in the catch of sprat and a 300-ton increase in the catch of Baltic herring.

Poor weather conditions in the beginning of the year caused a drop in the catch of fish in the Azov, Black and Caspian seas. Fishermen caught 15,900 tons of fish and other seafood in the Azov and Black seas in the first six months of 2006, down five percent from the same period last year. The catch fell due to a 600-ton drop in the catch of sardelle and a 500-ton drop in the catch of sprat. A total of 32,900 tons of fish were caught in the Caspian Sea during Jan-Jun 2006, up 7.2 percent from the same period in 2005.

Rosrybolovstvo also reported that Russian fishermen caught 480,200 MT of fish in other countries' zones, in regions governed by convention and on the open high seas in the first six months of 2006, up 20.5 percent from the same period in 2005. The increase resulted from a rise in the catch of sardinella, mackerel and horse-mackerel in the zone of Morocco, thread-fin bakeling in the zone of Japan and blue whiting in the zone of the North East Atlantic Fisheries Commission.

The main species of the Russian wild catch consists of Alaska Pollack (30-40 percent of total catch). Blue whiting is second with 11 percent of the total, followed by herring with ten percent. Atlantic and Pacific cod account for nine percent of the total catch. Salmon makes up seven percent, but the species is very important due to its high value. Other important catches include mackerel, capelin, Pacific saury, halibuts, haddock and crabs (23 percent).

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Table 1: Fish Catches and Seafood Production in Metric Tons, 2002-2005

Product	2002	2003	2004	2005
Fish and other fish products:				
Total catch	3,257,632	3,284,989	2,965,113	3,212,339
Including:				
In land catch	273,762	291,175	243,915	248,829
Including:				
Fresh basins	218,636	236,993	191,231	195,044
Catch in Russian economic zones	2,065,471	2,105,750	1,762,121	1,946,752
Catch in 200 mile zones of	663,939	533,921	577,369	690,698

foreign countries				
Catch in open ocean areas outside of 200 mile zones	254,460	354,143	358,648	326,060
Catch by fish varieties:				
Herring	314,602	343,458	298,510	349,859
Sardine	9,108	4,815	6,014	13,603
Sprat (kil'ka & salaka)	69,232	76,656	53,802	60,493
Saury	44,302	50,895	71,216	75,453
Lancet fish	23,705	14,177	24,555	14,284
Mackerel	82,144	53,005	11,640	83,687
Sea perch	47,609	53,638	44,591	37,484
Jack mackerel	41,695	18,277	71,590	83,948
Plaice	88,177	85,101	67,724	91,760
Halibut	27,625	25,030	24,601	23,859
Sturgeon, total	491	513	191	299
Coregonus, total	9,260	9,640	9,983	11,529
Salmon, total	191,694	271,370	183,728	260,376
Cod fish, total	1,386,922	1,651,291	1,563,055	1,634,061
Includes: cod (theragra)	283,453	246,154	261,288	252,015
Chalcogramma (lat.)	831,179	1,003,009	857,460	948,233
Haddock	40,598	43,479	55,408	50,001
Total seafood and crayfish	158,805	131,636	128,233	140,549
Includes crayfish and mollusks	147,479	122,006	117,871	130,218
Crabs	41,904	43,046	32,940	30,298
Shrimp	12,210	9,734	10,289	9,176
Mollusks	93,361	69,220	74,631	90,735
Fish; food products, including canned prod.	2,961,362	3,032,837	2,962,581	3,374,742
Non-canned edible fish	2,740,699	2,786,072	2,700,869	3,084,738

products				
Fish, live (excluding herring)	N/A	N/A		N/A
Fish frozen (excluding herring)	1,661,025	1,700,809	1,621,093	1,813,282
Fish chilled (excluding herring)	N/A	N/A	N/A	
Fillet frozen (excluding herring)	49,441	67,732	48,504	55,545
Salted herrings	34,420	41,834	49,506	50,273
Herring, all types of processing	372,966	374,755	362,995	447,955
Smoked fish (excluding herring)	28,683	33,498	40,673	39,829
Fish dries and dry-cure	9,971	10,487	11,356	14,481
Spiced and marinated products	2,478	3,487	3,872	5,225
Culinary products	16,818	37,736	50,448	71,313
Balyk products	1,641	2,077	2,019	1,646
Food, feed, and industrial products	163,807	121,336	83,753	85,043
Caviar, total	21,652	24,965	24,195	36,243
Including sturgeon	24,5	14,7	9,9	12,9
Including salmon	5,674	7,084	6,202	8,645
Fish and seafood fat	2,472	1,809	1,739	1,360
Fish feed meal	66,636	67,360	61,767	62,707

Source: Russian State Statistics Service (RosStat)

Salmon

The Russian government set the overall acceptable amount of salmon catch at 255,000 metric tons for 2006, close to 2005 levels, but, to date, only 180,000 metric tons of salmon have been harvested. The smaller catch is attributed to the lack of response from the Federal government to increased spawning of salmon in Kamchatka rivers and inaccurate estimates of spawning.

The salmon fishing season began in late June in the most important producing areas of Sakhalin, Kamchatka and Magadan oblasts, and in the Koryak okrug (region). However, an

increase in the catch in these regions will be insignificant because of the expected higher catch of salmon from the Russian Far East (RFE), which is responsible for the largest share of total salmon landings.

Although Russia is a major producer of Pacific salmon, the country imports most of its Atlantic salmon. Reliable official data is not available, but trade sources report a major increase in imports of Atlantic salmon during the last few years, mostly from Norway despite the ban on chilled salmon introduced by Russian veterinarians on January 1, 2006.

Domestic demand for chilled salmon remains strong and retail prices for salmon in the Moscow market increased by ten to thirty percent during the last three months. Recently, several Norwegian companies have been permitted to resume exports to Russia, although more than 40 facilities are still awaiting inspections for export licenses. Further audits by the Russian Government are delaying the process.

For more details please refer to GAIN 6043 dated August 11, 2006.

Fish Roe

According to the Resolution of the Convention on the International Trade in Endangered Species (CITES), Russia is not allowed to export black caviar in 2006 since Russia failed to comply with several international requirements.

Russia is home of eleven species of sturgeon, which are currently in sharp decline and some are in the brink of extinction. The main causes of this decline are over-harvesting, poaching, and environmental pollution. Reliable and transparent production and trade data for sturgeon and caviar are not available, which further prevents the development of sound policy for this particular sub-sector of the fishing industry. The volume of illegal caviar production in Russia is estimated at 600 metric tons or about ten times the officially reported production. The Russian government is inclined to curb illegal caviar trade by re-establishing a government monopoly on sturgeon catches and sturgeon and caviar sales, but trade sources view this new initiative as ineffective and will likely contribute to more corruption in the sector.

A CITES spokesman stated that recent information indicates sturgeon species were in serious decline. The proposed quotas, although lower than in previous year, did not reflect the lower stocks or allow for the amount lost to illegal fishing. Countries wishing to export caviar had to demonstrate that their proposed catch and exports were sustainable in the long term. Without this information, CITES could not approve any quotas for 2006. Since caviar has to be exported in the same calendar year in which the fish is caught, the decision effectively puts a ban on all international trade in caviar from wild fish until further notice.

CITES has extended a ban that was introduced earlier for Caspian sturgeon caviar export for Russia, Azerbaijan, Kazakhstan, and Turkmenistan. The only exception was made for Iran, which has fulfilled all the requirements. However, the quota was 5 tons smaller than Iran requested.

For more information on sturgeon and caviar production and trade please see GAIN RS 5038 dated May 20, 2005.

Groundfish

Groundfish catch is estimated to increase by nearly five percent in 2006, reflecting an increase in the fishing quota and larger harvest of cod, mackerel, and plaice reported from the Far East and Murmansk regions, as well as new investments in their fishing fleets (such as large capacity ships).

The forecast for 2007 calls for further increase in the groundfish catch, mostly cod and haddock. Stability in population resource restoration and further investments in the fishing fleet account for the growth.

The quota for Alaska Pollack in the Sea of Okhotsk in the Far East was set at 510,000 metric tons, 2,000 metric tons higher than in 2005. The quota for herring catch in the Sea of Okhotsk was set at 250,100 metric tons, up 6,200 metric tons from last year.

Crab and Crab Meat

Crab and crabmeat production is expected to increase slightly in 2006 due to overfishing and poaching. There is no reliable data for crab catch and crabmeat production in Russia due to the high level of unreported crab catches and trade. In 2005, unreported exports of crab to the four major Russian destinations (Japan, the United States, South Korea, and China) totaled nearly 100,000 metric tons.

Consumption

Fish consumption in Russia is expected to increase in 2006/07 as consumer income rises due to continued economic growth. For more information on fish consumption in Russia, please refer to GAIN RS6036.

Trade

Overall

During the first quarter of 2006, imports of fish and fish products increased by 11 percent, while exports increased by only three percent. According to the Russian State Customs Service, total Russian seafood exports (chapter 3 of the HTS) totaled \$457 million in 2005, up 40 percent from 2004, while imports reached \$951 million, up almost 48 percent from 2004. The result is a total trade deficit of \$494 million. Trade sources attribute this deficit to the following factors: 1) continued decrease in the value of exports of black caviar; 2) a sharp increase (more than 47 percent) of frozen salmon imports mostly from Norway; 3) nearly 70 percent of all seafood exports are not processed with lower aggregate value to the product; 4) lack of policy coordination between different government agencies (both at the federal or regional levels); 5) poaching; 6) illegal landings in foreign ports of foreign vessels; 7) lack of compliance with European Union fishery standards; and 8) lack of organization among small and mid-sized fishing companies.

Data available for the first five months of 2006 shows Russian seafood exports concentrated in the following markets: Republic of Korea \$74.7 million (44.7 percent), China \$48.9 million (29.3 percent), Germany - \$18.7 (11.2 percent), and USA - \$13.6 million (8.1 percent).

The United States is a major destination for a variety of edible fish and seafood from Russia. In 2005, the United States imported \$314.7 million of fish and seafood products from Russia, up 42 percent from 2004. At the same time, Russia imported \$43.4 million worth of seafood products, a significant increase of nearly 91 percent.

Unreported Trade/Poaching

Poaching is one of the major obstacles hindering sustainable fishery development in Russia. Poaching damages the internal market and causes price dumping in the world market. The main reason for poaching is the ineffective system of state inspection and control over bio-resources caught in the Russian EEZ.

Unreported exports continue to be a difficult issue for the Russian government. There is no reliable estimate for unreported exports and imports, although trade sources believe they fall within a range of 25 to 35 percent of total official data. However, some trade sources believe that unreported data is as high as 100 percent of official data. According to Prime Minister Mikhail Fradkov the volume of poaching equals the official catch, and in several incidents, depending on the value of a bio-resource, it exceeds total allowable catch by 4-5 times, and for sturgeon species - by more than 20 times. A significant share of the unreported fish catch is in the Russian Far East, where fishermen harvest in Russian territorial waters but ship the product directly to other countries (mainly to Japan, Korea, and China) without registering the catch with Russian Customs.

The Russian government initiatives to curb poaching include an action plan that calls for expanding collaboration on protection of bio-resources, especially in areas that are home to valuable fish such as salmon, sturgeon and whitefish. Special attention will be paid to tightening control over processing, storage, transportation and sales of caviar and other sturgeon products.

Table 2 shows some comparative export and import data for selected fish species reported by several countries. In some instances, discrepancies in export data reported by the Russian Customs Statistics and import data for the same product reported by the country-importer differ considerably. Even when Russian and importing country statistics are similar, most experts agree that significant smuggling and illegal fishing take place, which indicates a higher level of real trade. Analysts believe that there are significant irregularities in customs enforcement on both sides of the border, specifically with China, Japan and South Korea. Essentially, when illegally caught Russian fish cross the Chinese border, for example, they are unlikely to become "legalized" by being registered as imports by Chinese customs. This is fostered by a long border and weakness in customs enforcement on both sides.

Table 2: Comparative trade data for Groundfish, 2004-2005, MT.

HTS 030360

2004	2005	2004	2005
Russian Exports to China		Chinese Imports	
14,046	16,50	411, 514	499,088
Russian Exports to South Korea		S. Korean Imports	
14,172	12,214	7, 545	8,450
Russian Exports to Norway		Norwegian Imports	
1,848	1,366	27,855	21,034

HTS 030378

Russian Exports to the U.S.		U.S. Imports from Russia	
13,331	20,576	42, 926	48, 573

Russian Exports to Canada			Canadian Imports from Russia		
8,010		9,596	6,957		9,930

**Table 3: Comparative trade data for Crab, 2004-2005, MT.
HTS 030614**

2004		2005	2004		2005
Russian Exports to Japan			Japanese imports		
412		308	20,240		20,954
Russian Exports to the U.S.			U.S. Imports from Russia		
182		288	16,336		22,968

**Table 4: Comparative trade data for Fish Roe, 2004-2005, MT.
HTS 030380**

2004		2005	2004		2005
Russian Exports to Japan			Japanese imports		
2,868		1,452	15,993		19,991
Russian Exports to South Korea			Korean Imports		
1,884		3,385	6,503		6,326

**Table 5: Comparative trade data for Salmon, 2004-2005, MT.
HTS 030211**

2004		2005	2004		2005
Russian Exports to Japan			Japanese Imports		
10,506		18,695	18,827		24,759
Russian Exports to South Korea			S. Korean Imports		
2,595		1,603	52		0

HTS 030319

Russian Exports to China			Chinese Imports		
5,261		28,817	21,139		40,380
Exports to Japan			Japanese Imports		
2,281		3,516	6,301		7,223

HTS 030322

Russian Exports to Norway			Norwegian Imports		
16,544		17,856	17,136		19,788

Trade Restrictions

The Russian Ministry of Agriculture recently notified Norwegian authorities that as of October 1, 2006, all seafood suppliers that export fish products to Russia through the European Union countries by truck are required to have an EU-transit certificate. According to the Russian Federal Service for Veterinary and Phytosanitary Surveillance (VPSS), this measure is aimed at strengthening the oversight of imported fish to combat smuggling and increased falsification of veterinary documentation. According to the same source, Russia is threatened with the importation of fish hazardous to human health, such as mutant fish and fish diseased with helminthes.

Post confirmed with Norwegian officials that more than 40 Norwegian facilities have applied for export licenses and are awaiting inspection of their facilities by Russian veterinarians. However, the Russian side is dragging out the process with further audits and currently only seven Norwegian facilities are approved for export chilled salmon to Russia. According to

the same sources, as a result of import restrictions for salmon, prices for salmon and trout have almost doubled since January 2006.

Two-thirds of salmon supplies in Russia come from Norway. Norwegian authorities have already advised their suppliers to stop shipping salmon by truck to Russia. Trade sources believe that if the issuance of transit certificates for fish products continues to be a problem, chilled salmon will disappear from the Russian market, and that will significantly affect the prices for frozen salmon as well as other fish species.

Russian importers are less concerned with farm-raised salmon and trout that have to be inspected by the Russian veterinarians, than with commercial catch of herring and mackerel caught in the open Barents Sea, and it is unclear so far on how the inspection procedure with approval for export will be applied to these commercial stocks. According to trade sources, herring and mackerel imports from Norway account for 30 percent of the total Russian market in these species. Annual consumption demand for these species in Russia is estimated at 536,000 MT of herring and 98.7 MT of mackerel. According to Norwegian fishery authorities, the recent new import requirements that VPSS is introducing are "impracticable."

Trade sources estimate that any further import restrictions from Norway will result in price increases for herring and mackerel and preserves by 30-50 percent.

Most trade sources believe the ban was politically motivated by a dispute over fishing rights in the Svalbard Archipelago in the Barents Sea and aimed at supporting local fishermen and encouraging wholesalers to buy domestically caught salmon.

Policy

Overall

In the next few months, the Russian government will consider the possibility of including the fishing industry within a national project aimed at developing agribusiness in Russia. According to the first Deputy Prime Minister Dmitriy Medvedev, the fishing industry will likely receive some type of subsidized loans as part of the national priority project for the development of the agro-industrial complex. Medvedev also stated that the government needs to consider providing subsidized rates on loans to fish-raising enterprises and credit lines need to be opened to create modern fish-processing plants. According to him, the fishing industry is a source of employment for the population and is the leading industry in many maritime regions of the country, particularly in the North and Far East, such as Kamchatka, Koryakia and Sakhalin, where fish-breeding is the basis for the economy and has great significance for resolving social problems.

Another new initiative that is being discussed in the Russian government is the intent to set up regional branches of the Federal Fisheries Agency (Rosrybolovstvo). The Russian law on fishing and the preservation of marine biological resources stipulates that the function of managing federal property in relation to marine biological resources be controlled by a federal government agency.

However, local authorities can handle a significant amount of these functions. Such functions include reaching or annulling agreements on fixing the share of certain quotas in overall fish production, introducing a register of agreements for a single fishing register, collecting information on the observance of the conditions of such agreements, organizing and carrying out competitions for the right to conclude an agreement for the usage of fishing grounds,

reaching or annulling agreements on using this area and making state inventories of marine biological resources and other items.

The Russian Government is also studying the possibility of new border checkpoints at marine fishing ports for exporting fish and seafood caught in Russia's exclusive economic zone and on the continental shelf. The proposal is aimed at fleshing out government-approved measures to ensure mandatory customs processing of fish and seafood exports caught in the country's exclusive economic zone and on the continental shelf. This measure would allow border and customs control divisions at ports that would specialize in processing fish and seafood from the country's exclusive economic zone and on the continental shelf. Another objective of the proposal is to reduce to a minimum the time it takes to process ships that will ship bio resources from Russia.

Import Tariffs

The import duty for most fish and seafood products is 10 percent. For more detailed information on import tariffs please refer to GAIN RS4305.

Regional Focus: Murmansk oblast

Production and Environment

The fishery sector is the fourth largest contributor to the Murmansk economy, following non-ferrous and ferrous metal industries, chemical industry, and the power industry. Murmansk oblast is leading oblast for catch in European Russia, and the second largest in the country after Primorskiy region. Murmansk accounts for 18.5 percent of Russia's total catch. The fishery sector in Murmansk oblast provides almost every fourth ton of catch and sixth ton of total fishery output caught and produced in Russia. In 2005, fish and seafood catch in the oblast increased by 10 percent in comparison with the previous year.

The growth in output of fisheries catch and production in Murmansk oblast is highly tempered by the poor condition of the fishing fleet, including shortage of capital for investment in technology, restructuring of the industry, and maintenance of equipment.

In 2005, fishing companies and local organizations in Murmansk oblast received a quota (for certain species) of 396,700 MT of fish and seafood and 7,887 heads of marine animals in the Barents and White Seas. Total landings of fish and seafood caught in 2005 are estimated at 585,000 to 620,000 MT, 10 percent higher than in 2004.

The sector is currently in fragile stabilization, with fairly a optimistic growth trend expected for the next 5-10 years, assuming that fish stocks remain stable in the Barents Sea. The region encourages the development of aquaculture (primarily trout and cod) and sport fishing. The Administration stated that one major concern is the growing cost of fuel, which is bringing crisis to the industry. Oil currently accounts for 40 percent of the price of fish products now.

Though total output of the fisheries sector in Murmansk oblast has increased in the last two years, the fishery legislative and regulatory environment has led to continued overall industry stagnation. Even more than in the agricultural sector, companies in the fisheries sector are becoming increasingly stratified between those that are modern and successful business operations and those struggling to remain financially solvent.

According to the Head of Fisheries Department in the government of Murmansk oblast, illegal fishing poses a serious problem for sustainable fisheries not only in Murmansk but also in other regions of the Russian Federation. The recent applied enforcement measures, such as satellite tracking of fishing vessels and increasing the power of the enforcement agencies, for monitoring and protecting bio resources are a step in the right direction to combat this problem that continues to undermine the entire Russian fishing sector. While illegal fishing is likely to continue to be a issue, there is a sense in the industry that recent measures are decreasing the scale of the problem.

Table 6: Total Annual Catch in Murmansk oblast, 1999-2005 (1,000 MT)

1999	2000	2001	2002	2003	2004	2005
583	603	635	649	564	529	585

Table 7: Major indicators of fishery sector in Murmansk oblast, 2005

	2005	2004	%
Fishing and fish farming			
Fish and seafood catch, tons	585,078.8	528,877.3	110.6
Commercial fish products, tons	463,264.9	420,915.7	110.1
Chilled fish (excluding herring), tons	23,598	44,429	53.1
Fish products processed on the processing vessels at sea			
Live fish (excluding herring), tons	882	3298	26.7
Frozen fish (excluding herring), tons	383,398.8	318,698.1	120
Frozen fish fillet (excluding herring), tons	7,805.7	8,322.2	93.8
Herring, all kinds of processing	48,542.1	46,063	105.4
Roe	138.3	104	133
Processing sectors			
Commercial fish products, including cans, tons	35,905.2	29,922.4	120
Salted fish (excluding herring), tons	2,912.2	1,786.2	163
Cured fish (excluding herring), tons	323.8	572.0	56.6
Minced fish, tons	248.6	734.5	33.8
Seafood products, total	3,732.1	2,553.7	146.1
Fish products, excluding those produced on vessels, tons			
Live fish (excluding herring), tons	36.5	43.1	84.7
Frozen fish (excluding herring), tons	11,041.6	10,389.5	106.3
Frozen fish fillet (excluding herring), tons	5,382.0	2549.5	211.1
Herring of all kinds of processing	1,750.4	453.8	385.7
Salted herring	316.3	404.1	78.3
Roe	28.2	10	283.3

Canned fish and seafood preserves, in cans	2,3635.1	2,2495.1	105.1
Total fish products, MT	499,170	450,838	110.7
Index of industrial production by type of activity			
Processing of fish and seafood			129.8
Fishing			104.3

Trade

Murmansk has roughly 55 processing facilities, of which 80 percent are small or medium-sized. The oblast processes 450-500,000 tons of fish products annually, of which 40 percent is exported. However, exports account for more than 70 percent of total value. The United States, the European Union, Norway, and East Asian countries are the primary export destinations, while the main species exported are cod, white fish, and ground fish. Murmansk imports a small amount of fish for processing (4-5,000 tons mostly from Norway). However, Russia is in trade dialogue to increase these imports, but Norwegian regulations encourage all processing in Norway.

The price survey for fish and seafood products conducted by FAS in the area showed that the prices for most of the fish products in Murmansk's local stores are similar to those of Moscow. However, species of fish in the market are more diversified than those in the largest retail chains of Moscow.

Quota allocation

According to the Head of the Fishery Industry Department for the Murmansk Region Government, the oblast no longer takes part in the quota determination. The federal level determines which facilities receive the quotas based on their previous fishing share and the amounts allocated for the past five years. In order for new fishermen to participate in the quota, they have to buy the rights from existing fishermen who already receive quota shares. The local administration stated that there is no use of lobbying and corruption.

Representatives of Murmansk fishing companies and fishing associations indicated that the major challenge for the fishermen in the area is the resolution (signed by President Putin on January 12, 2004) that makes the quota user pay for resource utilization. A fishing company is required to make a down payment of ten percent for each species before going out to these to catch with the balance paid in equal portions during the balance of the fishing season. The fees for resource utilization are roughly the initial prices of the quota at the auctions. Since the new regulations allow a quota holder to either lease or sell the entire quota for one species to another company, the larger companies are interested in buying more quotas. However, the mechanism of turnover of quota shares in the secondary market started to work effectively only in the beginning of 2006.

Coastal Processing Facilities

Coastal processing facilities in Murmansk oblast process about 200,000 MT of raw fish and seafood products annually. In 2005, the output of ready-to-eat fish products was estimated at 36,000 MT, a 17-percent increase from 2004. In 2006, Murmansk regional government obligated 20 million rubles (\$7.5 million) to support a program for coastal fish processing. About 14 percent of all fish products are exported to Norway, Portugal and Spain.

During an official trip to Murmansk, FAS staff visited JSK "Nord-West", one of the ten largest

facilities and exporters in the region. Nord West opened in 1989, employs 500 people, and currently has 3 fish plants and 3 stores in Murmansk Oblast, as well as 3 fishing vessels that operate in the Barents Sea. The company produces more than 400 seafood products, with the majority of its production destined for international markets. The United States is the leading destination, followed by the EU, Norway, CIS, and Asia. The United States imports 100-200 tons of ready-to-serve products. In the Russian market, Nord West sells directly to Murmansk, St. Petersburg, Moscow, Kaliningrad, and Samara. Nord West stores offer a variety of more than 400 different product items from fish and products, which are popular in domestic and international markets.

Nord West's fleet only catches about 20 percent of their processing needs, requiring them to purchase 80 percent from local fishermen. Nord West produces 5,000-7,000 tons of seafood products, with exports accounting for 60-80 percent of production. Nord West's future prospects depend on the success of achieving sustainable fishing in the Barents Sea. If achieved, production could grow to 7,500 tons annually. Nord West has experienced a 15-percent jump in costs due to increased fuel prices, but has been able to negotiate better prices with its customers to partly make up for the higher costs.

Despite the high salary offered (20,000 rubles/month or \$725), Nord West cannot hire enough employees to clean fish. Due to the difficulty of sourcing sufficient workers locally, the company recently hired 30 Chinese. China's influence on the RFE is large and well known, and is now even evident in the furthest regions from China.

Murmansk Fishing Port

Murmansk Marine Fishing port consists of three cargo-handling areas and occupies more than 400 hectares with more than 4 km in length. The port is conveniently located on Kol'skiy bay, navigational year-round, and allows handling of 3 million tons of cargo annually. In 2005, Murmansk port handled 223,100 MT of fish and products and 1,182 vessels were unloaded. According to the port director, climbing energy and oil prices resulting from price deregulation in Russia have affected the profitability of the port and its facilities. Lack of government support and investments have further aggravated the situation. Some of the processing facilities located on the territory of the port have not been renovated for more than 20 years and some equipment like basins, pumps, reservoirs, and buildings require upgrade.

There are four cold storage facilities in the port with storage capacity up to 32,000 tons. However, old equipment prevents the port potential from storing more products. According to Murmansk port officials the port is ready for cooperation, such as handling frozen food products (seafood and meat) exported from the United States. The port has the potential to become an alternative point of entry of U.S. products to the Russian Federation, particularly in the winter as the port never freezes.

One of Russia's major problems in the fishing industry is the obsolete fishing fleet, and Murmansk fleet is no exception. There are 270 fishing vessels registered in Murmansk, of which 38 are large, 169 are medium-sized, and 63 are small. However, more than half of the boats are over 20 years old.

One of the main problems of the fishing industry in the Barents Sea and well as in the basins in the Russian Far East is the depletion of the population of the majority of species of commercial fish. The total annual Russian catch is approximately 20% of what it was in the Soviet era. However, this is largely because Russia has significantly reduced its fishing in international waters.

Knipovich Polar Research Institute of Marine Fisheries and Oceanography (PINRO) estimates the environmental impact of oil and gas exploration and production on the arctic shelf as the regions for development are biologically productive areas, including spawning fields. PINRO is also active in international cooperation and collaboration. PINRO only has cooperation with the U.S. on marine mammals but would like to cooperate more on fishery issues. The institute employs 600 people, including 180 scientists. PINRO is responsible for research above the 40th parallel, and between the Kara Sea and the Canadian continental shelf. PINRO assesses and forecasts marine stocks and searches for new commercial species.

PINRO's Director said the "Spitsbergen issue" (Spitsbergen Island in the Svalbard archipelago, where Norway accuses Russia of violating Norwegian fishing regulations and a Russian vessel recently fled back to Russia with two Norwegian inspectors on board) is one of the main challenges facing the sector. However, he stated that the problem is primarily political, as resources are stable there.

One lasting issue under discussion by the central government is the privatization of the research centers, which provide the estimates of Russia's allowable catch. Many of these institutes are already partially privatized, yet they still receive free scientific quotas as a way of financing the high costs of researching the fisheries. These institutes already sell the fish they catch under "research" and are accused of researching the most profitable fish species rather than others less profitable, as well inflating fish stocks as a way of preserving their own quota.

Tables:

Export Trade Matrix, Salmon whole/eviscerated, Metric Tons

Export Trade Matrix

Country Russian Federation
Commodity Salmon, Whole/Eviscerated

Time Period	Jan. - Dec.	Units:	Metric Tons
Exports for:	2004		2005
U.S.	0	U.S.	0
Others		Others	
China	5,272		29,578
Japan	12,787		22,211
Korea, South	3,412		4,864
Total for Others	21471		56,653
Others not Listed	582		3,113
Grand Total	22053		59766

Import Trade Matrix, Salmon whole/eviscerated, Metric Tons

Import Trade Matrix

Country Russian Federation
Commodity Salmon, Whole/Eviscerated

Time Period	Jan-Dec	Units:	Metric Tons
Imports for:	2004		2005
U.S.	2,890	U.S.	2,967
Others		Others	
Norway	36,326		46,124
Total for Others	36326		46,124
Others not Listed	2,910		4,933
Grand Total	42126		54024

Export Trade Matrix, Groundfish whole/eviscerated, Metric Tons

Export Trade Matrix

Country Russian Federation
Commodity Groundfish, Whole/Eviscerated

Time Period	Jan-Dec	Units:	Metric Tons
Exports for:	2004		2005
U.S.	0	U.S.	0
Others		Others	
China	14,046		16,509
Korea, South	14,172		12,214
Norway	1,848		1,366
Total for Others	30066		30,089
Others not Listed	2,489		3,986
Grand Total	32555		34075

Import Trade Matrix, Groundfish whole/eviscerated, Metric Tons

Import Trade

Matrix

Country Russian Federation
Commodity Groundfish,
 Whole/Eviscerated

Time Period	Jan-Dec	Units:	Metric Tons
Imports for:	2004		2005
U.S.	13,332	U.S.	20,585
Others		Others	
Argentina	1,114		3,915
Canada	8,011		9,602
Norway	5,452		6,649
Uruguay	2,834		2,346
Total for Others	17411		22,512
Others not Listed	6,902		4,341
Grand Total	37645		47438

Export Trade Matrix, Crab and Crabmeat, Metric Tons

Export Trade

Matrix

Country Russian Federation
Commodity Crab and
 Crabmeat

Time Period	Jan-Dec	Units:	Metric Tons
Exports for:	2004		2005
U.S.	189	U.S.	290
Others		Others	
Japan	769		153
Korea, South	1,032		1,594
Total for Others	1801		1747
Others not Listed	322		959
Grand Total	2312		2996

Import Trade Matrix, Crab and Crabmeat, Metric Tons

Import Trade Matrix

Country Russian Federation
Commodity Crab and Crabmeat

Time Period: Jan-Dec
 Imports for: 2004
 U.S.: 0
 Others:

Units: Metric Tons
 2005
 U.S.: 0
 Others:

Norway	24	0
Thailand	2	23
Vietnam	8	6
Total for Others	34	29
Others not Listed	13	10
Grand Total	47	39

Export Trade Matrix, Fish, Urchin, Roe/Caviar, Livers, Metric Tons

Export Trade Matrix

Country Russian Federation
Commodity Fish,Urchin
 Roe/Caviar,Livers

Time Period: Jan-Dec
 Exports for: 2004
 U.S.: 0
 Others:

Units: Metric Tons
 2005
 U.S.: 0
 Others:

Japan	3,106	1,595
Korea, South	1,909	3,385
Total for Others	5015	4,980
Others not Listed	163	264
Grand Total	5178	5244

Import Trade Matrix, Fish, Urchin, Roe/Caviar, Livers, Metric Tons

Import Trade Matrix
Country

Commodity Russian Federation
Fish,Urchin
Roe/Caviar,Livers

Time Period	Jan-Dec	Units:	Metric Tons
Imports for:	2004		2005
U.S.	668	U.S.	1,137
Others		Others	
Iceland	323		518
Norway	841		1,068
Total for Others	1164		1586
Others not Listed	150		351
Grand Total	1982		3074