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Ukraine

Fishery Products

Ukrainian Market Growth Boosts Imports

2004

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Report Highlights:
Ukrainian personal income growth has caused significant increase in demand for fish and fish products with imports surging to record high levels. Consumers' preferences are slowly moving toward more expensive, higher quality fish, which opens a new niche market for U.S. suppliers of pink and chum salmon, hake and sardines. A rapidly restructuring and developing domestic processing industry and HRI sector demands more frozen fish for further processing.

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
Kiev [UP1]
[UP]

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Section I. Fish Market Overview

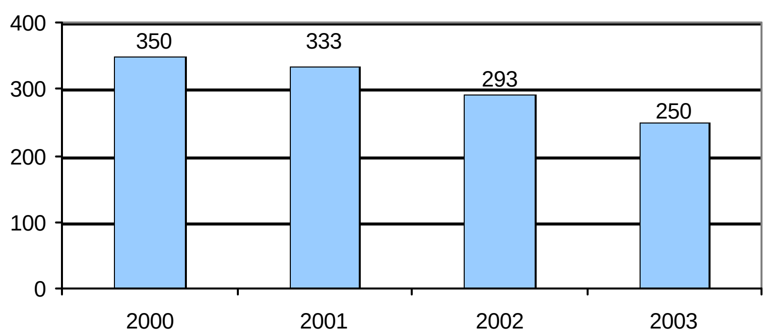
The rapidly growing personal incomes of Ukrainian population has created significantly increased demand for high quality fish and seafood. With total consumption over 495,000 tons in 2003, Ukrainians still consume less fish then they did in 1990. 23% import growth opens good prospects for U.S. exporters. Growing demand for Alaskan pink salmon and Pacific sardines drove the significant (2.6 times) increase of U.S. exports to Ukraine in 2003 with a U.S. share of 4% of the import market. It is expected that U.S. exporters will be able to increase their presence to 6% by the end of 2004.

Section II. Market Sector Opportunities and Threats

Market Size, Structure, Trends

Ukrainian consumers and processing enterprises consumed almost 500,000 tons of fish in 2003 with an import share of 49.5% of the market. Domestic supply consists of fish caught in the 200-mile economic zones of other countries (73%), the economic zone of Ukraine (16%) and fresh water fish (11%). Ukraine has access only to the Black and Azov seas with very limited number of fish species fit for industrial scale fishing. Local species are well known to the Ukrainian consumers, but they are of low quality and often not suitable for processing (See Tables 8, 9, 10 in the end of the report). All these factors along with decreasing fish and seafood take (See Exhibit 1.) make the Ukrainian fish market very dependent on imported fish and seafood product. Ukrainians purchased fish mostly in frozen (99% of all imports) and live form (fresh water domestically produced fish). The market for chilled fish is not developed. Most "chilled" premium quality fish exhibited on ice in the supermarket and special stores is defrosted imported frozen fish.

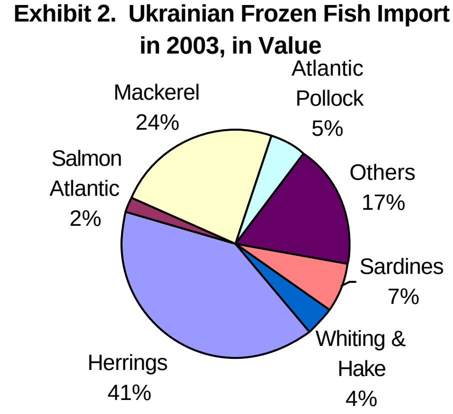
Exhibit 1. Total Fish and Seafood Catch in Ukraine



Source: State Statistics Committee of Ukraine

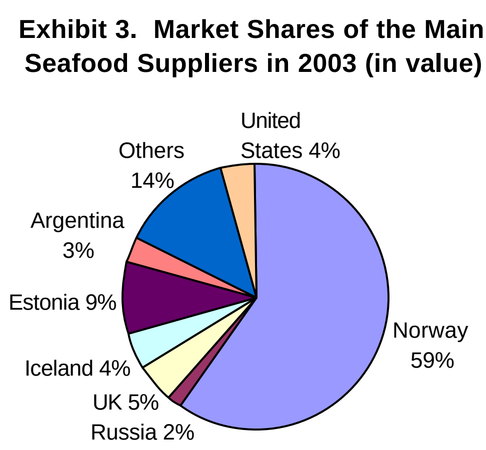
Ukraine's seafood market is subject to significant seasonal fluctuations. Many cold storage facilities remaining from the Soviet era are in bad shape and use outdated technologies with ammonia-based equipment. But the main reason for seasonal ups and downs is lack of retail cold facilities. The vast majority of fish sales are made through open-air retail outlets. Most of them are not equipped with modern cold showcases and may offer fish of acceptable quality only from September to April. Supermarkets have not changed the situation yet, as they are responsible only for 3-5% market share (though it is quickly growing). The network of specialized stores is not developed at all. All these factors significantly decrease import of seafood in summer months. Big importing companies are upgrading and expanding cold storage, so fish sales in big cities are expected to stabilize in the next 2-4 years.

The biggest share (80% of the Ukrainian market) is held by pelagic fish imported for further industrial processing (mostly herring, mackerel, capelin and sardines). Approximately 15% of imports is so-called "table fish" for cooking at home (mostly pollock, hake and cod species) and 5% of the market is “delicious fish” (different salmon species, sturgeon, salmon and sturgeon roe). The structure of the Ukraine’s imports is given in the Exhibit 2 (see also Tables 4, 5 in the end of the report).



Source: State Customs Committee of Ukraine

The seafood market in Ukraine constantly is in a state of transition. Consumers still prefer fish species available in the Soviet era, but more and more consumers are paying attention to other products and purchasing more expensive cold-water and premium segment fish. CIF value of imported fish grew 35% between 2002 and 2003 (see Table 5 in the end of the report). Imports of relatively more expensive table fish and delicious fish grew significantly with hake and different salmon species leading the group. Even more significant changes took place on suppliers’ side in last 2 years. Norway, Argentina and Baltic countries managed to drive Russian suppliers out of the Ukrainian market. Once a major fish supplier, the Russian role on legal fish market has diminished to almost nil. (See Table 6 for more detailed information on supplying countries).



Source: State Customs Committee of Ukraine

The dominant role of Norway as a major supplier continues to diminish. In 2001-2002 Norway’s share was 80-85% of the market. Now Ukrainian importers are trying to diversify supply sources and looking for new, possibly more expensive, products elsewhere.

Trade in Seafood Products

Trade in seafood with U.S. is growing rapidly in recent year. Between 2002 and 2003 U.S. frozen fish exports more than tripled (see Table 7 for U.S. HS 03 imports).

Table 1. Import of U.S. Frozen Fish by Ukraine, million U.S. dollars

HS	Description	2002	2003	% Change 2002/2003
030379	Other 0303	0,27	0,96	256,36
030371	Sardines	0,31	0,67	117,93
030378	Whiting & Hake	0,00	0,63	n/a
030310	Pacific Salmon	0,05	0,45	815,4
030374	Mackerel	0,22	0,19	-15,81
030380	Fish Livers, Roes	0,03	0,07	193,59
030350	Herrings	0,07	0,02	-71,86
030376	Eels	0,00	0,02	341,13
0303	**Total Frozen Fish, not Fillets**	**0,96**	**3,01**	**214,52**

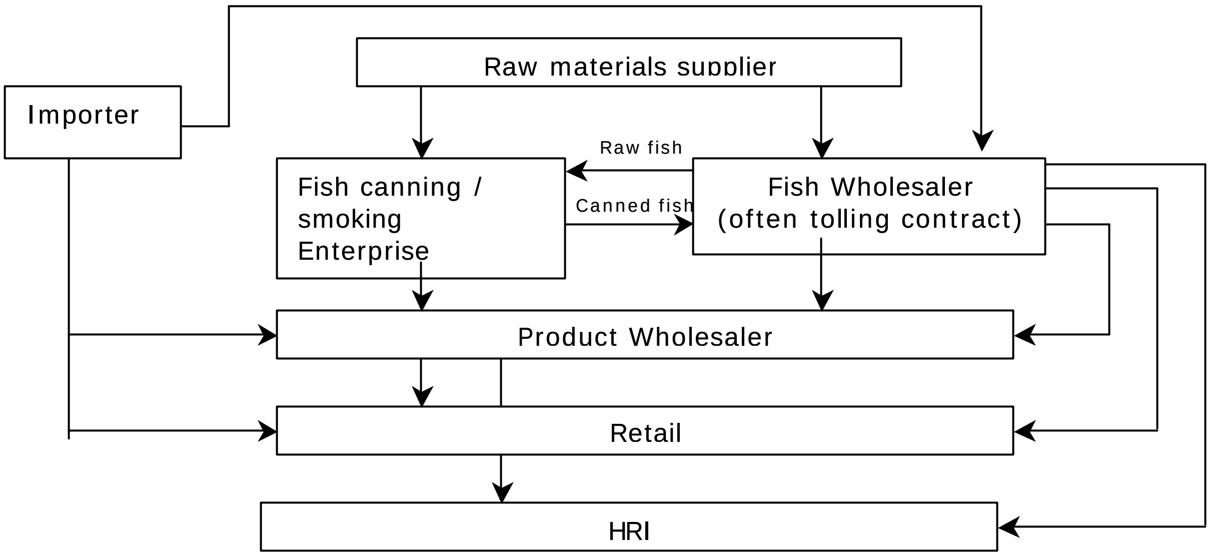
Source: State Customs Committee of the Ukraine

Supplying more expensive higher quality fish, many U.S. exporters benefited from the recent market developments in Ukraine. The U.S. position looks especially good in the Pacific Salmon sector. After Russian Siberian and chum salmon deliveries stopped, Ukrainians switched to Norwegian farm salmon, sold with very healthy trade margins, which made the product inaccessible for the majority of consumers. U.S. Alaskan wild pink and chum salmons can easily compete with Norwegian product due to its higher quality and lower price. The U.S. product also has a more appealing look, which is very important for the premium quality market segment where salmon and sturgeon are positioned.

U.S. suppliers also may benefit from selling other higher quality products to many niche markets, which are not served by Norwegian or Russian products for some reason. Among multiple mass-market segments U.S. exporters may be successful in selling are hake and sardines. Post has seen growing shipments of sardines from California. The markets for fish roe and liver also look very promising, while the prospects of mackerel and herring markets are somewhat dubious. U.S. exporters may have the following advantages and meet the following challenges while selling product to Ukraine.

Advantages	Challenges
Quickly growing market is familiar with seafood products similar to U.S. products and ready to pay for high quality fish.	Market is not stable yet. It is subject to both seasonal and year-to-year fluctuations.
Ukraine has well developed internal transportation system. Black sea ports can be used to deliver fish to Ukraine.	Cold storage system is underdeveloped with retail outlets as a bottleneck for trade in frozen fish and seafood.
Ukraine has a large fish processing industry to serve 47 million fish hungry consumers.	Many importers use shadow schemes to import fish products to decrease taxes and lower the import duty.
Some U.S. products are of better quality and lower price than those imported from other sources.	Competitive fights are made with wide use of semi-legal and completely illegal practices. State structures are often getting involved.
	State policy on the fish market is not yet clear. Arbitrary use of standards and certificates is possible.

Entry Strategy
The only recommended strategy for Ukrainian market entry is performing of business operations through a Ukrainian importer. This method is used by all existing American and European seafood suppliers. Ukraine is a country where personal relationships take precedence and import operations are highly bureaucratic and time consuming. Due to frequent changes in Ukrainian legislation, non-transparent custom clearance rules, SPS and veterinary procedures, it is recommended to leave it to the Ukrainian partner's discretion. Ukrainian importers also take care of the whole logistic chain, inland transportation and distribution. The most commonly used import distribution flows are given on the diagram.

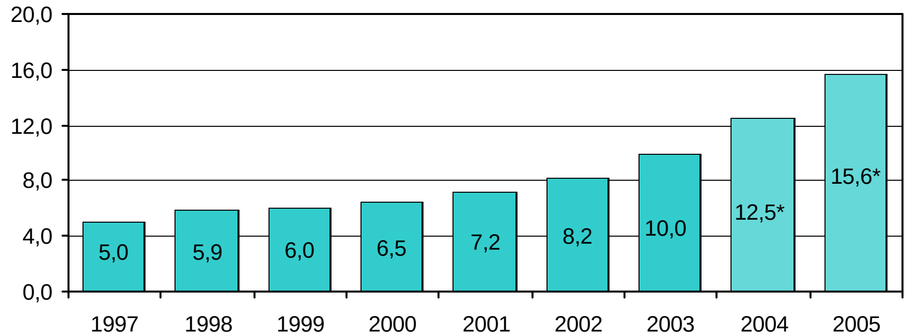


At the moment there are 5-7 big fish importers (importing over 10,000 tons of fish annually), dozen of midsize (1,000-1,500 tons a year) as well as hundreds of small companies (10-100 tons). For a number of reasons, the fish market remains highly criminalized and potential exporters are advised to choose an importer with extreme caution. All big, midsize and small companies do not hesitate to use shadow import schemes and are involved in ongoing competitive fights for market share. According to some estimates 20% of all fish is brought into Ukraine illegally. Smugglers use both inland routes and small Black sea and Azov ports. It is recommended to contact the FAS office using the address at the end of the report to get a market situation update and list of importers.

Section III. Consumption, Costs and Prices

The Ukrainian seafood market used to be one of the most price-conscious in the region. Only cheap herring and mackerel were imported in mid 90's to satisfy demand for cheap fish. Consumption of seafood fell from 18 kilograms per capita in late 80's to 3.5 kilograms in 1994. Now consumption of seafood is increasing significantly, with good prospects for the immediate future.

Exhibit 3. Annual per capita fish consumption in Ukraine, kilograms*



** - Forecasts*
Source: State Customs Committee of the Ukraine

Ukraine is still importing cheap herring, surimi and similar products, though markets for high value products have been formed. Market operators face very high competition and very small trade margins in the cheap fish market with product quality playing relatively minor role, because of the abundance of cheap imported fish and simple processing technologies. The same is true for some mid-range table fish markets (pollock, hake). Prices for canned fish are moderate due to severe competition with imports from the Baltic States. Because of Free Trade Agreements (FTAs) with all Baltic countries, importers do not have to pay fish import duties, which are compulsory for Ukrainian processors. The situation may change in the second half of 2004, when Ukraine renounces these FTAs, due to the Baltic countries accession to the EU. In the premium segment, the situation is very different and Ukrainian domestic retail prices often exceed CIF import prices by 200%. Ukrainian wholesale prices are given in the table below, while CIF prices are provided in the Table 6 in the end of the report.

Table 2. Wholesale Domestic Prices for Seafood Products in Ukraine as of June, 2004

Fish Species	Country of Origin	Weight / Packaging / Processing	Price, UAH
Herring	Norway	Frozen, whole, kilogram	4.00 – 5.00
Pink Salmon	Norway	Frozen, Filet, kilogram	28.50 – 30.00
Salmon Caviar	Russia	Frozen, Canned, kilogram	145.00 - 155.00
Capelin	Norway	Frozen, whole, kilogram	2.50 - 3.20
Mackerel	Norway	Frozen, Whole, kilogram	9.00
Pollock	Norway	Frozen, whole, kilogram	7.00 – 8.00
Surimi	China	Frozen, whole, kilogram	8.00 – 9.00
Flathead mullet	Ukraine	Frozen, whole, kilogram	5.00
Shrimp	Russia	Frozen, whole, kilogram	14.00-16.00
Cancer	Ukraine	Frozen, 0.5 kilogram	8.00
Pike-Perch	Ukraine	Froze, Stake or Filet, kilogram	10.00 –12.00
Sardines	Russia	Canned, 250 grams	1.90 - 2.00
Pink Salmon	Russia	Canned, 245 grams	3.00 – 3.50
Conversion rate – UAH 5.32 per $1 US			

Source: Own market research

Numerous small processing companies producing smoked and salted fish purchase small fish lots. Ukrainian HRI sector often buy only 1 box of fish a day (2-9 kilograms of delicious fish or 20 kilograms of ordinary “table fish”). There is no minimal amount of fish that can be purchased buy HRI or a small processor, through big buyers (10 tons of fish and more) can get 3-7% discount and/or 5-10 days payment delay.

Section IV. Trade Regime and Market Access

Ukraine maintains *ad valorem* or fixed minimum per kilogram duty rates (for some products both, whichever is higher). For the majority of less-expensive frozen fish products, the official *ad valorem* import duty is quite moderate at 5% of the CIF value. For certain products fixed per kilogram rates may reach significant values when transferred into *ad valorem* scale. For instance, *ad valorem* equivalent of the fixed rate duty for salmon roe would reach 82% of the declared import CIF prices. Charged in euros, these duties have been slowly rising over the last three years as the U.S. dollar has lost value against the euro.

Table 3. Import Duties in 2004

Ukrainian HS Code	Code Description	Official Ad valorem Import Duty Rate	Fixed minimum rate, EUR per 1 kg.
0301	Live fish	20%	0.1 € per1 fish
0302	Fresh and chilled fish, except codes below	-	0.2 €
0302 12 0302 19 0302 21 0302 12	Fresh and chilled salmon, flat-fish and halibut	-	0.5 €
0303	Frozen fish	5%	-
0304	Fish fillet (fresh, chilled, frozen)	10%	-
0305	Dried, salted, marinated fish, except codes below	20%	0.5 €
0305 10	Fish mill	5%	-
0305 41 0305 42 0305 49	Smoked salmon, herring, halibut, mackerel, trout, eel, other smoked fish	-	1.0 €
0306	Crustaceous	-	1.0 €
0307	Mollusks, except codes below	-	0.2 €
0307 41 0307 49 0307 50 0307 60 0307 91 0307 99	Live, chilled or frozen cuttlefish, squid, octopus, medusa and other non-vertebrates	-	1.0 €
1604	Prepared fish foods and cans, caviar, except codes below	20%	0.2 €
1604 30 10	Salmon roe	-	10.0 €
1604 30 90	Roe replacements	-	6.0 €
1605	Prepared and canned crustaceous and mollusk, except codes below	-	4.0 €
1605 10	Crab	-	6.0 €
1605 30	Omar	-	8.0 €
1605 90	Other mollusk	-	2.0 €

Data Source: The Law of Ukraine "On Customs Tariff" as of July 16, 2004

Beside import duties, all importers are obliged to pay 20% VAT tax, as well as expenses associated with currency conversion (1% Pension fund tax, 0.7% banking fee, etc.). Import of all types of fish is subject to certification. In the case of chilled fish this may become a significant problem since certification procedure requires up to 7 business days. With shelf life of 10-12 calendar days this is getting to be a big obstacle for importers. Most Ukrainian companies do not work with chilled fish, but smaller companies sometimes bring it in illegally.

Currently Ukraine is not a WTO or *Codex Alimentarius* member and the Ukrainian Veterinary Service does not accept statements provided in the export certificates issued by competent authorities in exporting countries. All analysis, outlined in the Ukrainian legislation must be conducted in the local (port) state veterinary laboratories. The cost of inspections and laboratory tests will differ, depending on product type, uniformity of the shipment and quantity. For a 100-ton shipment, an importer would pay between $60 and $70 U.S. in different fees and compulsory veterinary services.

The Ukrainian Veterinary Service is paying a special attention to enforcing State Standards (GOSTs and DSTUs) for fish and fish products. A list of the main current standards directly applicable to seafood products is provided below.

Number	Title of a GOST or DSTU	Application
168-86	Frozen Fish	Frozen fish of all species
20057-96	Oceanic Frozen Fish	Frozen fish of all species caught in oceans and all adjoining seas and bays
15-12-98	Frozen Herring	Frozen herring: Atlantic, Pacific, Azov and Black Seas: Kertch's, Dnieper's, Don's, Danube's and Black Sea
3948-90	Frozen Fish Filet	Frozen fish filet of all species excluding herring and cartilage species
7448-96	Salted fish	All salted fish except sprat species, herring, sardines, sturgeon, salmon, pike-perch, capelin and oceanic cartilage species
7449-96	Salted salmon	Salmon species
815-88	Salted herring	Salted herring
7636-85	Fish species, sea mammals, sea non-vertebrate species and products	Analysis methods and techniques for fish, sea mammals, sea non-vertebrate species and products

Some of the GOSTs above were adopted many years ago in the Soviet Union. These old standards often establish an unusually short shelf life for a product or do not define U.S. fish species (which are thus classified in "others" group). This may cause trade disruptions and product detention at the border. Post is working toward softening unjustifiably strict GOSTs, but U.S. exporters are encouraged to contact their Ukrainian partners or Post to get the most updated information concerning the state standards situation.

Section V. Key Contacts and Further Information

Should you have any questions about this report or need assistance in accessing the Ukrainian seafood market, please do not hesitate to contact FAS/USDA post in Kyiv at the following Address:

Agricultural Affairs Office
10 Yuriy Kotsyubinsky St.,
Kiev, 01901

Tel: +38-044-490-4005
Fax: +38-044-490-4110
e-mail: AgKiev@usda.gov
Hompage: http://kiev.usembassy.gov/faskyiv_index_eng.html

For information concerning current import regulations an exporter may want to contact the Ukrainian State Veterinary Inspection Service:

State Veterinary Inspection Service of
Ministry of Agrarian Policy of Ukraine
24 Khreschatik St.,
Kiev, 01001

Tel: +38-044-229-1270
Fax: +38-044-229-4883
Hompage: http://www.minagro.gov.ua/veterinary/index.php3

The State Department of Fishery of
Ministry of Agrarian Policy of Ukraine
45-A Arthema St.
Kiev,

Tel: +38-044-216-62-43
Fax: +38-044-216-02-44

Lists of importers are available from our office to exporters of U.S. seafood products. Country Commercial Guide Prepared by U.S. Foreign Commercial Service is available at http://www.buyusainfo.net/body2.cfm?dbf=ccg1&search_type2=int&country=Ukraine&logic=and&loadnav=no For the most recent "The Exporter Guide" and product briefs on the market potentials for U.S. products in Ukraine as well as in other countries, please visit Foreign Agricultural Service official page at www.fas.usda.gov.

Attachments

Table 4. Ukraine's Imports of Frozen Fish (HS 0303), million of US Dollars

HS	Description	2002	2003	% Change 2002/2003
030350	Herrings	24,3	29,7	22
030374	Mackerel	12,5	17,4	39
030379	Other 0303	14,3	10,8	-25
030371	Sardines	4,7	5,1	9
030373	Atlantic Pollock	2,0	3,6	85
030378	Whiting & Hake	0,1	3,0	2298
030322	Salmon Atlantic	0,9	1,7	94
030310	Pacific Salmon	0,5	0,9	79
030321	Other Trout, Frozen	0,6	0,9	52
030380	Fish Livers, Roes	0,1	0,6	357
030331	Halibut/Greenland Turbot	0,2	0,3	75
030329	Other Salmon	0,2	0,2	19
030332	Plaice	0,1	0,2	45
030300	**Total 0303**	**60,4**	**74,4**	**23,1**

Source: State Customs Committee of Ukraine

Table 5. Ukraine's Imports of Frozen Fish (HS 0303), thousand metric tons

HS	Description	2002	2003	% Change 2002/2003	CIF Value, $/ton	
					2002	2003
030350	Herrings	96,7	96,9	0,3	251,4	306,1
030374	Mackerel	31,3	35,9	14,9	400,2	485,3
030379	Other 0303	65,0	42,5	-34,6	219,6	254,1
030371	Sardines	20,3	17,9	-11,9	231,0	284,4
030373	Atlantic Pollock	5,5	8,7	58,4	355,3	415,5
030378	Whiting & Hake	0,3	7,0	2140,0	397,0	425,0
030322	Salmon Atlantic	1,4	2,1	56,0	642,8	799,8
030310	Pacific Salmon	1,2	1,7	46,5	458,3	560,1
030321	Other Trout, Frozen	0,8	1,1	35,2	721,8	813,7
030380	Fish Livers, Roes	0,2	0,3	9,7	539,9	2251,4
030331	Halibut/Greenland Turbot	0,2	0,3	51,5	783,7	904,9
030329	Other Salmon	0,3	0,3	-1,5	617,2	748,0
030332	Plaice	0,3	0,4	48,6	420,9	410,0
030300	**Total 0303**	**223,4**	**215,2**	**-3,67**	**270,6**	**345,8**

Source: State Customs Committee of Ukraine

Table 6. Import of Fish and Seafood (HS 03) by Country, million U.S. dollars

Rank	Description	2002	2003	% Change 2002/2003
1	Norway	46,80	52,24	12
2	Estonia	8,18	8,03	-2
3	United Kingdom	0,98	4,52	360
4	Iceland	2,57	3,65	42
5	United States	1,38	3,59	160
6	Argentina	0,38	2,66	598
7	Spain	0,61	1,89	210
8	Russia	3,22	1,53	-52
9	Mauritania	1,74	1,20	-31
10	China	0,38	1,01	167
11	Canada	0,22	0,91	306
12	Denmark	1,30	0,73	-44
13	Latvia	0,30	0,73	141
14	Finland	0,41	0,62	49
15	Chile	0,40	0,49	21
16	Switzerland	0,00	0,45	0
17	Lithuania	0,06	0,43	644
18	Others	2,13	3,76	n/a
	All Countries	71,07	88,45	24

Source: State Customs Committee of Ukraine

Table 7. Import of U.S. Seafood by Ukraine, million U.S. dollars

HS	Description	2002	2003	% Change 2002/2003
0303	Frozen Fish, Not Fillets	0,96	3,01	214,52
0304	Fillet, Other Fish Meat	0,25	0,37	50,75
0307	Other Seafood	0,08	0,09	12,28
0305	Processed Fish (Dried, Salted etc.)	0,05	0,06	14,62
0306	Crustaceans	0,04	0,06	33,61
03	**Total Fish and Seafood**	**1,38**	**3,59**	**159,68**

Source: State Customs Committee of Ukraine

Table 8. Fish Take in Ukraine, tons

	2000	2001	2002	2003
Herring	73	140,8	173	138
Sardines	46874	28847,1	29815	24549
Sprat	29422	45993,4	42575	28823
Sardelle	9002	17267,8	13611	9640
Khamsa	15356	13777,1	12026	12761
Roach	2421	2514	1338	1455
Pike-Perch	1183	1717	1682	775
Bream	2209	3867,4	2858	2318
Grey mullet (Pelengas)	5459	2738,1	2696	2156
Carp	8519	8651	10683	9746
Silver Carp	15239	15253	14157	15595
Mackerel	18357	9614,1	9840	9564
Horse-Mackerel	27734	32197,5	14402	28891
Bullhead Fish	752	1437,4	3408	6131
Sand-Fish	372	265,8	343	236
Cod Species	24637	17530	14702	2166
Others	139090	108639,9	79538	69602
Total Catch	**346699**	**310451,4**	**253847**	**224546**

Source: State Statistics Committee of Ukraine

Table 9. Seafood Take in Ukraine, tons

	2000	2001	2002	2003
Crustaceans	10	14078,9	26864	17137
Mollusks	3353	8832,9	12491	8653
Water-plants	6	-	-	-
Seafood and Crustaceans, Total	**3388**	**22911,8**	**39358**	**25790**

Source: State Statistics Committee of Ukraine

Table 10. Production of Fish and Seafood Products in Ukraine, tons

	2000	2001	2002	2003
Frozen Fish	155345	109891	96527	89583
Special frozen fish	100	171	293	27
Frozen filet	154	244	301	602
Salted fish, excluding herring	21351	28045	24400	17642
Salted herring	7360	7218	5066	6607
Smoked fish	8620	9332	9331	9261
Dried and jerked fish	1054	1746	1886	1863
Salted with spices or marinated	342	1055	790	985
Cooked fish	142	167	216	653
Cooked filet	96	144	114	120
Roe	-	18	128	297
Edible seafood	1918	1408	1414	1545
Edible fish offal	1343	717	1262	1208
Non-edible fish offal	17665	14925	20698	13699
Canned fish, including seafood, thousand of standard cans	121136	173821	168072	139200

Source: State Statistics Committee of Ukraine