SURVEY OF THE FISH INDUSTRY IN RUSSIA
OCTOBER 2005

PREPARED BY

Eurofish
INTERNATIONAL ORGANISATION

FOR

IFC
International Finance Corporation
World Bank Group

MINISTRY FOR FOREIGN AFFAIRS &
MINISTRY OF FISHERIES, ICELAND

ÚTFLUTNINGSRÁÐ ÍSLANDS

ÍSFELL · Landsbankinn · Marel · sæplast

Contents

Executive Summary

This Survey is funded jointly by the Ministry of Foreign Affairs and the Ministry of Fisheries of Iceland, the Trade Council of Iceland and participating Icelandic companies, and supervised by the International Finance Corporation.

As one of the world's leading fishing nations, Iceland offers products, know-how and services throughout the value chain from catches to consumption of seafood. The Icelandic Sponsor Group supporting the Survey consists of companies representing the Icelandic fleet and on shore processing industry, seafood traders, equipment manufacturers supplying gear to fishing vessels, the onshore processing industry and fish farms, as well as financing institutions.

The Terms of Reference for this Survey for[1], developed by the International Finance Corporation in cooperation with the Icelandic stakeholders, point at areas where the Icelandic industry could get in-depth knowledge about the Russian fisheries sector in order to develop trade, investments, business opportunities and general cooperation of mutual interest for the Icelandic and Russian fishery industry.

The Survey responds to this task by providing the latest available information and insight into all the main aspects of the Russian fishing industry, covering fish harvesting, fish farming, the fishing fleet, trade, processing, market perspectives and investment. However, it should also be added that the Terms of Reference are wide and ambitious, both in terms of issues to be addressed and geographical areas to be covered taking into account the limited time and financial means at disposal, and that much effort has been put into achieving the best possible level of completeness within these limits.

The Russian Federation attracts attention from investors and traders all over the world. With more than 140 million inhabitants and substantially higher economic growth rates than in most other countries, the possibilities seem abundant. However, for many investors and traders there are still barriers to overcome. Lack of transparency at different administrative levels, a developing legislation, and lack of experience in operating in Russia are some of the factors that make potential foreign partners think twice.

Russia is among the top ten countries in the world as regards marine and inland capture fisheries, and a huge player in terms of processing, trade and a rapidly developing seafood market. Fish farming in Russia is growing and has good potential. Overall the country's fishing sector holds great potential for development, trade and investments with opportunities for foreign partners, suppliers and investors. However, the Russian fisheries sector also lacks transparency, and this makes it difficult to attract financing from financial institutions and banks. It is against this background that foreign decision makers and enterprises are constantly seeking more and reliable information to understand the cooperation and business opportunities in the Russian fishery sector.

---

[1] See description of the Mandate on p. **ix**

The main findings of this Survey can be summarised as follows:

Fish Harvesting
Russia's fish harvesting has gone through a declining trend since 1999, but Russia is still among the world's top ten producers of fish. The Russian Far East makes up 60% of Russian fisheries, with Alaska pollack the overall largest species. In spite of some valuable catch quotas being fully utilised or over-utilised, there is a general under-utilisation of fishing possibilities. Some coastal fisheries and under-exploited species are considered having good potential for better exploitation.

The new law on fisheries from 2004 introduced significant changes in the legal framework, particularly by replacing the quota auction system by long-term quota shares, allocated to fishing companies for at least 5 years. Foreign companies can get access to exploit Russian fishing quotas provided they register as Russian legal entities in Russia, or join Russian companies as shareholders or through partnerships.

There is some confidence in the industry and among experts that the new legal framework in the coming years could contribute to consolidating the fishing industry into fewer and more efficient enterprises, creating the basis for better and more sustainable fishery management.

Fish Farming
There is a strong potential for developing fish farming in Russia. Fish farming production has been rising steadily since 1996, and fresh water farming of trout, carp and sturgeon is developing in line with market demand and consumer preferences. New farms are emerging outside the major consumer centres such as Moscow and St. Petersburg. Marine farming is much smaller and seems to have smaller potential than fresh water farming.

High quality imported feed is in high demand both in trout farming and in the far eastern salmon hatcheries, and new European exporters are emerging on this competitive market which could also be interesting for Icelandic investors.

Financing of new equipment is an obstacle to the development of fish farming, but there are well established and consolidated companies which are able to respond to the market and increase production.

The Fishing Fleet
The Russian fishing fleet is on average old and outdated, and only few completely new vessels enter the fleet. But the fleet has also a large harvesting capacity, and 70% of the total Russian fish processing capacity is on board the vessels.

Many fishing companies are looking for opportunities to renew the fleet and processing equipment, but conditions for finance are difficult.

Overall, there could be more dynamism in the Russian fleet. This is partly due to the foreign based activities of many vessels, as well as the perspectives for more stable and profitable fishing operations in the coming few years.

Icelandic suppliers of vessel technology, fishing gear and processing equipment should be aware of the potential developments in modernising vessels and processing over the coming 4-5 years, when the redistribution of quotas could be concentrated among fewer and more efficient operators and the drive to increase the share of value-added production on Russian vessels could materialise.

The Processing Industry

In the processing industry production of seafood remained more or less constant during the period 2000-2004 with an annual total production of around 3 million tonnes, frozen fish being the most important output, while the share of value added products or convenience food increased. With the expected growth in consumer demand for seafood, there could be ample room for more processing taking place in Russia.

The on-shore processing industry in Russia is undergoing rapid changes. The most dynamic segment of the industry consists of the small and medium sized companies established in recent years, along with the developing consumer market. This industry will be increasingly dependent on stable raw material supplies to meet long-term delivery agreements which are required by the retail chains in Russia, as well as in other countries. The processing industry will therefore have strong incentives to conclude corresponding long-term agreements with their raw material suppliers.

Much of the on-shore processing industry has an overcapacity consisting to a large extent of outdated technology, and a number of Russian processing companies will be looking for foreign partners and suppliers of modern technology in order to satisfy the quality requirements of the market.

Most of the fish processing takes place on board the vessels, but more processing could move to the landing areas if the policy of getting Russian vessels to land their catches in Russian ports succeeds. The growing importance of coastal fisheries could also contribute to this development.

In the longer term Russia could become a more important exporter of processed seafood provided that raw materials can be secured either through imports or higher shares of domestic catches, and that the dynamic diversification of new products in the industry continues.

The safety and quality of seafood is an important and complex issue for the fisheries sector in Russia. There are many challenges ahead in this field both at the industrial and administrative levels.

Trade

A key feature of the Russian trade in fish products is that Russia exports directly an important share of its own catches, whilst and at the same time importing considerable and increasing volumes of foreign raw materials for its domestic processing industry. It is a declared policy to change this pattern with the aim of processing more fish caught by Russian vessels in Russia.

The difficulties in changing this pattern are due to a number of factors. On the one hand industry operators claim that tariffs, harbour fees and red tape make it difficult to land more fish in Russia. On the other hand, Russia's trade pattern reflects the global nature of fish trade.

Market developments, as well as developments related to seafood harvesting and farming in Asia, Europe and the US, are just as important for Russian exports and imports of seafood as developments in Russia itself. Japan, China and Korea are key markets for Russian exporters due to their strong demand, and the fact that for Russian operators in the Far East, these markets are geographically near compared to the remote consuming centres of European Russia. However, in view of the increasing demand in Russia, it is possible that more fish caught by Russian vessels will find also its way to Russian consumers.

Imports to Russia are booming. Norway is the most important foreign supplier. In line with the increased demand a number of new species from different countries are entering the market.

St Petersburg and Moscow are the main channels for imports of seafood, supplying many processors and retailers which prefer to buy their raw materials from specialized importers. These two cities play a key role in the distribution of seafood to other regions of the country, and the distribution channels outside Moscow and St Petersburg are expected to improve greatly in line with the regional expansion of the retail sector.

The Russian trade regime favours imports of raw materials, while tariffs on processed seafood are higher. The future accession of Russia to the World Trade Organization is seen as an important step towards stable and predictable trade conditions and the opportunity to make preferential trade agreements with Russia.

Market

The most important driving force behind the developing seafood market in Russia is the booming growth of the retail sector and the increased purchasing power of the Russian population. Foreign and domestic retailers are opening supermarkets and hypermarkets at an incredible speed, not only in Moscow and St Petersburg, but also in other regions with a relatively high and increasing income per capita. Thanks to this development and the competition on the market, a growing selection of seafood products is available to Russian consumers.

From a Western European perspective, the size of the consumption of canned seafood and seafood preserves in Russia is striking. Herring and other pelagic species in many different varieties enjoy a strong consumer preference. This market still has a potential for growth, and there are expectations that the demand for seafood of almost all species and varieties will continue to increase in the foreseeable future.

Investment Activities and Prospects

Foreign and domestic investments in the Russian fishery industry are still limited, but the changing framework conditions introduced by legal, structural and market developments are likely to attract more investments to the industry.

Investments in the fishery sector have potential for high returns, but the risk of losses is equally large. This risk picture is reflected by the fact that various financing institutions demand a large equity from the investors in order to finance projects in Russia. The most active investors in Russia have so far been big companies with financial muscle and legal capacities, as well as small enterprises with a high-risk willingness. However, there are signs that the investment climate is becoming more accessible as more medium-sized companies are beginning to invest in Russia.

The new legal framework introduced by the Law on Fisheries in 2004, and in particular the long term quota share allocations, is a key element in providing long term perspectives and stability for the fishing sector and the fish processing industry. Russian legislation still allows foreigners access to Russian fishing rights, and significant foreign investments have taken place. Strong competition from Russian groups is anticipated when fishing companies are put on sale, or trade in quotas will be made possible by new legislation.

In the processing industry Russian enterprises are looking for investments, partnerships and technology supplies to meet the demand for high quality seafood products. Foreign shareholders have entered the processing industry, others have established production agreements with Russian producers, and yet others have established, or are considering running their own greenfield based processing operations.

The expansion of the retail market and the potential for development of on-shore processing near the fishing ports will require investments in cold storage and distribution infrastructure (e.g. refrigeration chains). In fish farming there is demand for new technology and high quality imported feed.

In general, the main motivations for investing in the fisheries sector are linked to the possibilities of controlling fish supplies, avoiding high customs duties and other trade barriers, positioning production close to the consumer market, and being able to react more quickly to market developments, reducing transport, logistics and energy costs in spite of infrastructure inefficiencies and rising labour costs.

Among investors there is a strong belief that the markets in Moscow, St Petersburg and other regions will continue to grow in many years to come. A successful investment in a

processing operation in Russia is likely to yield higher profits, give access to the market and distributors as far away as Vladivostok, and improve the ability to respond to market trends and growth.

Foreign investors must have the financial strength, determination and risk willingness to commit themselves. They will need to bring their own financing. The support from international and bilateral financial institutions and banks has so far been limited, but will available as the fisheries sector becomes more transparent.

Mandate and background information

According to the Terms of Reference of this Survey (see Annex 0) the Ministry of Foreign Affairs in Iceland ("MFA") has asked IFC to facilitate the conduct of a **Survey of the Fish Industry in Russia** ("the Survey").

The purpose of the Survey is to provide an updated and accurate source of information on the Fish Industry in Russia that can be used by interested parties to facilitate investment and general business decisions.

The Survey is funded jointly by MFA, the Ministry of Fisheries in Iceland, the Trade Council of Iceland, and participating Icelandic companies.

Eurofish International Organisation (Eurofish) in partnership with Alexander Makarov, Russian Fish Report, was appointed upon the recommendation of MFA to conduct the Survey. IFC has assisted in the development of the Terms of Reference for the Survey, and has supervised the work of Eurofish.

In addition to the Terms of Reference assigned to Eurofish, a number of issues on policy, legal and regulatory environment; fisheries management; fishing fleet and fish harvesting were reserved to be addressed separately by MFA and the Icelandic stakeholders, outside of IFC supervision of the present Survey. Some of these issues are, however, touched upon in the Survey, although not in a systematic and complete way, as they are not part of Eurofish's Terms of Reference.

The Survey was submitted by Eurofish to IFC on 18 October 2005.

The project has been managed by Eurofish, represented by Victor Hjort and Ann-Mari Haram.

The Survey was prepared, written and edited by Eurofish in cooperation with Alexander Makarov and a group of experts who have in-depth expertise in various aspects of the fish industry in Russia: Victor V. Ivin (Vladivostok, Russia) is a scientist and expert on Russian marine fish farming; Vyacheslav Sukhov (Moscow, Russia) is a former government fisheries expert and an experienced businessman with special knowledge of the fleet and the Far East; Valery Monakhov (Vladivostok, Russia) is an experienced

contributor of information on fisheries in the Far East of Russia; Daniel Blaszczyk (Szczecin, Poland) is an active fish trader with long experience in dealing with Russian fishery enterprises, and Thorgeir Palsson (IMG, Iceland) is an Iceland based consultant who has contributed with insights on Icelandic interests in the Russian fisheries sector. Roman Piskunov (Moscow, Russia) has assisted Eurofish throughout the project and given valuable contributions in all areas.

Sally Clink has proof-read the report and Thomas Jensen from Eurofish has made the lay-out of the report.

The chapters of the report follow a different order than the Terms of Reference. The table below shows the structure of the chapters in relation to the headings and subheadings of the Terms of Reference:

No.	Chapter	No.	Terms of Reference
1	Introduction		
2	Fish Industry Statistics *Comment: Statistical data is integrated into the individual chapters. This chapter gives an overview of statistical sources and of key statistics in the report*	2	Fish Industry Statistics
3	Fish Harvesting	4 v-vii	Fish Fleet and Fish Harvesting
4	Fish Farming	6	Fish Farming
5	The Fishing Fleet *Comment: Processing is discussed both in chapter 5 and chapter 6*	4 i-iv	Fish Fleet and Fish Harvesting
6	The Processing Industry	5	Fish Processing
7	Trade	1 iv-v	Market
8	Market	1 i-iii vi	Market
9	Investment Activity and Prospects	3	Investment Activity and Prospects

The sources used for the survey are official data and information from Russian institutions, statistics from FAO, Iceland, Denmark and Norway. Among the media and publications used are the Russian Fish Report, EUROFISH Magazine, the FAO GLOBEFISH Fishery Industry Profile on Russia (volume 80), and different news bulletins (Fishnet.ru, GLOBEFISH weekly report and Interfax. The team has conducted interviews with several Russian fisheries enterprises in Russia, as well as traders, investors and suppliers in Western Europe who have considerable experience in seafood trade and investments in Russia. Specialised financial institutions have also been interviewed.

Acknowledgements

Eurofish wishes to thank all the authorities, institutions and enterprises who have offered their cooperation and support in preparing this report. These include:

- The Federal Agency of Fisheries, Moscow
- VNIRO - The Russian Federal Institute of Fisheries and Oceanography and the regional research institutes PINRO (Murmansk) and ATLANTNIRO (Kaliningrad)
- VNIERKH - The All-Russian Scientific and Project Institute for Economy, Information and Management of Fisheries
- National Fish Quality Centre, St. Petersburg
- Gyprorybflot – State Scientific Research and Design Project Institute for the Development of the Fisheries Fleet
- VARPE: The Russian Association of Fish Processors
- Rosrybkhoz - The Russian Association of Fish Farming Enterprises
- The Embassy of the Russian Federation, Copenhagen
- Murmansk Trawler Fleet
- The European Bank for Reconstruction and Development, Moscow, and the regional EBRD representative in Vladivostok
- Quadriga Capital Management, St. Petersburg
- The Norwegian Seafood Export Council
- IØ – The Danish Investment Fund for Central and Eastern Europe
- FAO – Food and Agriculture Organisation of the United Nations
- A long list of fisheries enterprises in Russia and abroad

List of abbreviations

ABHL: Alfa Bank Holdings
ATF: Archangelsk Trawl Fleet
CIS: Confederation of Independent States
Dalryba: Dalryba Regional Fisheries Organisation
EBRD: European Bank for Reconstruction and Development
EEZ: Exclusive Economic Zone
FAF: Federal Agency of Fisheries
FEZ: Free Economic Zone
FMCG: Fast Moving Consumer Goods
FTA: Free Trade Agreement
GOST: State Standards
GTK: State Customs Committee
HS: Harmonized Systems
ICES: International Council for Exploration of the Seas
IFC: The International Finance Corporation
IQF: Individually Quick Frozen
IUU: Illegal, Unreported and Unregulated (Fisheries)
LoC: Letter of Credit
MSC: Merchant Shipping Code of the Russian Federation
NFQC: National Fish Quality Centre Commission
PTA: Preferential Trade Agreement
RF: Russian Federation
RFE: Russian Far East
ROSSTAT: Federal State Statistics Service
RSBF: Russian Small Business Funds
SanPiN-01: "Hygienic Requirements for the Safety and Nutrition of Foodstuffs"
SEZ: Special Economic Zone
SME: Small and Medium Enterprises
TAC: Total Allowable Catches
VARPE: All Russian Association of Fishery Enterprises, Entrepreneurs and Exporters
VNIERKH: All-Russian Scientific and Project Institute for Economy, Information and Management of Fisheries
VNIRO: The Russian Federal Institute of Fisheries and Oceanography
WHO: World Health Organisation
WTO: World Trade Organization

1 INTRODUCTION

Russia is among the top ten fish producers in the world. The country is also importing larger volumes of seafood at higher prices than anyone could have predicted back in 1998 when the financial crisis made fish imports to Russia difficult. The fact that Russia is both a major fishing nation and major market with potential for further growth attracts increasing interest from companies all over the world with products to offer throughout the value chain from catch to consumption. So far, direct foreign investments in the Russian fisheries sector have been limited, but potential investors are following the investment climate closely.

To understand and predict developments in the Russian fisheries sector, it is useful to bear in mind its geographic, demographic, economic and political framework. This introductory chapter highlights some key factors.

1.1 Geographic situation[2]

With nearly 17 million sq km, Russia is the largest country in the world, occupying more than one ninth of the world's total land area. Russia has a coastline of 37,653 km and borders 14 countries.

The Russian territory extends from the Baltic to the Pacific and from the Arctic Ocean to the Black Sea. Russia has access to and borders 12 seas: the Sea of Azov, the Black Sea, the Baltic, the Barents Sea and the White Sea connecting it to the Atlantic Ocean; the Kara Sea, Laptev Sea, East Siberian Sea and Chuckchi Sea in the Arctic Ocean; the Bering Sea, the Sea of Okhotsk and the Sea of Japan in the Pacific Ocean; the Pacific Ocean itself, and the Caspian Sea.

The three major geographic regions of the country include European Russia, consisting of the territory west of the Ural Mountains; Siberia, stretching from east of the Urals to an area close to the Pacific Ocean; and Far Eastern Russia, including the extreme southeast and the Pacific coast.

1.2 Population

According to the national census of July 2004, the population of the Russian Federation was 143.8 million. Russians are the predominant nationality comprising over 80%. Tatars, Ukrainians and Chuvash make up the largest minorities. Almost three quarters of the Russian population live in the European part of the country. The urban share of the population stands at 73%, and 13 cities have over 1 million inhabitants.

The population is declining. In 1998 there were 148 million inhabitants. There are many scenarios for the future. According to the most pessimistic scenario, the population will

[2] Based on the facts from "The World Factbook" and FAO GLOBEFISH "Fishery Industry Profile - Russia"

be 86.5 million in 2050; the most optimistic scenario gives a population of 103 million. Rosstat operates with a 32.5% reduction in the population until 2050.

1.3 Economic situation

Table 1 below shows that the Russian national economy enjoys a high and stable growth rate. Real GDP grew by an average of 6.8 % per year during the period 1999-2004. At current market prices, GDP was 16.779 trillion rubles in 2004[3] (1 USD = 27.8 RUR, May 2005)

Table 1: Dynamics of GDP over the period 1999-2004

	1999	2000	2001	2002	2003	2004
Real GDP growth (%)	6.4	10.0	5.1	4.7	7.3	7.1

Source: *Interfax*

So far, growth has to a large extent been driven by the export-oriented oil and metal industry. Rapidly growing oil exports have been the main factor for the current consumption boom. However, significant increases in productivity are also taking place in other sectors of the Russian economy.

President Putin has stated that Russia's main strategic objective is to double the country's GDP by 2010. This is to be achieved by reducing the corporate tax burden, carrying out economic reforms, and facilitating structural changes towards internal market-oriented industries in the national economy. However, many Russian and foreign economists believe that the economic growth will be lower. The real growth rate is estimated at 5.5-6% for 2005 and onwards.

1.4 Political and legal factors

Peter the Great had the following statement: "The country where what could not happen, happens". Many observers find that this statement still applies to the situation in Russia today. Another famous statement was made by Katarina the Great: "Russia is a crow with peacock feathers".

Even optimistic scenarios are cautious as regards the democratic developments in Russia. According to Schleifer and Triesman (2004) the democracy is unstable, there is a possible shift towards an authoritarian regime, financial crises are possible, and interventions by the government may occur.

On the trade policy scene Russia's future accession to the WTO, one of the main foreign policy priorities, is an important step towards stable and secure trade. Russia's accession to WTO can be a significant driving force for the domestic reform agenda as well as in the fisheries sector. The domestic reform agenda includes reforms in legislation, customs

[3] Interfax, "Russia's GDP grows 7.1% in 2004 – Rosstat", February 2, 2005

administration and the reduction of trade barriers. The accession process to WTO is slower than many had hoped, and some observers now believe that Russia will accede in 2007.

In the fisheries sector, the Law on Fishery and Conservation of Aquatic Biological Resources was adopted in November 2004 introducing a new legal framework for fisheries, including long term quota allocations which replaced the former quota auction system.

2 FISH INDUSTRY STATISTICS

2.1 Overview of statistical information sources

2.1.1 ROSSTAT

The Federal State Statistics Service – former State Customs Committee - (Rosstat) is the national statistics body. Primary data is accumulated by Rosstat's regional divisions, which in turn submit the information to the central office.

According to Russian legislation, medium and large-scale companies with over 100 employees must report directly to Rosstat. Production results from smaller businesses are estimated on the basis of representative sampling. Thus, aggregated industrial results include information retrieved from direct reporting as well as estimated data. Details about fishery statistics are given below.

1. Primary fish production catches, and processing are reported by fish harvesting and processing enterprises (vessels) in accordance with reporting form P1. This form states the production results in terms of value, and quantity according to types of fish and production operations.

2. The split between on-shore and on-board processing has not been available until recently. According to the Rosstat executives, a new reporting form was introduced in 2005 and includes records of on-board production, in particular 1. fresh fish (excl. herring), 2. frozen fish (excl. herring) 3. fish fillets (excl. herring). 4 fresh herring 5. frozen herring, and 6. herring fillet.

3. Capacity balance is reported in accordance with reporting form BM (balance of capacity) and show the utilization rate of the production capacity based on installed capacity and actual production.

4. Fish transhipments outside the Russian customs territory are monitored on a monthly basis in accordance with reporting form 8VES Ryba (fish). The information provided from this form includes the fish species in accordance with the Harmonised System (HS) codes and export country destinations.

5. Per capita consumption of food products is based on the monitoring of family budgets according to the method of representative sampling. Monitoring takes place in the largest cities of Russian regions and cover families with different income levels. This method provides a relatively accurate overview of consumption rates and consumers' preferences.

According to Rosstat officials the accuracy of reporting from the companies has been deteriorating, so it has been necessary for Rosstat to compensate for insufficient reporting by means of more estimates. In some cases this is seen as a difficult task since Rosstat specialists may have limited knowledge of the data related to the actual market or industry situation.

To minimise the problems related to this it has become established practice to control the accuracy of data submitted indirectly by cross-checking indicators which are reported in different reporting forms. For example, a company should be able to report the same value of the total production output in three different forms, for example total production by type of products, the balance of capacity and the annual balance sheet.

2.1.2 State Customs Committee

The State Customs Committee (GTK) is the official state body in charge of monitoring foreign trade transactions in the Russian Federation. The goods which are imported into the RF or exported from the RF are subject to customs clearance declaration in accordance with the Harmonised System (HS) codes. Edible fish products fall under group 03 and 1604-1605 of the HS codes.

In terms of volumes foreign trade statistics reported by GTK seem to represent the market situation adequately. Black and grey market operations, especially in the fish business, are considered by the markets experts to have become less frequent. "Strategic" food items such as fish seem to be subject to increasingly sophisticated controls. For example it is no longer possible to import salmon fillet as whole salmon in order to reduce customs duties.

However, underreporting in terms of value is considered to be widespread in foreign trade and in the fish business in particular in order to minimize customs duties which are calculated from the total value of the goods declared. Underreporting seems to be frequent with offshore companies or forwarding companies registered in countries with preferential taxation regimes.

2.1.3 Sector research institutes

A number of sector research institutes are responsible for monitoring fish resources. The regional research institutes AtlantNiro (Kaliningrad), Pinro (Murmansk) and Tinro (Vladivostok) are in charge of compiling primary production statistics from Western, Northern and Far East fishing basins respectively. The primary fishing data is based on "Daily Vessel Reporting," a special reporting form which is submitted by each vessel on daily catches and which is also used for stock assessments.

2.1.3.1 VNIRO

General production data is compiled by the All-Russia Research Institute for Marine Fisheries and Oceanography (VNIRO), which is responsible for providing the official statistics on the fishery industry in Russia.

2.1.3.2 VNIERKH

The All-Russian Scientific and Project Institute for Economy, Information and Management of Fisheries (VNIERKH) is an official information source for the Federal Agency of Fisheries. Based on the information sources mentioned above, it compiles data and produces publications on different aspects of the fish industry.

2.2 Key statistical information

Key statistical data in this report is listed below with reference to their location in chapters and annexes.

Chapter / Data	Page	Annex
3. FISH HARVESTING		
Fish catch dynamics 2001-2004	8	
Catch data 1999-2003, 2004		3a, 3b
Catch by fishing zones	8	
Catch by fishing basins	11	
4. FISH FARMING		
Fish farming production	24	4a
Fish feed imports	28	
5. THE FISHING FLEET		
Fishing vessels, number	34	
Fishing vessels, age	35	
Imports of fish processing machinery by countries	42	
6. THE PROCESSING INDUSTRY		
Seafood production	47	
Structure of processing capacity	49	
Processing capacity in regions		6a
Major players		6b-6f
7. TRADE		
Fish and seafood exports	62	
Fish and seafood imports	66	
Selected import duties	69	
8. MARKET		
Annual per capita consumption of seafood	78	
Consumption of main seafood products	79	
Seafood versus general food consumption	82	
Supermarkets and hypermarkets dynamics	86	

3 FISH HARVESTING

This chapter gives a national and regional overview of fish catches in Russia, and of the major types of fish and other marine resources harvested. It includes a listing of Russia's participation in international regional fishery bodies, and there is a description of historic quota prices, current resource fees, quota market and prices, policy guidelines and likely developments.

The sources used in describing the catch data are VNIERKH, the White Book "Russia's Fishery Complex in 2003" published by VNIERKH, VNIRO and Rosstat. These sources report different data on primary fish production, but the difference is relatively small and negligible. Information from the FAO "Fishery Industry Profile – Russia" has also been used in the overview.

A general directory of the Russian fish industry can be found on www.fishres.ru.

3.1 Key features

The main elements that emerge from this chapter are that that Russia's fish harvesting has gone through a declining trend which may have been stemmed in 2005 but also that Russia is still among the world's top ten producers of fish. The Russian Far East makes up 60% of Russian fisheries with Alaska pollack as the overall largest species. In spite of some valuable species quotas being fully utilised or over-utilised, there is a general under-utilisation of fishing possibilities. There are expectations that a number of species, some of them coastal species, present good potentials for improved exploitation.

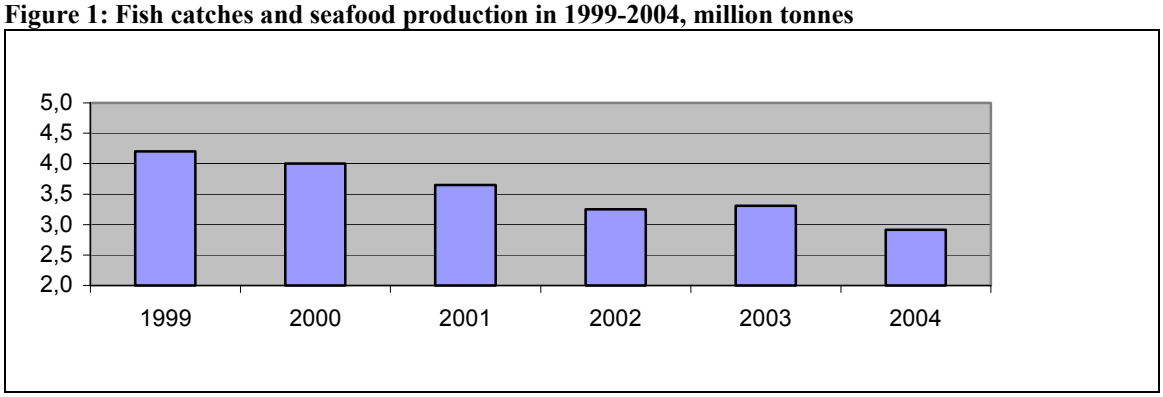
The new law on fisheries from 2004 introduced significant changes in the legal framework, particularly by replacing the quota auction system with long term quota shares allocated to fishing companies for at least 5 years. The major players in the industry are pressing for legislation to implement the possibility of quota transfers introduced by the law on fisheries. Foreign companies can get access to exploiting Russian fishing quotas provided they register as Russian legal entities and pay taxes and fees in Russia, or join Russian companies as shareholders or through partnerships.

The impact of the new legal framework will start to become visible when under-exploited quota shares are redistributed starting from 2006 and when long term quotas (of 5 years or more) will be up for reallocation in 2008. There is some confidence in the industry and among experts that the new legal framework will contribute to a consolidation the fishing industry in fewer and more efficient enterprises, creating the basis for better and more sustainable fishery management.

3.2 Capture fisheries

The total Russian catch in 2004 is forecasted at 2.9-3.0 million tonnes, a decline of 11-12% from 2003. The dynamics of catches from 1999 to 2004 are shown in **Figure 1**. Catch statistics for 1999 – 2003, and forecasted catches in 2004 are shown in **Annexes 3a** and 3**b**.

Figure 1: Fish catches and seafood production in 1999-2004, million tonnes



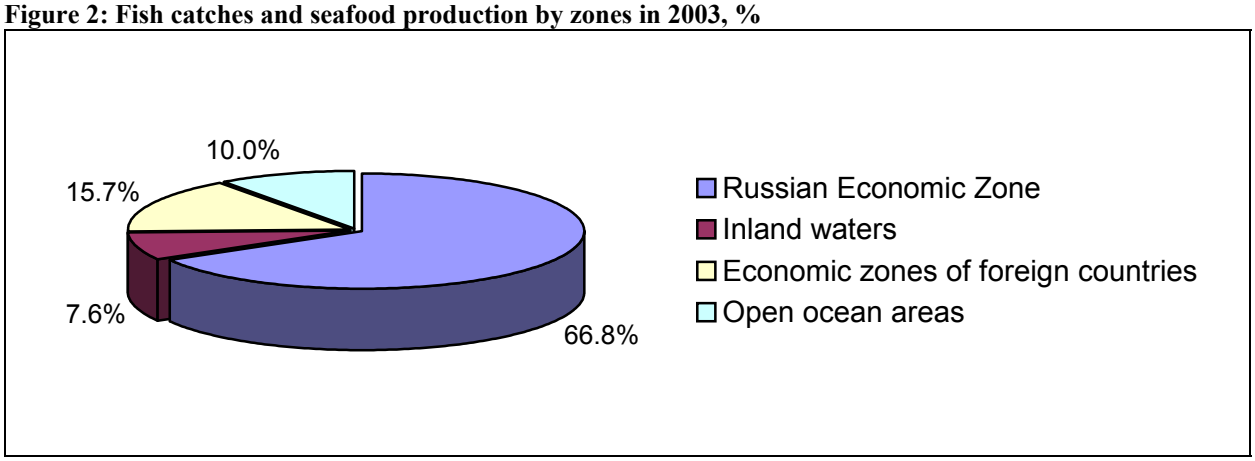
Source: *Rosstat*

Russia still remains among the world's top ten fishery producers. However, the national harvest is well below historical levels when one recalls catches of approx. 7 million tonnes in 1991. Several reasons have led to this significant decline since the 1990s. The restructuring of the overall fishery industry, together with reduced fishing activity, and the declining status of the fishing fleet, are reflected in the national production figures. Catches in open ocean areas previously accounted for up to 80% of the total catch, but now contribute only about 10%[4].

Government officials expect that the harvest in 2005 will reach 3.4 – 3.5 million tonnes[5], and the forecast for the first 8 months of 2005 indicates a 12.5% increase in catches compared to 2004[6].

In 2003 catches in the Russian EEZ and inland waters amounted to 74.3% of the total, while the remaining 25.7% came from other EEZs and open ocean areas (**Figure 2**).

Figure 2: Fish catches and seafood production by zones in 2003, %



Source: *VNIERKH*

[4] Interfax, Russia & CIS Food and Agriculture Weekly, 13 July 2005
[5] Interfax, Russia & CIS Food and Agriculture Weekly, 13 July 2005
[6] Interfax, Russia & CIS Food and Agriculture Weekly, 17 Sepember 2005

3.2.1 Utilisation of resources

The VNIERKH research institute has calculated the utilisation of the allocated resources in terms of actual catches as a percentage of the Total Allowable Catch (TAC). TACs are allocated by the Russian government for the main commercially utilised resources in the Russian EEZ, i.e. Russian territorial waters up to 200 nautical miles from the coast. In international waters or in the EEZs of foreign countries, the TACs are negotiated in the relevant regional fisheries bodies (i.e. NEAFC for the north-east Atlantic) or bilaterally with the relevant states. In waters of the European Union, the TACs are negotiated with the European Union and not with individual EU member states.

According to VNIERKH catches of fish in the Russian economic zone accounted for 2.21 million tonnes in 2003, corresponding to 58.6% of the TAC. The corresponding figures for inland waters were 0.25 million tonnes and 53% of the TAC, in foreign economical zones 0.52 million tonnes and 25.4% of the TAC, and in distant waters 0.33 million tonnes and 20.2% of the TAC.

The apparent low utilisation across the board of the TACs can be attributed to different factors such as inefficient fleet and fisheries management. Another factor could be that TACs for some species are set at a level higher than the actual availability of resources ("paper quotas").

In spite of the general picture of under-utilised TACs, some resources are fully exploited, and in some cases also overfished. Illegal, unreported and unregulated fishing (IUU fishing), often referred to as "poaching," affects such resources as Alaska pollack and Barents Sea cod. An estimate of unreported cod fisheries in the Barents Sea is recorded by ICES (International Council for the Exploration of the Sea): "Estimates on unreported catches of cod in 2002 - 2004 indicate that this is a considerable problem. Unreported landings are estimated at 90 000, 115 000 and 90 000 tonnes in 2002, 2003 and 2004 respectively, i.e. 20% in addition to official landing statistics."[7]

The issue of illegal fishing plays a significant role in discussions aiming at better control over fish resources and ensuring that the fish is landed and utilised on Russian territory.

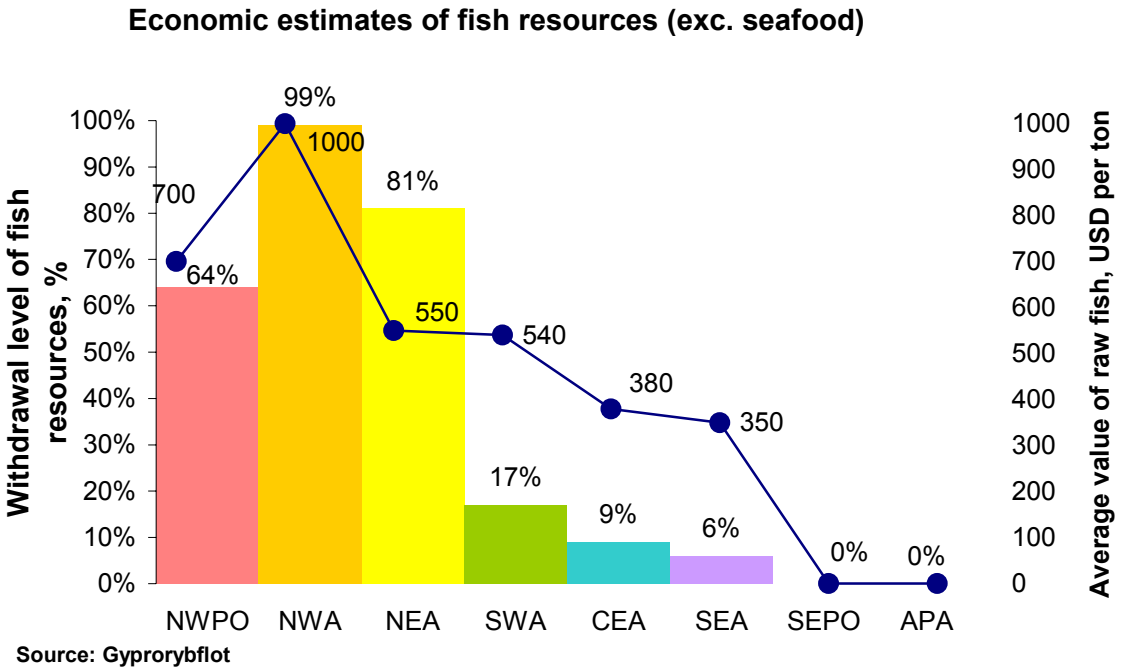
3.2.1.1 Economic estimates of fishing zones

Gyprorybflot has made a model estimating of the profitability of fishing in the different fishing zones, both inside the EEZ and outside, illustrated by **Figure 3**. The bar chart shows the TAC utilization rate by different fishing grounds. The curve presents the average value of finfish catches at the respective fishing grounds. The North West Pacific and the North East Atlantic are the most abundant fishing zones with relatively high TAC utilisation and average value of catches. The estimate illustrates the profitability of building new ships in relation to different fishing zones, as discussed in the chapter on the

[7] ICES, Report of the Arctic Fisheries Working Group (Afwg), 19-28 April 2005, Murmansk, Russia.

Fishing Fleet. Russia has no quotas in the South-eastern Pacific. The model is based on average catch figures.

Figure 3: Economic estimates of fish resources (excl. seafood)
(see explanations under the figure)



Fish resource capacity by basins ('000 tonnes)							
NWPO	NWA	NEA	SWA	CEA	SEA	SEPO	APA
2600	20	1100	140	460	330	260	7
Average distance from fleet location to the catching ground (miles)							
1500-2000	3500-4600	1500-3200	6800-7400	4100-4500	6300-6900	9400-9700	8000-8500

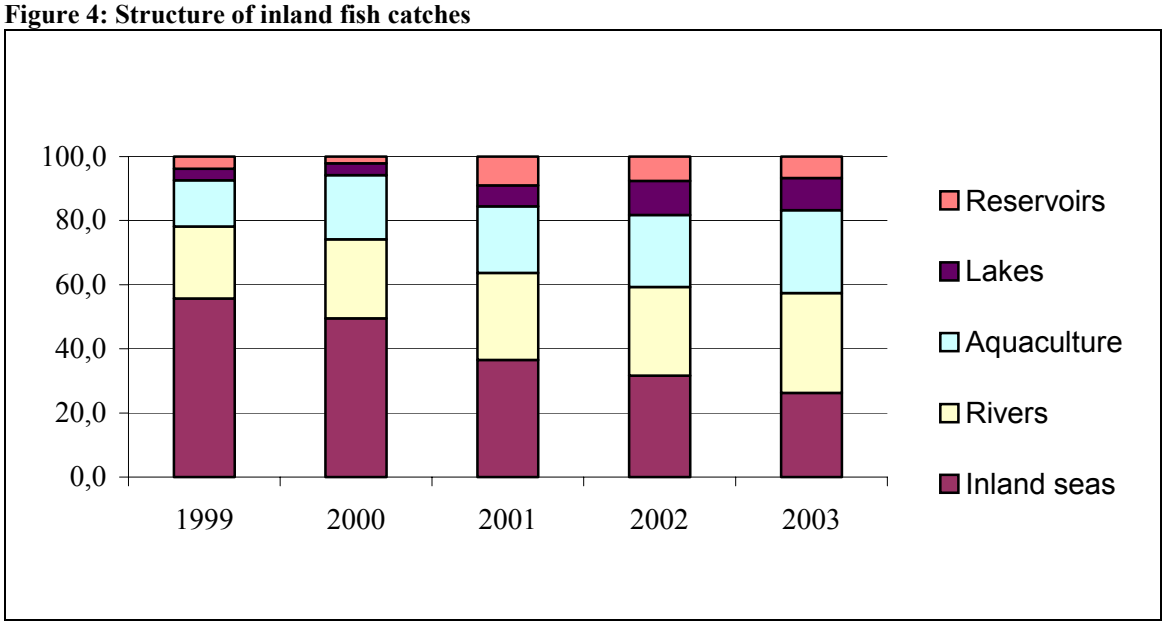
NWPO - North-western part of the Pacific Ocean
NWA – North-western part of the Atlantic Ocean
NEA – North-eastern part of the Atlantic Ocean
SWA – South-western part of the Atlantic Ocean
CEA – Central-eastern part of the Atlantic Ocean
SEA – South-eastern part of the Atlantic Ocean
SEPO – South-eastern part of the Pacific Ocean
APA – Arctic part of the Atlantic Ocean

3.2.2 Inland resources

The share of inland fisheries, which include the Caspian Sea, Black Sea and the Sea of Azov, in the total production structure is relatively low and accounts for 7.6% or 249,100 tonnes. **Figure 4** shows the importance of different types of inland water basins. From

1999 to 2003 the share of catches from inland seas decreased from 55.7% to 26.2%. On the other hand, the importance of aquaculture operations and fresh water reservoirs increased.

Figure 4: Structure of inland fish catches



Source: *VNIERKH*

3.2.3 Distribution of catches by fishing basins

The development of fish catches in the main fishing zones is shown in **Table 2** (preliminary data).

Table 2 : Primary fish production in '000 tonnes

	2004*	2003	%, 2004/2003
Far East Basin	1 730.2	1 972.3	87.7
North basin	673.2	729.5	92.3
West Basin, of which:			
Kaliningrad region	327.6	333.6	98.2
St. Petersburg and Leningrad region	29.4	30.5	96.4
South region Basin	37.1	59.6	62.2
Caspian region Basin	52.2	65.5	79.7
Other (including inland and fresh water)	63.5	62.2	102.1
Catches total	**2 913.2**	**3 253.2**	**89.5**

Source: *VNIERKH* * *Preliminary*

Russia has 5 main fishing zones (basins). The following description is based on data from 2003.

3.2.3.1 The Far East administrative fishery basin

The Far East basin is the main fish catching zone of the Russian fishing industry accounting for almost 60% of the national catch. In 2003 nearly 2 million tonnes of fish were caught in the Pacific Ocean, almost exclusively (99%) in the Russian EEZ. Most of the catch in the Russian Far East was taken in the northwest part of the region in the Pacific Ocean. Major fish resources in the Russian EEZ are located in the Okhotsk Sea (54%), the western part of the Bering Sea (21%) and the East Kamchatka zone (11%).

The Pacific waters outside the EEZ have not proved suitable for bottom and pelagic fisheries, and there is a general ban on Pacific salmon fishery in international waters.

During 2000-2003 the overall catch in the Far East basin declined by 15% (Alaska pollack -13%, plaice -20%, herring -47% and cod -24%). However, in 2003 the salmon catch increased by 27% compared to 2002, and the region's share of the national captures increased from 52.6% to 59.8%.

Of a list of more than a thousand registered companies in Russia, the number of registered fishing companies in the Far East is about 300, most of which deal with trade.

3.2.3.2 The Northern fishery basin

The Northern fishery basin of the Russian Federation is the second most important fishery region with an estimated share of 22% of the total national catch. In 2003 fish harvesting in the Northern Basin decreased by 20% to 727 000 tonnes. A quarter of the catch originated from the north-eastern part of the Atlantic Ocean.

Murmansk is the only port which does not freeze in the North and north-west Russia. Other ports are located in Archangelsk and Kandalaksha. The main fish species of the region are cod, haddock, herring, redfish, salmon, capelin, blue whiting, arctic cod, flatfish and mackerel.

3.2.3.3 The Western fishery basin

With 372 000 tonnes, the Western basin with the ports on the Baltic Sea accounted for 11% of the total Russian catch in 2003, a decline of 5% from 2002. A significant share of the catches originated from the north-west part of the Atlantic Ocean (83%).

The main commercial fish species of the Baltic Sea are herring, sprat, cod and salmon. Other significant species are Baltic flounder, Baltic turbot and pike perch in the Kaliningrad bay and the Peipus Lake. In 2003 the catches in the Atlantic Ocean of redfish increased by 65% compared to 2002, and blue whiting and herring catches increased by 36% and 27% respectively. Mackerel catches decreased by 31%, and Jack mackerel showed a sharp decline of 78%.

3.2.3.4 Southern fishery basin and Caspian basin

Fish harvesting in the southern region (including the Caspian Sea) amounted to 123 000 tonnes in 2003, which is approx 4% of the total Russian catch. Approximately one half of

the catch (63 000 tonnes) came from the Caspian Sea. The catch from the Black Sea was estimated at 29 000 tonnes, and that from the Sea of Azov at 13 000 tonnes.

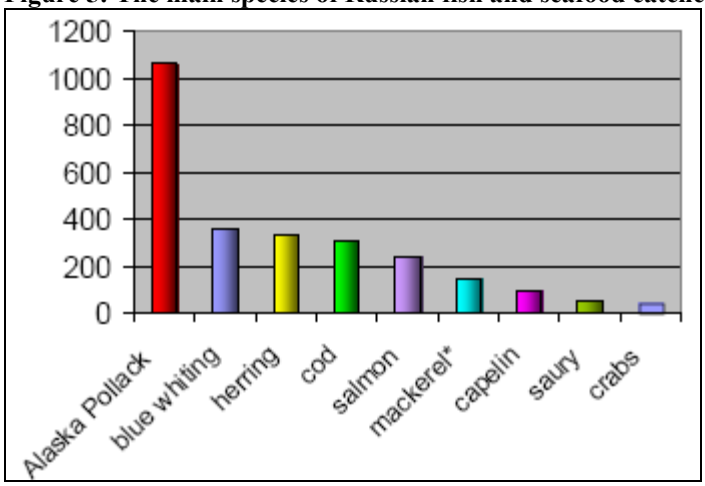
The main commercial species of the Caspian Sea are sprat, pike-perch and sturgeon. The main species of the Azov Sea are the different sturgeon species, Azov sea anchovy, Azov kilka, sprat, pike-perch, bream and Black Sea roach.

3.2.4 The main species

The Russian fishery harvest includes about 170 species of finfish and more than 100 commercial species of invertebrates.

The major part of the national harvest (see **Annex 3a**) consists of Alaska pollack (30-40% of total catch). Blue whiting is second with 11% of the total, followed by herring with 10%. Atlantic and Pacific cod account for 9% of the total catch. Salmon catches make up about 7%, but the species is very important in terms of its high value. Other important catches include mackerel, capelin, Pacific saury, halibuts, haddock and crabs (23%).

Figure 5: The main species of Russian fish and seafood catches in 2003, '000 tonnes



Source: *FAO* * *Mackerel catches: Atka mackerel included*

3.2.4.1 Alaska pollack (Theragra chalcogramma)

This is the main commercial species for the Russian fishing fleet, accounting for more than 1 million tonnes, or 33% of the total catch in 2003. The quota of Alaska pollack is generally fully utilised.

Russia has been the world's largest Alaska pollack producer for a long time. However, climatic changes and overfishing have reduced the annual Alaska pollack catches from 3.56 million tonnes in 1991 to 1.14 million tonnes in 2003. From 1998 to 2002 the Alaska pollack harvest gradually declined, although in 2003 there was an increase of 19.7% compared to 2002. The main Alaska pollack resources are situated in the Bering Sea and the Sea of Okhotsk. The main catching areas are the fishing grounds off Navarin Cape in the Bering Sea and West Kamchatka in the Okhotsk Sea.

3.2.4.2 Blue whiting (Micromesisteus poutassou)

Russia accounts for the world's third largest catch of blue whiting. The Russian harvest of blue whiting goes mainly for human consumption as well as fishmeal. It is often a substitute for other low-cost fish such as Baltic sprat and Baltic herring.

3.2.4.3 Atlantic and Pacific herring (Clupea harengus harengus and Clupea pallasi)

Herring, at 10% of the total catch, is the third largest Russian commercial target species in terms of volume. It has seen a significant decline from 530 000 tonnes in 1999 to 335 000 tonnes in 2003. In 2003 catches of Pacific herring were 191 000 tonnes and Atlantic/Baltic herring 144 000 tonnes. The most abundant stocks of Pacific herring are found in the Okhotsk Sea, Korfo-Karaginsk and Gyzhigin-Kamchatka regions.

3.2.4.4 Cod fish (Atlantic cod (Gadus morhua), Pacific cod (Gadus macrocephalus), Polar cod (Boreogadus saida) and Navaga/Saffron cod (Eleginus gracilis)

The total annual catch of cod fish has been stable during recent years at over 300 000 tonnes. The main species include Atlantic cod (186 000 tonnes), Pacific cod (52 000 tonnes) and haddock (45 000 tonnes). Cod is fished in the Barents Sea, Bering Sea and the Seas of Okhotsk and Japan. The main resources of Pacific cod are concentrated in the western part of the Bering Sea, and off West and East Kamchatka.

3.2.4.5 Pacific Salmon

Pacific salmon belongs to the genus Oncorhynchus, The table below shows the scientific and current market names used for the five most common species in the Russian Far East fisheries. Japanese trout (Dolly Varden) (*Salvelinus malma malma*) is also caught.

Table 3: Scientific and current market names for salmon

O.gorbusha	Pink, Humpback, Humpy
O.keta	Chum, Silverbrite, or Keta
O.kisutch	Coho, Silver
O.nerka	Sockeye, Red, Blueback
O.tschawytcha	King, Chinook, Tyee

Salmon is one of the most popular species in Russia. Pink salmon, the main commercial species, accounts for almost 80% of the total salmon catch. The main fishing grounds for Pink salmon are the northern part of the Okhotsk Sea, East and West Kamchatka, the waters of the Kuril Islands, and the southern part of the Sakhalin Islands. Keta salmon and sockeye salmon are other important salmon species.

Atlantic salmon *(salmo salar)* is not caught regularly in Russia.

3.2.4.6 Mackerel (Atlantic mackerel (*Scomber scombrus*), Chub mackerel (*Scomber japonicus*), Jack mackerel (*Trachurus japonicus*), Horse mackerel (*Trachurus trachurus*), and Atka Mackerel (*Pleurogrammus monopterygius* – a demersal species not of the mackerel family)

Mackerel catches amounted to 81 000 tonnes in 2003, showing a constant decline from 227 000 tonnes in 1999. In addition, the Okhotsk Atka mackerel catch was 61 000 tonnes in 2003. Atka mackerel is found from the east coast of the Kamchatka throughout the Komandorskie and Aleutian Islands, and north to the Pribilov Island. Other main mackerel species are Atlantic mackerel at 40 000 tonnes and Chub mackerel at 21 000 tonnes. All species of the mackerel family, as well as herring, blue whiting and capelin, come mostly from international waters and foreign zones. Russia has only limited resources of these species.

3.2.4.7 Pacific saury (*Cololabis saira)*

This species has shown a significant increase in catches over the last few years, reaching 57 000 tonnes in 2003 from less than 5 000 tonnes in 1999. The South Kurils are the main fishing grounds for Pacific saury. In accordance with a bilateral agreement, Far Eastern fishermen are permitted to catch Pacific saury in Japan's exclusive economic zone.

3.2.4.8 Crab (Red king crab (*Paralithodes camtschatica*), Blue king crab, Snow crab, Hair crab, etc)

Crab products are described as "other Russian caviar" and considered luxury products. Russia is the third largest crab exporting country after Thailand and China. Crab catches have fluctuated widely in Russia, as the general harvest of crab is highly unpredictable and variable. During the 1980s the production level was zero and gradually grew from the middle of the 1990s as the national harvest approached 23 000 tonnes in 1997. Catches of the king crab species have declined sharply from 46 000 tonnes in 1999 to 14 000 tonnes in 2003. The main reasons for the decrease have been overfishing and illegal fishing.

In 2005 quotas for red king crab transplanted from Kamchatka were allocated in the Barents Sea. The region has become the main area for the king crab fishery after the drastic decline in the resources in the Far East.

3.2.4.9 Flatfish

Flatfish in the Russian Far East comprise more than 20 species. However, only a few of them have commercial value: Yellowfin sole (*Limanda aspera*), Alaska plaice (*Pheuronectes pallasi*), Rock sole (*Lepidospetta bilineata*), Starry flounder (*Platichtys stellatus*), Flathead sole (*Hippoglossoides elassodon*), Korean flounder and some other species. The traditional fishing grounds for flounder are Northern Kamchatka, the South Kuril Islands, the Western part of the Bering sea and the off-shore areas in the northern part of the Okhotsk sea. Annual catches are at a level of 80 000 tonnes. The flounder stocks are showing an upward trend, but are underfished due to their low profitability.

There are three main species of halibut in the far eastern seas: Black (*Reinharditus hippoglossoides*), Blue and White halibuts. Average catches are over 10 000 tonnes a year.

Flatfish in the Barents Sea comprise Greenland halibut (*Reinhardtius hippoglossoides*) and other species such as long rough dab (*Hippoglossoides platessoides*) and plaice (*Pleuronectes platessa*). Annual Russian catches of Greenland halibut are between 4 000 and 5 000 tonnes, taken mostly in the NAFO area and the Greenland Zone. The stock status of Greenland halibut has been low since the late1980s, but has shown a slight increase in recent years.

3.2.4.10 Squids and cuttlefish (Cephalopods)

In the Far East the main commercial species are pelagic varieties, especially *Berryteuthis magister* squid caught mostly in the North Kuril grounds. Meanwhile the Pacific and Bartram species are hardly caught at all. They can be fished in the Japan Sea, off the Kuril islands and in the Okhotsk Sea. These resources have traditionally been underfished due to the lack of jigger boats to develop this resource. Several Primorye firms have bought specially equipped vessels in Japan and have only begun to tap this big TAC in 2005.

3.2.4.11 Other important species

Apart from the main commercial species, there are many other important fish and other marine organisms. They include freshwater bream, haddock, redfish, European perch, pike-perch, tunas, grenadier, anchovy, sprat and scallops.

3.3 Regional fisheries bodies

Russia is member of a number of regional fishery bodies, some with management competencies and some with scientific or advisory functions.

a) Organisations with management competence:

Table 4: Regional fisheries organisations with management competence

Organisation	Russian TACs in 2005 and other management measures
International Baltic Sea Fisheries Commission (IBSFC) www.ibsfc.org	Herring 15 000 t Sprat 55 440 t Cod no TAC in 2005 2004: 3 500 t Salmon 10 321 pcs
North West Atlantic Fisheries Organisation (NAFO) www.nafo.int	Redfish, Div. 3M 9 137 t Redfish, Div. 3O 6 500 t Redfish, sub-area 2 and Div. 1F+3K 25 000 t (Quota to be shared by vessels from Denmark (Greenland and Faroe Islands), European Union, Iceland, Norway and Russia. Catches in the NAFO Convention Area shall be deducted from the quotas allocated in the NEAFC Convention Area) White Hake, Div. 3NO 500 t Capelin, Div. 3NO 0 t Skates, Div. 3LNO 2 250 t Squid, sub-areas 3+4 749 t Shrimp, Div 3L 144 t Shrimp, Div. 3M Effort allocation, no. of fishing days: 2100. Number of ships not defined. Greenland halibut rebuilding plan, Areas 3LMNO, TAC 2004 1890 t 2005 1796 t 2006 1748 t 2007 1512 t

North East Atlantic Fisheries Commission (NEAFC) www.neafc.org	Mackerel ICES area IIa, V, VI, VII and XII including areas under the jurisdiction of coastal states: No allocation due to objection by Iceland and Russia to a NEAFC Recommendation on Management Measures for Mackerel in 2005 (unilateral Russian catches take place). Haddock ICES division VIb (Rockall): No fishing except with longlines in defined areas (Russian bottom trawling is, however reported to take place – **source** RFR July 2005). Deep sea species: effort limitations Blue whiting: not allocated.
North Atlantic Salmon Conservation Organization (NASCO) www.nasco.int	No regulatory measures for Atlantic salmon fisheries in Russia
Commission for the Conservation of Antarctic Marine Living Resources (CCAMLR) www.ccamlr.org	No fishery quotas for Members. In recent years, Russia has notified and/or participated in various CCAMLR fisheries including: Midwater trawl fishery for icefish in Subarea 48.3 (South Georgia, see Conservation Measure 42-01), Longline fishery for toothfish in Subarea 48.3 (South Georgia, see CM 41-02) Exploratory longline fisheries for toothfish in Subareas 88.1 and 88.2 (Ross Sea, see CM 41-09 and 41-10)
North Pacific Anadromous Fish Commission (NPAFC) www.npafc.org	Fishery of anadromous (incl. Pacific salmon) species is prohibited in the NPAFC Convention Area.

b) Organisations with scientific or advisory competence:

ICES – International Council for the Exploration of the Sea (www.ices.dk)
PICES – The North Pacific Marine Science Organization (www.pices.int)
EIFAC – European Inland Fisheries Advisory Commission (www.fao.org/fi/body/eifac/eifac.asp) (Russia is observer, but Russian scientists participate regularly in the work of the Commission)

3.4 Fishing quotas

The system of allocation of quotas was changed from 2003 to 2004, from a system based on quota auctions to a system mainly based on multiannual quotas of at least 5 years.

Table 5 shows the average prices of auctioned quotas for some species in the period 2001-2003

Table 5: Dynamics of average prices per tonne of the auctioned quotas in 2001-2003

Species	2001		2002		2003	
	Average price, '000 RUR per metric tonne	Average price, USD per metric tonne	Average price, '000 RUR per metric tonne	Average price, USD per metric tonne	Average price, '000 RUR per metric tonne	Average price, USD per metric tonne
Red king crab	9.8	3336.5	164.4	5219.2	93.7	2927.6
Blue crab	222.3	7663.9	196.7	6245.5	295.3	9229.6
Snow crab bairdi	108.0	3725.0	75.7	2404.0	111.9	3498.1
Red tanner crab	2.2	75.0	12.1	383.8	26.0	813.3
Snow crab opilio	80.6	2778.7	95.7	3038.3	135.5	4234.9
Deepwater shrimp	24.9	860.0	26.0	825.0	28.1	879.3
Alaska pollack	4.4	153.3	9.8	311.7	17.7	553.5
Sea scallops	7.1	243.5	7.0	222.2	7.0	218.8
Halibut	13.6	470.0	16.6	526.1	24.4	762.6
Herring	2.1	73.3	1.4	44.5	1.3	40.6
Cod	6.5	225.2	7.3	231.9	19.0	593.5
Cod (the Barents Sea)	14.1	485.8	21.6	687.0	25.9	808.0
Average price per tonne of finfish and non-finfish species	11.8	406.5	13.8	438.9	17.9	558.8

Source: *Russian Fish Report (April 2003 No. 04 (79))*

A comparative analysis of the average prices at the quota auctions over three years of 2001-2003 has revealed an increase in the average price per tonne of fish stocks in 2003 (558.8 USD) of 27% compared to 2002 (438.9 USD), and of 37% compared to 2001 (406.5 USD).

In 2003 resource fees were introduced in the federal tax legislation providing the legal basis for securing revenue from the fishing rights after the abolition of auctions. The resource fees apply to commercial fisheries, and subsequent amendments have been introduced reducing fees for selected species, such as snow crabs. Foreign companies exploiting the stocks (through international and bilateral agreements) of the Russian

continental shelf, inland marine waters and the territorial sea have to pay the resource fees as well as other taxes and duties along with Russian companies.

Resource fees for some of the main species are (RUR pr. tonne):

Alaska pollack – Okhotsk Sea	3 500	(USD 123)
Alaska pollack – Other areas	2 000	(USD 70)
Cod – North Basin	5 000	(USD 176)
Halibut – North Basin	7 000	(USD 246)
Pike Perch	1 000	(USD 35)

The complete list of resource fees is given in **Annex 3c**.

The Federal Law "On Fishery and Conservation of Aquatic Biological Resources" No.166-FZ of 20 December 2004 (hereafter referred to as the law on fisheries) introduced the new quota system and other management instruments. Management rules adopted in international agreements will prevail, if different from the rules introduced by the law. A description of the law is attached in **Annex 3d**.

Quotas are introduced for commercial fisheries, "off-shore" as well as "in-shore" coastal fisheries including inland fisheries. Other quotas are established for other types of fisheries (scientific, educational, traditional fisheries). Based on a 5 year track record quotas are allocated for "at least" 5 years.

The law allows for 2 types of auctions: "quota auctions" for new fisheries of unallocated resources, and "quota share auctions" on quota shares withdrawn from users. Quotas which have been utilised by less than 50% over two years are withdrawn.

3.4.1 Current quota situation and likely developments

The government is currently preparing rules to simplify the quota procedures, limiting quotas to the main species in order to streamline the procedure for calculation, approval and control of TAC harvesting.

The law on fisheries introduces the possibility of quota transfers, to be followed up by implementing regulations. The industry is pressing for the rules to be made, and they are expected later in 2005 or 2006. Until the new regulations are in place, the quotas are sold unofficially by making joint activity agreements between quota holders and boat operators who divide the proceeds from the catch.

In a current example a pelagic trawler with quotas of Alaska pollack, grenadier, squid and herring in the waters off Kamchatka (Russian Far East) is offered for sale. Until the implementation rules for quota transfers are introduced the buyer can temporarily charter the vessel while the seller nominally keeps the rights over the catch quotas, transferring them to the buyer at the following – negotiable – rates to be paid for the quotas:

- Alaska pollack - $500/MT
- Grenadier - $100/MT
- Squid - $100/MT
- Herring - $100/MT

As soon as the new regulation comes into force, the current owner will transfer the quotas in the official way. Only Russian nationals are allowed to buy the vessel, but a Russian company could also be 100% foreign owned.

Fishery analysts expect that a considerable redistribution of capture quota shares for the commercial fishery is likely to take place in 2006 with fully utilised quotas changing hands and under-utilised quotas in 2004-2005 being withdrawn from operators.

It is anticipated that the process will accelerate the merger of small loss-making companies into larger viable operations. From a management point of view this process could facilitate better controls and the reduction of unreported fisheries (poaching).

3.4.2 Foreign access to Russian quotas

Foreign companies had access to buy Russian quotas under the previous auction system, but with the introduction of the new fisheries law this form of ownership is no longer possible. Russian legislation does not allow for joint-ventures, and since 1 January 2005 bare boat charters (long term leasing of foreign vessels) can no longer give access to Russian quotas. Alternatively, leasing arrangements have become the best way for any joint business of Russian and foreign partners when the transfer of boats is involved.

Under current Russian legislation there are no restrictions on forming a Russian company eligible for quota allocation with 100% foreign capital. Icelandic companies which wish to buy quota-holding Russian enterprises will therefore need to be registered as legal entities in Russia. After the new regulations on transfer of quotas enter into force, such companies will be able to buy quota shares and participate in auctions if any new species are opened up for fishery (Polar cod for example), see also section **9.1**.

Icelandic companies can also become shareholders of Russian owned fishing enterprises (see examples of companies with Portuguese shareholders in Murmansk, section **9.3.1.2**)

3.4.3 Outlook for the fishing industry

Better use and better management of fish stocks in the Russian EEZ is widely recognised as a key condition to improving the results of the Russian fisheries sector. A comprehensive strategy plan outlining the objectives for the fishing industry, the "Concept of Development of the Fishery Economy of the Russian Federation for the period up to the year 2020" was published by the government in the autumn of 2003. The development guidelines are divided into three phases: 2003-2005, 2006-2010 and 2011-2020. The implementation of the first phase has been only partial with the adoption of the new law on fisheries, while no central programme budgeting has been provided. A summary with comments of the "Concept" is attached as **Annex 3e**.

In the medium–term, inshore or coastal fishing is considered an area with some potential. Amendments to the fisheries law to incorporate more details on coastal operations are being actively promoted by the industry for hearing in the State Duma. Under-utilisation of quotas has been recorded as a problem in inshore fisheries, and quotas exploited by less than 50% within the first two years are withdrawn.

There are resources in the EEZ that are thought to offer potential opportunities for commercial utilisation:

- Pacific and Bartram squids in the Russian Far East
- Huge untapped kelp resources along Kamchatka
- Shrimp (Pandalus borealis) in the Barents Sea
- Polar cod both in the Barents Sea and the Pacific Ocean, considered suitable for surimi production
- Increased utilisation of Blue whiting for human consumption (and adding value to the catch)

Other possible species could be:

- Flatfish in the Barents Sea, mainly American plaice (long rough dab)
- Pike perch from the fresh and brackish waters in the Kaliningrad and Pskov areas. Frozen pike-perch fillets are exported mainly to Germany, Denmark and Belgium – although the potential may be limited
- Other species could be deepwater crabs, skates and rays

As discussed in more detail in the following chapter, the development of aquaculture is also seen as a promising priority.

4 FISH FARMING

This chapter describes fish farming in Russia and outlines main developments and future prospects for the sector.

4.1 Key features

The key elements emerging from this chapter are that there is a strong potential for developing fish farming in Russia, mainly in-land farming but to some extent also marine farming. Fish farming production has been increasing steadily since the record low level of 1996 and fresh water farming of trout, carp and sturgeon is developing in accordance with market demand and consumer preferences. New farms are emerging outside the big consumer centres such as Moscow and St. Petersburg.

Russia has a particular specialisation in sturgeon farming, which is also developing in other areas than the Caspian Sea. Rainbow trout is growing rapidly, creating demand for new equipment among the most successful farms. High quality imported feed is in high demand both in trout farming and in the far eastern salmon hatcheries, and new European exporters are emerging on this competitive market which could also be interesting for Icelandic investors.

Financing of new equipment is an obstacle to the development of fish farming, but there are well established and consolidated companies which are able to respond to the market and increase production.

The prospects for marine farming of salmon and especially cod are limited.

4.2 Overview

The territory of Russia is characterized by a wide variety of soil and climatic conditions. Lakes occupy 22.5 million hectares of its territory, man-made reservoirs 8.9 million hectares, rivers 523 400 kilometres[2], multi-purpose water bodies 1 million hectares, and ponds 141 600 hectares[8].

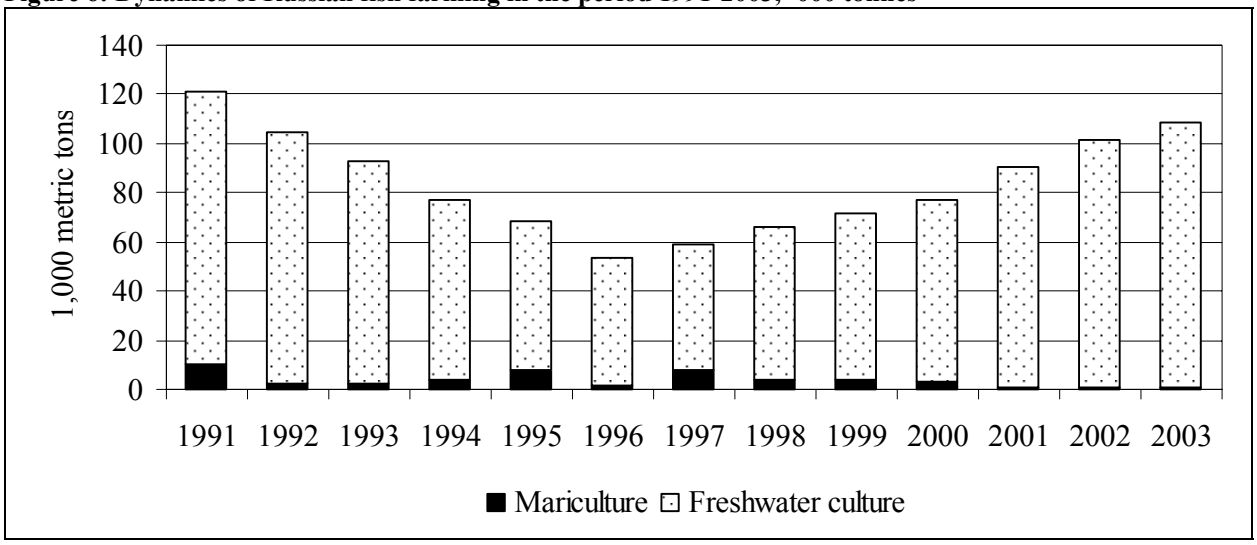
Fish farming production in Russia has been growing steadily over the last 7 years, in spite of the decline observed in the 1990s (see **Annex 4a**). National aquaculture production reached almost 108 751 tonnes in 2003 and just under 108 000 tonnes according to 2004 estimates (see **Annex 4b).** Most of the output is represented by carp (Common carp, Silver carp and Grass carp), rainbow trout and freshwater whitefish. Sturgeon farming is a Russian specialty.

Marine aquaculture - mariculture - is dominated by the culture of molluscs and seaweeds and other organisms in the seas, lagoons, estuaries, coastal lakes or in artificial conditions. The main species are mussels, oysters, scallops and kelp. Scallop farming is a

[8] Russian Fish Report No 10 (85) October 2003 p. 24

new trend in marine aquaculture. Marine farming of finfish is not widely developed, but there are plans to exploit the potential for salmon and cod farming in the coastal areas of the Barents and White seas.

Figure 6: Dynamics of Russian fish farming in the period 1991-2003, '000 tonnes



Source: *Victor V. Ivin, Institute of Marine Biology,Vladivostok*

Table 6: Fish farming production in Russia, metric tonnes

	1996	**1997**	**1998**	**1999**	**2000**	**2001**	**2002**	**2003**
Mariculture	1 812	8 116	3 896	3 715	3 514	628	574	769
Freshwater culture	51 493	51 110	62 115	68 000	73 512	89 519	101 009	108 010
Total	**53 305**	**59 226**	**66 011**	**71 715**	**77 026**	**90 147**	**101 583**	**108 779**

Source: *Victor V. Ivin, Institute of Marine Biology,Vladivostok*

The Rosrybkhoz is the main association for fish farming companies with a total production of up to 100 000 tonnes of fish per year (Chairman Gluschenko Vasili Dmitriyevich, phone + 7 095 209 0038, fax 209 05 89, e-mail: aquafish@ipc.ru)

A list of fish farming enterprises is shown in **Annex 4c**.

4.3 Main species

4.3.1 Rainbow trout

Rainbow trout farming has a long history in Russia, although before 1990 the country farmed only 500-600 tonnes of trout per year. The main sub-species of rainbow trout (*Oncorhynchus mykiss)* farmed in Russia are *Kamloops, Adler, Zolotaya (gold), Donaldson, Richardson and Steelhead.*

In 2004 total trout production was 7 653 tonnes (some experts estimate the unofficial figure to be at least 10 000 tonnes, including starting and breeding stock), resulting in 5.5

tonnes of trout caviar for human consumption. Total production has thus more than doubled in a few years from 3 193 tonnes 1999. In addition, more than 30 million eggs were sold on the domestic and international market in 2003.

The Transcaucasian area is the biggest farmed trout producing region. Trout farming has been developing very rapidly, and on a massive scale in the Republic of Karelia where many state and private farms are engaged in the sector. In the last few years many trout farms have emerged around Moscow and St. Petersburg to supply live product to the growing restaurant sector.

Some major players in the trout farming are:

Kivach Ltd, Petrozavodsk, Karelia. An EU authorised company with different farms in the Onega and other lakes. Production in 2003 peaked at 1 000 tonnes, and there is a capacity for 1 500 tonnes a year.

The Black Sea based **Adler** trout farm which is one of the largest producers with 1 000 tonnes of trout, 20-30 tonnes of trout caviar and a potential of 30 million eggs.

Khakassky Rybokombinat PLC: this farm in Khakasia, in the upstream Yenisei river in the south of Siberia produces annually about 800 tonnes of market size trout including up to 400 tonnes of plate-size or portion-size fish per year.

4.3.2 Sturgeon

Astrakhan is regarded as the heart of the Russian sturgeon industry, and there are now 4 sturgeon farms in Astrakhan province: BIOS centre, Raskat fish farm, Ikryaninsk farm and Yanminsky hatchery. Additional sturgeon farms are operating in several other Russian provinces: Volgograd, Novocherkassk, Baikal, West Siberia, Kemerovo and the Moscow region. Krasnodarski District is planning to open 4 new sturgeon farms in the period from now to 2010.

In 2004 the total farmed sturgeon production reached 2 400 tonnes, with bester sturgeon and hybrids accounting for half of the production. However, despite the emergence of new farms, there have not been any significant changes in sturgeon production and technology over the last few years. The main reason for the slow progress is a lack of coordination and technological information sharing, together with insufficient financing.

Nevertheless, Russian scientists continue to work on reproduction issues. Many water reservoirs have been used for supplementary ponds for brood stocks of sturgeon, sterlet, and paddle-fish, as well as three bester breeds: Aksaisk, VNIRO's and Burtsevsk (bester is a hybrid between beluga sturgeon and sterlet). In addition, many Russian fish farmers have been switching from carp breeding to commercial culture of more delicatessen and expensive species such as sturgeon.

The annual stocking from hatcheries amounts to over 40 million young sturgeons.

4.3.3 Freshwater whitefish

Commercial farming of whitefish (Coregonidae) has become a new trend in the last few years. The annual production of farmed whitefish doubled from 1999 to 2004 and reached 4 600 metric tonnes in 2004.

The target for whitefish aquaculture has focused primarily on the production materials for inland fisheries and the State Fishery Institute GosNIORKh has developed the technology of growing different whitefish species (including *Coregonus peled, Coregonus muksun, chir Coregonus nasus, Coregonus lavaretus baeri* and *Stenodus leucichtus nelma*.

If scientific developments and potential capacities of commercial fish farming are taken into account, annual production could reach 10 000 - 15 000 metric tonnes of valuable whitefish.[9]

4.3.4 Carp

Carp was one of the first species to be produced in Russian fish farming, and it dominates the sector (86% of the total national aquaculture output in 2004). The production of carp has been steadily increasing, and was about 93 000 metric tonnes in 2004. The two dominant carp species are common carp and silver carp. Common carp production made up 43% of total aquaculture output in 2004, and the share of silver carp was estimated at 28 %. Grass carp, or White Amur made up about 1% of total aquaculture production.

Among the leading carp farms in the Moscow region are:

Lotoshinski farm: it has a history of 62 years in the business and produces approximately 1 000 tonnes of carp per year from its 1 380 hectares, and production is sent to Moscow.

Biserovsky's Rybokombinat: an example of a large farm specializing in carp production. It has 40 years' experience in carp farming, its carp production is estimated at 500 metric tonnes per year, and sales go to the main retail chains.

4.3.5 Restocking of Pacific salmon

There are 46 ranching stations for Pacific salmon in the Russian Far East with an annual release of approx 600 million juveniles. Restocked salmon is considered to account for up to 20% of the total salmon catch, which fluctuates between roughly 170 000 tonnes and 230 000 tonnes annually.

4.3.6 Scallop

The national cultivation of scallops is based in Primorye, and the number of scallop farms has increased from 18 in 1999 to 40 farms in 2004, with an annual production of 460 tonnes.

---

[9] Russian Fish Report No 10 (85) October 2003, p.23

The history of mariculture and scallop cultivation in Russia began in 1971, when the first scallop farm was established in South Primorye. Farming molluscs is now seen as a potentially lucrative business for the region. Being a very valuable species, Yesso scallop is in high demand on the export markets. It is now protected in the area by a fishing ban on harvesting practices.

The national cultivation of Yesso scallop has increased significantly during the last few years. Despite the decline to 41 tonnes in 2002, the production of farmed scallop reached 334 metric tonnes in 2003 (FAO). In 2004 output further increased to 450 tonnes. Most of the output (375 tonnes) comes from the largest Primorye-based farm Nereida Aquaculture JSC. Unlike other scallop farms traditionally practicing dispersal of the fry by divers, Nereida has pioneered cage breeding of the scallops in a closed two-three year cycle. Almost all the output for 2004 was exported to the Republic of Korea, as the Russian market for the product is still weak. According to Nereida, the firm could boost its harvest to 10 000 tonnes if market demand becomes stronger.[10]

4.4 Feed for fish farming

The Russian aquaculture sector lacks domestic production of extruded pellet feeds for fish. High capacity feed mixing plants for the farmed fish industry were acquired in Soviet times, but are now completely outdated, and most feed plants target animal feeds for agriculture. A small-scale production of extruded quality feeds for fish exists at an experimental level as in the case of the GosNiorkh, the Federal State Scientific Institution State Research Institute of Lake and River Fisheries in St. Petersburg.

The Russian fish feed market tends to be strongly oriented towards high quality feeds. The supply of feeds for valuable fish such as trout, salmon and in part sturgeon is almost exclusively based on imports. From 2002 to 2004 fish feed imports increased from close to 7000 tonnes to almost 9000 tonnes as shown in **Table 7**. Further growth is expected in 2005 as imports grew by 13.4% in the first 6 months of 2005 compared to the same period in 2004. In terms of value, imports increased by 60% from 2002 to 2004, and by 23% in the first 6 months of 2005.

With the exception of feeds for breeding and starting stocks, where weight gain results are less important, the growth of fish feed imports is proportional to the increased production of valuable fish, namely trout salmon and sturgeon. The consumption of feeds for trout farming is estimated at around 7 000 tonnes, with a growth potential to 22 000 tonnes, and with Karelia as the leading region. There is a large import of feed to the salmon ranching stations in the Far East.

Figure 7 illustrates the development of fish feed imports and by main suppliers. Finnish Raisio is the main supplier with a market share of about 60% in 2005, followed by BioMar (DK, 13.9%), Aller Aqua (DK, 13.2%) and Kraftfutterwek Beeskow (Germany,

[10] Dr. V. Ivin, Institute of Marine Biology

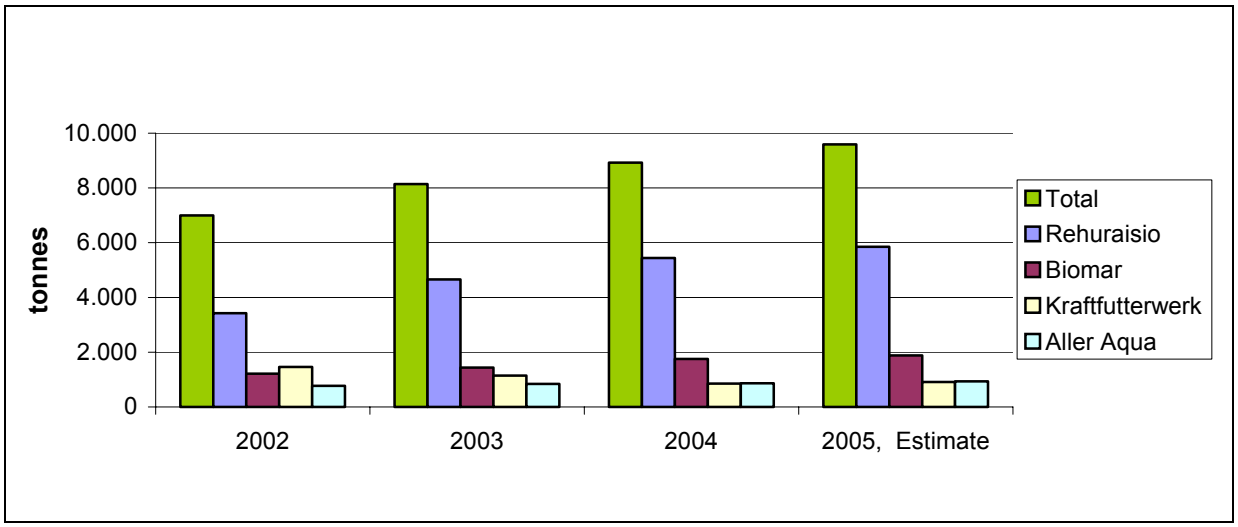
9.6%). Among the newcomers to the market are Skretting, Norway, and Coppens Int., the Netherlands, both of which trade through the Raisio company.

Table 7: Imports of fish feeds into the Russian Federation

	2002		2003		2004		2005, first half year	
	Value, USD	**Weight, KG**	**Value, USD**	**Weight, KG**	**Value, USD**	**Weight, KG**	**Value, USD**	**Weight, KG**
Rehuraisio OY, Finland	2 993 771	3 425 465	4 311 371	4 665 905	6 058 321	5 447 127	2 817 776	2 424 175
Biomar A/S, Denmark	1 319 987	1 217 229	1 752 558	1 433 015	2 164 487	1 747 375	761 998	567 840
Kraftfutterwek Beeskow, Germany	1 018 381	1 459 157	799 786	1 147 923	578 829	848 725	265 109	392 555
Aller Aqua, Denmark	539 093	767 953	841 277	837 605	860 155	866 142	529 766	538 660
Dnepropetrovsk Fish Feeds Plant, Ukraine	44 838	59 520	35 880	60 000	-	-	-	-
Skretting, Norway	-	-	-	-	-	-	150 502	61 180
Coopens Int., Holland	-	-	-	-	-	-	118 897	92 000
Other	107 805	68 018	0	0	6 199	11 270	0	0
Total	**6 023 875**	**6 997 342**	**7 740 872**	**8 144 448**	**9 667 991**	**8 920 639**	**4 644 048**	**4 076 410**

Source: *GTK*

Figure 7: Fish feed imports into the Russian Federation, tonnes



Source: *GTK*

The Provimi concern, which is among the leading Russian animal feed producers, has been producing pellet feeds for different types of fish in Samara and Azov regions since 1999, but their share of the market is negligible. There are no significant initiatives to invest in feed production in Russia, which according to sector experts needs at least an annual production of 30 000 tonnes of high value fish to be profitable.

Feed supplies for carp are almost totally based on domestically produced feeds consisting of wheat and granulates. There is a limited number of specialized mixing production plants such as the Sergeyev-Posad feed mixing plant, but most supplies come from agricultural compound plants.

4.5 Fish farming equipment

Foreign equipment for fish farming is expensive, and fish farmers mostly opt for cheaper domestic solutions. Many fish producers use out-dated and non-specialized equipment, such as feeding equipment for animals, and carry out maintenance and repairs themselves.

In general there is a demand for new equipment such as equipment for aeration, isothermal tanks for live fish transportation, feeding equipment and basins.

Fish transporting tanks with isothermal insulation are in high demand. Given the long transportation distances and high costs related to fish-transportation losses, the availability of quality fish transporting tanks is important.

Only large-scale commercial fish farms or hatcheries subsidized by the state can afford feeding equipment.

Basins for fish farming are purchased second hand from abroad. As for Russian production, the Eysk factory in Russia is reported to produce acceptable quality basins.

The estimated value of imported equipment for fish farming in 2004 is 4.3 million USD of which supplies from the German company Aquacultur Fish Technik GmbH (EMF Group) account for 3.7 million USD. The company has major contracts with the Federal Agency of Fisheries to supply fish farming equipment to its regional divisions. As a rule such supplies are made in the framework of regional programmes subsidised by the state. A list of some end-users includes SakhalinRybVod, MurmanRybVod, SevkaspRybvod, AzcherRybVod etc.

4.6 Outlook for marine fish farming

4.6.1 The North-Western Region

The production of marketable marine fish farming products in the North-West Region is currently approx. 300 tonnes in the Barents Sea and 100 tonnes in the White Sea.

10 fish farming businesses are registered in the Murmansk province. However, the conditions for marine aquaculture development in Murmansk are good. Non-freezing bays and fjords in the province's inshore zone and highly productive inshore waters of the White Sea provide good conditions for Atlantic salmon, rainbow trout, mussels, cod and crab in the inshore waters of the Kola Peninsula. Development of production is limited by lack of breeding material and feed.

According to aquaculture analysts, marine farms of molluscs and seaweeds could have better prospects in the Russian North as opposed to salmon farming, which faces overwhelming competition from large-scale operations in Norway. In addition, the start-up costs for the so-called sitting species are much lower than for finfish culture.

A leading producer of Atlantic salmon is "Gigante Petchenga Ltd", a Russian owned company started with Norwegian capital in 2000. Current production is approx. 500 tonnes, and the plan is to reach 12 000 tonnes in 5 years.

Farming of Arctic char (Salvelinus alpinus alpinus) has been started by Kivach Ltd (Karelia) as an initiative to increase the range of products together with pike, perch, coregonous whitefish and sturgeon.

In 2004 the Murmansk-based firms Arctic Salmon and Nord-West F.C. agreed to start a joint project for growing cod juveniles to be harvested in the Barents Sea. However, according to the sea research institute PINRO, there is a long way to go in terms of technology, feeding and legislation before cod farming can be a commercial reality. Experimental farming of cod is carried out by "BarentsFish-Murmansk Ltd" and "PolaRoss-K JSC".

"Arctic Salmon Ltd" is a leading rainbow trout producer, and "KarelRybFlot JSC" a leading producer of mussels.

4.6.2 Kaliningrad

In the bays in the Kaliningrad region, the Kaliningrad Regional Union of Fisheries Kolkhozs is investing in a project to develop an eel breeding station with the aim of producing 100 tonnes of eel with an average weight of 150-250 grammes. The project is expected to be completed in 9-10 years, and to get a commercial return after 3 years. Other potentials are considered to be breeding of salmon and trout as well as farming of mussels and seaweeds.

4.6.3 The South-Western Region

The Azov-Black Sea and the Caspian Sea basins have considerable potential for developing marine aquaculture, particularly of sturgeon. Other potential species are Black Sea turbot and flatfish, Black Sea salmon, native species of sea mullets and mussels.

The prospects for setting up a network of mussel farms along the Russian Black Sea coast have been discussed between officials of the Krasnodar province and the Italian company Sud Pesca s.p.a. in the summer of 2005.

4.6.4 The Far East

There are 36 mariculture farms working in the Far East, all located in the Primorye. Annual production is at the level of 300-500 tonnes of seaweed (kelp) and molluscs, of which scallops and mussels are the main species. Prospective productions are: shrimps, sea urchins and sea cucumbers, also known as Trepang.

4.7 General outlook for Russian aquaculture

In Russia as well, aquaculture is seen as an alternative resource to compensate for diminishing wild fish stocks. The development of inland aquaculture in Russia was highlighted the government's order "On the development of commodity aquaculture and fishery in the inland waters of the Russian Federation" in 2003. The order established measures aimed at developing the nation's freshwater aquaculture industry and providing financial support to fish farms. A production target of 600 000 tonnes by 2006 was envisaged.[11]

A federal legislation on aquaculture is still missing, and regional authorities are adopting provisional rules to regulate and encourage fish farming, such as is the case in the Murmansk province.

Russia has strong assets in terms of breeding and ranching know-how, but the implementation is relatively slow because of gaps in the legislation and lack of long low-interest finance. Pacific salmon ranching is one example where, as in Sakhalin, private salmon hatcheries have been developing in the last few years, encouraged by favourable policies and subsidies. However the investors are worried by the fact that the federal legislation does not yet offer any clear definition of the rights of the investors to harvest the ranched salmon.

Generally there are a number of obstacles to the development of inland and marine aquaculture. Much of the existing technology is old, and it is difficult to get long-term credits for new equipment.

The pollution of sea coastal waters is also a constraint for the development of fish farming, particularly in the Sea of Azov and the Caspian Sea

The prospects for marine farming of salmon and especially cod are limited. Salmon farming depends largely on imported breeding material and faces competition with salmon products namely from Norway. Cod farming is still at an experimental stage.

[11] Russian Fish Report, October 2003

5 THE FISHING FLEET

This chapter describes the Russian fishing fleet, purchasing and double flag rules, the type of gear used and catching methods. A description of on-board processing is also included.

The sources used in describing the catch data are VNIERKH, the White Book "Russia's Fishery Complex in 2003" published by VNIERKH, VNIRO, GYPRORYBFLOT and the State Customs Committee.

5.1 Key features

The key elements emerging from this chapter are that on average the Russian fishing fleet is old and outdated, and that only few completely new vessels enter the fleet. However, on the other hand there has been considerable modernisation in terms of on-board factories, wheelhouse electronics and deck gear.

The accuracy of statistical data may be hampered by insufficient monitoring of the fleet and by missing data on vessels which never visit Russian harbours. In spite of being old the fleet has large harvesting capacity and could be able to exploit the available fishing quotas. 70% of the total Russian fish processing capacity is on board the vessels, but is in decline due to old technology.

Among the fishing companies there is strong interest in renewing the fleet and processing equipment, but conditions for finance are difficult, one being that individual quota shares are too small and not sufficiently profitable. Many fishing companies plan to buy new or second-hand vessels, but banks and investment funds are reluctant to provide funding.

Overall there could be more dynamism in the Russian fleet than the general picture would seem to indicate. The reasons for this are partly the foreign based activities of many vessels, and the perspectives for more stability given by the introduction of long term fishing quotas, which could facilitate the consolidation of the fleet, leading in a few years to a smaller, more efficient, and profitable fleet.

This tendency is seen as more likely in fisheries in Russian waters, and possibly with additional opportunities in coastal fisheries. Distant water fisheries are more costly to operate and less profitable in terms of catches. Nevertheless Russian vessels are active in waters outside North West Africa, and initiatives to invest in vessels for fisheries in the South East Pacific Ocean are known to take place.

Foreign suppliers of equipment (processing, fishing gear) have a strong footing on the Russian market, and the Russian net making industry is considered competitive.

Icelandic suppliers of vessel technology, fishing gear and processing equipment should be aware of the potential developments in modernising vessels and processing over the coming 4-5 years, when the redistribution of quotas could be concentrated among fewer

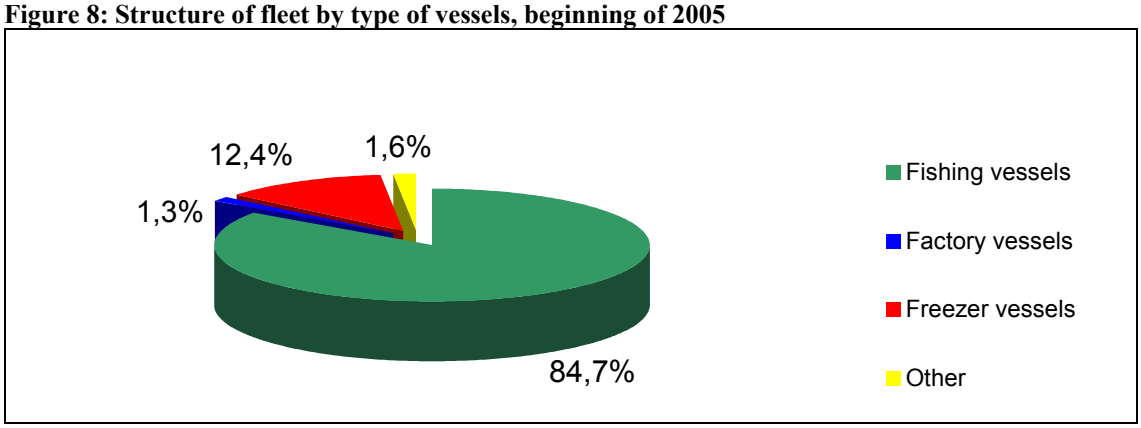
and more efficient operators, and the drive to increase the share of value-added production on Russian vessels could materialise (see also section **9.5** and **9.3.7**).

5.2 The Fleet – vessels, capacity, origin

At the beginning of 2005 the total number of vessels amounted to 5 531 units with a total capacity of 4 939 600 hp. Vessels with an engine capacity of more than 55 kW are registered by the Russian Maritime Register of Shipping[12], and smaller vessels with a capacity below 55kW are controlled by the state inspection of the small-size fleet.

Figure 8 shows the structure of the larger vessel fleet registered at the Russian Maritime Register at the beginning of 2005. The total number of vessels was 2 977, of which capture fishing vessels made up 2 522 units, factory vessels 39, freezer vessels (reefers) 369 and others, including scientific, fish protection and educational vessels, 47. The number of fishing vessels of different categories shows a decreasing trend over the last years, as shown in **Table 8**.

Figure 8: Structure of fleet by type of vessels, beginning of 2005



Source: *Russian Maritime Register*

[12] Some experts state that vessels are not regularly monitored except on change of ownership, which could mean that the actual total number is lower than officially registered.

Table 8: Fishing vessels of the Russian Federation, year end

	1999	2000	2001	2002	2003
Fishing vessels	2529	2596	2607	2571	2533
Deadweight, tonnes	2313	2306	2285	2185	2092
Factory vessels	61	57	56	54	41
Deadweight, tonnes	536	502	461	434	315
Reefer Transport vessels	427	425	422	406	373
Deadweight, tonnes	638	593	571	466	317
Auxiliary vessels	38	32	44	44	47
Deadweight, tonnes	50.8	46.1	49.8	49.8	46.9
Total no. of vessels	**3055**	**3110**	**3129**	**3075**	**2994**
Total Deadweight, tonnes	**3538**	**3447**	**3367**	**3135**	**2771**

Source: *VNIRO*

The Russian capture fishing fleet has become increasingly outdated. The introduction of new vessels has been slow, and outdated vessels are being substituted by refurbished old vessels from abroad. On average the share of obsolete outdated vessels older than 20 years accounts for 68.8%, the oldest being in the Western basin (about 78%). The percentage of old factory and freezer vessels is also relatively high at 54% and 63% respectively, with the Western, Northern and Caspian having above average numbers. The composition of the fleet by age groups is shown in **Table 9**.

Table 9: Age of fishing vessels, year end

	1999	2000	2001	2002	2003
Total fishing vessels/age	**2529**	**2596**	**2607**	**2571**	**2533**
0-5 years	38	60	67	57	82
5-9 years	360	305	214	155	113
10-15 years	457	477	446	425	413
15 years and older	1674	1754	1880	1934	1925
Large vessels (more than 65 m. long)	**348**	**342**	**337**	**321**	**315**
0-5 years	2	1	5	3	1
5-9 years	45	37	18	7	6
10-15 years	62	69	60	58	51
15 years and older	239	235	254	253	257
Medium vessels (34-65 m. long)	**1085**	**1105**	**1105**	**1085**	**1053**
0-5 years	20	30	29	18	15
5-9 years	165	136	108	84	69
10-15 years	222	224	189	181	183
15 years and older	678	715	779	802	786
Small vessels (less than 24 m.)	**1096**	**1149**	**1165**	**1165**	**1165**
0-5 years	16	29	33	33	66
5-9 years	150	132	88	64	38
10-15 years	173	184	197	186	179
15 years and older	757	804	847	882	882

Source: *VNIRO*

Slow renewal of the fishing fleet is one of the main reasons for the relatively old age of the fleet. In recent years brand new vessels have made up a negligible share of the fleet structure, as shown in the table below. Brand-new vessels made up 14.7% of the renewed fleet, of which small-sized vessel constituted a major part. A majority of the newly introduced vessels are used and refurbished vessels. The share of such vessels with a service life more than 20 years is 53.5% in the Far East basin and 66% in the Western basin. The renewal structure is shown in **Table 10**.

Table 10: Renewal structure of the fishing fleet

Vessel types	2000		2001		2002		2003		2004	
	Total	incl. brand-new	Total	incl. brand-new	Total	incl. brand-new	Total	incl. brand-new	Total	incl. brand-new
Large	9	1	14	-	16	-	13	-	4	-
Middle-sized	46	2	46	-	37	7	34	1	17	-
Small-sized	63	15	57	22	44	12	36	5	55	7
Total	118	18	117	22	97	19	83	6	76	7

Source: *VNIRO*

5.2.1 Imports of fishing vessels

Table 11 below shows the imports of vessels into Russia in 1999-2004. The source of this information is the State Customs Committee (GTK), HS code 8902 - fishery vessels, including factory ships or other vessels for preserving and processing fishery products. Generally, all imported vessels are relatively old, aged between 10-30 years, confirming the picture that the fishing fleet is being replaced by old vessels.

Table 11: Import of fishing vessels (HS code 8902)

	1999		2000		2001		2002		2003		2004	
	Value 000' USD	Quantity, units	Value 000' USD	Quantity, units	Value 000' USD	Quantity, units	Value 000' USD	Quantity, units	Value 000' USD	Quantity, units	Value 000' USD	Quantity, units
Gross tonnage more than 250 tonnes	96002	57	87843	65	73994	862	42297	46	32639	39	16950	26
Gross tonnage less than 250 tonnes	3350	41	1906	77	1813	57	2335	68	1479	41	1876	72
Other	9	3	54	11	32	23	6	2	54	6	29	4
Total	99361	101	89803	153	75839	942	44638	116	34172	86	18855	102

Source: *GTK*

The origin of imported vessels in 2003 and 2004 is shown in **Table 12**.

Table 12: Import of fishing vessels (HS 8902) by origin, 2003 and 2004

2003		
Country of origin	Value (USD)	Quantity (PIECES)
GERMANY	12429608	8
NORWAY	9142893	4
REPUBLIC OF KOREA	4386857	5
JAPAN	2795808	52
USA	2623569	7
NETHERLANDS	1446929	2
UKRAINE	464159	2
SPAIN	308727	1
FRANCE	290000	1
THAILAND	129910	2
OTHER	153059	2
TOTAL	**34171519**	**86**

2004		
Country of origin	Value (USD)	Quantity (PIECES)
POLAND	11366997	5
JAPAN	2427099	52
FRANCE	1004512	1
NORWAY	793458	4
USA	533953	3
NETHERLANDS	445409	1
LITHUANIA	417671	3
GEORGIA	363339	1
UKRAINE	321499	4
GERMANY	303394	3
OTHER	878029	25
TOTAL	**18855360**	**102**

Source: *GTK*

As **Table 11** shows, there is an unusually high number of imported vessels in 2001, of which the unlikely figure of 796 vessels apparently originate from Denmark. The figure has been cross-checked with Danish export statistics which do not reveal any exports under HS code 8902 to Russia at all. The imports from Norway in 2003 and 2004 have been cross-checked with Norwegian export statistics, according to which 2 older fishing vessels for each of year were exported to Russia at a value of USD 3.9 million and USD 2.9 million respectively.

It should be noted that many vessels have never been cleared at customs and are based in foreign ports because the first call in a Russian port would require payment of customs duties and VAT.

5.2.2 Construction of new vessels

The introduction through the law on fisheries in 2004 of long-term quota shares has created incentives for making the fleet more efficient by replacing outdated vessels with new modern tonnage.

It is expected that fishing quotas will tend to be more concentrated in the hands of bigger holders, leading to an increase in modernisation and renewal of the fleet in the foreseeable future. The process is expected to begin in 2006 when companies failing to cover at least 50% of their quotas in 2004-2005 will see their rights withdrawn by the government. The trend will be further enhanced as soon as the pending regulations for secondary quota turnovers are in place.

The new system providing for “at least five year quota shares” is in its first five-year period which started in 2004, and it will still take time for far-sighted ship owners to take full advantage of it. By the end of 2008 quota shares will be redistributed among fewer

holders based on the previous five-year fishing record, and the new quotas could be assigned for even more than 5 years.

Profitability in investing in new fishing vessels varies according to fishing zones (see also section **3.2.1.1**). High value catches tend to be located in Russian costal waters and in the Russian Economic Zone where there is an overcapacity of fishing vessels compared to the fishing possibilities. Because of the comparatively high profits reached in these fishing areas, investments in new vessels can be paid back over 5-10 years. However, the demand for new vessels is relatively low because of the higher concentration of vessels with relatively small individual quotas and lack of access to long-term credits. So vessels are generally replaced by second hand ones.

A number of individual projects for the construction of small-and medium-sized vessels is currently under way at shipyards in the Caspian, North basin and Far East as well as in China (where for instance the Lenin Fishing Co-op of Kamchatka is having three seiners built).

Investments in distant water fishing vessels are more costly and less profitable with longer payback times of up to 20 years. The drive towards more distant water fishing (which made up a significant share of total fisheries in the past) is viewed by sources in the sector to be more a political goal rather than an economic necessity. There are, however, reports of initiatives to buy new foreign vessels for pelagic fisheries in the South Pacific (see the Investments chapter).

5.3 Purchase and sale of fishing vessels

The purchase and sale of ships, including fishing vessels, is regulated by the Russian Civil Code, as well as by the Merchant Shipping Code of the Russian Federation (MSC).

In accordance with Russian legislation and with international practice, all vessels are regarded as immovable property and need state registration on first purchase and on subsequent changes of ownership. These functions fall under the competence of the Harbour Master Administration.

5.3.1 Sales contracts

A wide variety of contract types is used, many of which are not specific for ship transactions. Some ship-owners use common immovable property contracts, which do not include the relevant details for the sale of ships. Nevertheless these contracts meet the Civil Code requirements and are the basis for the registration of transactions. Larger Companies with international experience mainly use SALEFORM 1993 - Memorandum of Agreement of BIMCO (The Baltic and International Maritime Council), which is also accepted for registering.

5.3.2 Bare-boat charter

This sales form was not introduced in Russia until the 1990's. It was never used in the USSR. Bare-boat charter deals are concluded on the basis of standard BIMCO charter

agreements. “Certificate of exclusion” from any previous register is required to register this type of transaction in the Harbour Master Administration.

Double flagging is prohibited.

A Financial Leasing Law from 1998 is being sporadically used for sales of vessels. It does not differ much from the bare-boat charter agreement, but can cause problems on registration by the Harbour Master Administration and the MSC procedures which do not take the new law into account.

The advantage of buying vessels by means of leasing (bare-boat charter) is that the rental cost is considered an additional operational cost which reduces the net profit of the buyer and consequently taxation on the profit.

Since 1 January 2005 administrative measures have been introduced to stop bare boat chartered vessels from being registered by the Harbour Master Administration, and as a result they are not allowed to fish on Russian quotas. A number of foreign chartered vessels operate in Russian waters, for instance two Spanish built trawlers operating in the Barents Sea[13].

5.3.3 Hypothec

A ship’s mortgage (hypothec) is regulated by the MSC. The mortgage is registered in the homeport. In recent years ship mortgages have become very common and have been used to get credits as well as security in leasing and bare-boat charters and payment instalments. The mortgage record from previous registrations is required when registering a new sales contract.

5.3.4 Right of property documents

The Harbour Master Administration issues two documents of ownership: a Certificate of Ownership (to confirm the proprietor’s right of the immovable property) and a Ship-owner’s Certificate (to confirm the proprietor’s right to operate the vessel). The certificates can be held by two separate legal entities.

Normally both the owner and ship-owner documents are needed for transactions with ships so that both the right to own and to operate the vessel are certified. There may be special requirements for the ship-owner, for instance to have a user permit, which is issued on the condition that a ship complies with safety requirements.

5.3.5 Notary verification

Notary verification of all transactions with immovable property is required at a cost of 0.3% on the contract price, but not exceeding RUR 30 000.

[13] Russian Fish Report, October 2004, p. 15

5.3.6 Import taxes & VAT

All ships (excluding cruise and passenger carriers) are subject to an import duty of 5% of the value. The VAT rate is 18%. Both import duties and VAT must be settled upon the first call at a Russian port.

5.4 Fishing gear and fishing methods

In the central Barents Sea the most widespread gear used is the bottom trawl. Also used are long lines and gillnets for the demersal fisheries, and purse seines and pelagic trawls for the pelagic fisheries. Other gears more common along the coast include handline and Danish seine. For Russia, the most common gear is trawl, but a longline fishery is present (mainly directed at cod and wolffish). A description of the fisheries and gear used in the Barents Sea is given in **Annex 5a**.

In the Russian Far East trawl, pots and longline are the most common fishing gears in marine fisheries. Trawl is mainly used for Alaska pollack, herring, mackerel, most groundfish, as well as the Komandor islands' squid. Pots are the most common gear for fishing crabs. Longline is used for harvesting cod and halibut. Common by-catches in longline fishing are Alaska pollack, perch, shark and skate. Many Far Eastern companies have switched to longline fishing which is suitable for large sized fish in demand in China, South Korea and Japan. Bottom gill nets are used for Greenland turbot. Driftnets are not used by Russian fishing companies, and the Russian authorities are taking steps to phase out driftnetting by other countries in accordance with a UN resolution banning driftnets.

To date the Russian gear industry consists of 12 gear manufacturing plants of which the 'Kanat' association is among the largest producers. In 2004 the use rate of the gear production capacities accounted for 72%.

Polyamide materials imported from abroad form the basis of Russian gear production. Fishing gear of Russian origin is considered competitive and is exported abroad. European gear producers have been active in the market and their market share is increasing. Recently gear of Indian origin has become available on the Russian market and has proved to be very competitive.

The structure of the fishing gear market does not seem very transparent. Fishing vessels based at the North basin tend to be equipped with gear of Russian and European origin, while fishermen from the Far East tend to buy gear from Korea. Supplies also come from Scandinavia and Norway (e.g. longlines) particularly to the Far East.

The structure of catching methods by type of vessels and fish is shown in **Annex 5b**.

5.5 On-board processing

As described in the chapter on Processing, 70% of the fish processing capacity takes place on board the vessels. The Russian fish processing equipment industry – both onshore and on-board – has, however, been declining. One of the reasons for this is the lack of new projects for vessel construction, and outdated technology. The use rate of the

capacities for fish processing equipment engineering is less than 50% with a steady downward trend. Russian vessel owners tend to modernize and re-equip fishing vessels abroad, as this is usually more efficient and cost-saving. Shipbuilding and modernization in Russia is usually 25%-50% more expensive than abroad, partly because of relatively high customs duties for the equipment imported.

The structure of the factory and freezing fleet (reefers) and an overview of on-board processing are shown in **Tables 13** and **14**.

Table 13: Structure of fleet by processing specialisation

	1999	2000	2001	2002	2003
Canning factory ships	3	3	3	3	3
Universal factory ships	29	28	25	23	15
Industrial freezers	29	26	28	28	23
Factory Fleet total	**61**	**57**	**56**	**54**	**41**

Source: *VNIRO*

Table 14: Available fish processing capacities and fish processing on board, 000' per year

	1999		2000		2001		2002	
	Production capacity	**Output**	**Production capacity**	**Output**	**Production capacity**	**Output**	**Production capacity**	**Output**
Fish products frozen on board	2685.2	976.8	2638.1	996.3	3179.9	1169.9	3022.4	1084.5
Canned fish and seafood produced on board	88.7	13.1	112.0	19.6	113.9	12.1	93.5	20.0
Fish meal produced on board	258.3	72.0	250.0	71.9	274.3	62.2	248.5	39.4
Total volume	**3032.2**	**1061.9**	**3000.1**	**1087.8**	**3568.1**	**1244.2**	**3364.4**	**1143.9**

Source: *Gyprorybflot*

One of the leading enterprises in the Russian Far East for fish-processing equipment and machinery is "DalRybTechCentr" (DRTCentr). In 2004 and 2005 the company modernised the fish processing facilities of some of the largest fishing companies of the far eastern basin, like ""KamchatRybProm" and "OkeanRybFlot" (Kamchatka) and "VostokRybProm" (Magadan), as well as on-board equipment. Reference to the company is in **Annex 6b**.

5.5.1 Imports of processing machinery

The share of domestic fish processing equipment is a little more than 25% of total equipment. Germany has a predominant position as supplier of fish processing equipment (see **Table 15**). Its share accounts for 43%, followed by South Korea with an 18% share, and Japan with a 9% share. As far as type of equipment is concerned, heading and

filleting lines of German origin, especially Baader, are common in the industry and on-board processing in particular.

An overview of imports of processing machinery is shown in the following tables, which illustrate countries of origin, the shares between new and second-hand machinery and main suppliers.

Table 15: Fish processing equipment imports by countries of origin in 2004

Partner country	Share,% in terms of value
Germany	43.14%
Korea Republic	18.62%
Japan	9.56%
Denmark	3.85%
Iceland	3.60%
Norway	1.89%
Ukraine	1.84%
USA	0.92%
Switzerland	0.76%
Italy	0.64%
Other	15.18%
Total	**100.00%**

Source: *GTK*

Table 16: Imports of fish processing machinery broken down into new and second-hand machinery 2004 and 2005 (5 first months)

	2004		2005, 5 months	
	Value, 000' USD	No of units	Value, 000' USD	No of units
New	1 073	78	482	38
Second-hand	3 278	94	793	32
Total	**4 351**	**172**	**1 275**	**70**

Source: *GTK*

Table 17: Imports of fish processing machinery according to producers 2004 and 2005 (5 first months)

2004	VALUE, USD	No. of units
BELGIUM	**16719**	**14**
CRETEL N.V., BELGIUM	16719	14
CANADA	**5000**	**1**
TRIFISK MFG, CANADA	5000	1
DENMARK	**269 632**	**12**
CARNITECH A/S, DENMARK	12 9652	5
CP FOOD MACHINERY A/S, DENMARK	2 210	1
FOMAKO FOOD MACHINERY COMPANY A/S, DENMARK	55 362	2
KAJ OLESEN APS, DENMARK	12 737	1
NORFO A/S, DENMARK	56 667	2
FINLAND	**482**	**18**
KONETEOLLISUUS OY	482	18
FRANCE	**2488**	**2**
CARNITECH A/S, DENMARK	2488	2
GERMANY	**2 127 268**	**62**
AGK-KRONAWITTER GMBH, GERMANY	978	3
BAADER	1 316 081	26
GEBA GERATEBAU GMBH	18 815	1
KESCH MACHINERY GMBH	115 360	2
MAZA MACHINENFABRIK	590	1
MECO GMBH, GERMANY	2223	1
ROSOMA GMBH ROSTOCKER SONDERMASCHINEN UND ANLAGEN, GERMANY	14 370	1
SALMKO TECHNIK, GERMANY	450	1
SMOCKY FOOD AND MACHINE IMPORT-EXPORT GMBH	17 803	2
WABAMA GMBH, GERMANY	446	1
ICELAND	**56 393**	**4**
A.M SIGURDSSON LTD., ICELAND	54 351	3
MAREL, ICELAND	2 042	1
ITALY	**1 215**	**1**
DELFIN S.R.L., ITALY	1215	1
JAPAN	**623 996**	**11**
IKEUCHI MACHINERY CO., JAPAN	2 3847	2
NANASHIMAYA ENGINEERING CO.,LTD	2 175	1
SHIBAURO ELECTRIC CO LTD JAPAN	161	1
YANADIYA MACHINERI CO. LTD, JAPAN	490 043	1
KOREA (REPUBLIC)	**919 382**	**26**
KOREA TECHNOLOGY MACHINES, KOREA REPUBLIC	35 900	1
MOHAN ENTERPRISE CO. LTD., KOREA REPUBLIC	12 019	4
YONG NAH MACHINERI CO.LTD, KOREA REPUBLIC	674135	4
LITHUANIA	**5 698**	**2**
NORWAY	**124 805**	**5**
MELBU SYSTEMS AS, NORWAY	57 179	1
TRIO FISH PROCESSING MACHINERY, NORWAY	55 077	1
POLAND	**14 961**	**1**
SWEDEN	**36 942**	**2**

SWITZERLAND	**63 974**	**1**
UKRAINE	**43 942**	**4**
NEZHINSK MECHANICAL PLANT, UKRAINE	15 538	2
USA	**38 103**	**6**
PARKER, USA	3 8103	6
TOTAL	**4 351 000**	**172**
2005	**VALUE, USD**	**No. of units**
AUSTRIA	**718**	**2**
AQUACULTURE TECHNOLOGY, AUSTRIA	718	2
CANADA	**11 947**	**1**
TRIFISK, CANADA	11 947	1
CHINA	**18 550**	**1**
SHANDONG, CHINA	18 550	1
DENMARK	**466 898**	**5**
CABINPLANT INT. A/S, DENMARK	43 3812	1
FOMACO FOOD MACHINERY COMPANY A/S, DENMARK	1 6679	2
FINLAND	**28**	**1**
KT, FINLAND	28	1
GERMANY	**437 406**	**34**
BAADER	413 730	20
FMM FOOD MACHINERY MARKET, GERMANY	554	1
FRIGNER GMBH	347	4
GREAT BRITAIN	**31 979**	**2**
BY HOBART, UK	31 979	2
ITALY	**112**	**1**
MONDIAL FORNI, ITALY	112	1
JAPAN	**45 040**	**3**
MARUNAGA SEKUHIN KAKO, JAPAN	1 949	2
TOYO SUISANKIKAI CO., LTD	43 091	1
KOREA (REPUBLIC)	**41 758**	**7**
MOOHAN ENTERPRISE CO.,LTD	8 775	4
NORWAY	**4 135**	**1**
POLAND	**1 440**	**2**
INVEST CONSULTING, POLAND	1 440	2
SWEDEN	**97 258**	**3**
ARENCO, SWEDEN	94 668	2
FOODCO AB, SWEDEN	2 590	1
UKRAINE	**47 170**	**1**
NEZHINSK MECHANICAL PLANT, UKRAINE	47 170	1
USA	**70 937**	**6**
RYCO EQUIPMENT	70 937	6
TOTAL	**1 275 376**	**70**

Source: *GTK*

6 THE PROCESSING INDUSTRY

This chapter gives an overview of fish processing in Russia, both on-board and on-shore, and of the way fish is delivered to processors, including current status and future trends. The major players in fish processing are listed, and processing methods and facilities are discussed. Current quality standards for processing, including food safety and labelling, are described and commented upon.

In this chapter available statistics are included and commented on as required by the Terms of Reference. However, it must be underlined that the trends and the driving forces that can be identified based on the statistics and other available information may be of more interest than the figures themselves. Such possible developments are discussed under point **6.9** of this chapter.

6.1 Key features

Total production of seafood remained more or less constant during the period 2000-2004, with a yearly total production of around 3 million tonnes. Frozen fish remained the most important product, whilst at the same time the production of value added products or convenience food increased. The production of chilled fish and fish fillets decreased. However, on the basis of the expected growth in seafood demand in Russia, combined with the growth in retail chains and the dynamic developments in the processing industry itself, there could be ample room for increased processing in Russia.

It is difficult to provide a simple picture of the structure of the Russian processing industry, since the processors of seafood very often have different specialisations. However, one main feature of the Russian fisheries sector is that the number of small-scale enterprises registered is increasing at a rapid pace. The changes in the industry towards products with a higher degree of processing are taking place mainly at these private and smaller businesses.

The processors are entering into far more often long-term delivery agreements with the retail chains than they did a few years back. This means that the processors also need raw material supplies to be as stable as possible, in terms of volumes, quality and price. It is therefore likely that Russian producers will be increasingly interested in closer co-operation with raw material suppliers.

Increased access to raw materials is necessary in order to increase production. More enterprises are likely to locate processing factories in the landing areas to ensure raw material deliveries if the Russian authorities succeed in directing more of the Russian catches toward on-shore production. In Murmansk there are signs of growing interest in processing fish landed from coastal fisheries. However, as explained in previous chapters, on-board production is likely to remain high in the foreseeable future. Many on-shore processors depend on imported raw materials.

It is also likely that foreign partners will be of interest to Russian processors that need to upgrade their equipment or that are generally interested in further growth. Many processors have limited possibilities for expansion due to worn out production facilities.

Russian on-shore processors have so far focused mainly on the booming domestic market. However, provided that raw materials can be secured either through imports or higher shares of domestic raw materials, it is possible that Russia will become a more important exporter of processed seafood.

The quality and safety of fish and fish products is an important issue for the Russian fishery sector. There are many challenges ahead both at the administrative and the industry level.

6.2 Total production

According to Rosstat figures total annual production of seafood products has stayed relatively stable at around 3 million tonnes in the period 2000 - 2004. This figure includes both on board and on-shore processing because, as explained in chapter 2 on fish industry statistics, it has not been possible to split the two until recently.

According to Rosstat executives a new reporting form was introduced in 2005. On-board processing should in future be recorded in the following categories: 1. fresh fish (excl. herring), 2. frozen fish (excl. herring), 3. fish fillets (excl. herring), 4. fresh herring, 5. frozen herring, and 6. herring fillet.

6.2.1 Total production in terms of level of processing

Table 18 gives an overview of the production of seafood products from 2000 – 2004 according to the level of processing. Canned production is given in number of cans, while the other products are in terms of thousand tonnes.

Table 18: Production of seafood products, '000 tonnes

	2000	2001	2002	2003	2004*
Live fish (excl. herring)	349.6	343.9	287.1	260.0	254.0
Chilled fish (excl. herring)	100.2	104.9	140.1	105.1	75.1
Frozen fish (excl. herring)	1502.9	1675.2	1661.0	1700.9	1678.2
Fillet frozen (excl. herring)	117.9	92.7	49.4	67.7	67.8
Salted herring	32.1	33.4	34.4	41.8	41.9
Herring of all type of processing	411.2	407.1	372.9	374.8	321.0
Smoked fish (excl. herring)	23.6	26.6	28.7	33.5	34.8
Fish dries and dry-cured	8.4	9.1	9.9	10.5	11.0
Spiced and marinated products	1.6	2.4	2.5	3.5	3.7
Culinary products	8.2	11.6	16.8	37.7	47.7
Balyk products	1.1	1.3	1.6	2.1	2.0
Caviar	25.9	28.0	21.7	24.9	23.3
Seafood products other than finfish	96.2	97.5	103.6	93.3	95.2
Canned fish and preserves, million conv. cans	587.3	611.2	629.1	692.5	778.2
Other	110.3	8.9	11.5	34.6	65.0
Seafood products including canned fish	**2994.8**	**3056.6**	**2961.4**	**3032.8**	**2993.1**

Source: *Rosstat* **Preliminary data*

"Culinary products" are products that include convenience products such as breaded products, ravioli with fish-based fillings, fish cakes/hamburgers etc.

"Balyk products" comprise cured, smoked fillets mainly of sturgeon.

“Canned fish” are often given in number of conventional cans instead of weight. One conventional can is equal to 350 grammes of product. “Preserves” refer to products packed in glass, plastic, aluminum and polymer. Preserves also differ from canned products in terms of technology, nutritive value, shelf-life and storage.

Frozen fish, accounting for about 55% of total production, was the main product produced throughout the period followed by herring products in various forms. Canned and preserved fish is also a key product.

The production of frozen fish fillets has been considerably reduced during the period. In 2004 production was close to 68 000 tonnes or some 2% of total fish production.

The production of live fish declined steadily throughout the period. In 2004 there was also a clear decrease in the production of chilled fish. The volume of these products which involves a low degree of processing, thus decreased by more than 25% from 450

000 tonnes in 2000 to 330 000 tonnes in 2004. Their share of total seafood production was about 15% in 2000 compared to 11% in 2004.

At the same time an important increase has been registered in the production of so-called "culinary" products from 8 200 tonnes in 2000 to 47 700 tonnes in 2004. The same is the case for smoked, dried and marinated fish, even though the initial volumes were small.

The production of canned fish has increased annually since 2000, and is 30% higher in 2004 than in 2000.

There is a wide variety of species and processing. This is reflected in the chapters on harvesting, trade and market. However, as regards production statistics, herring products are singled out reflecting the important position of this species.

In general, the statistics show a situation where the *total production* of seafood remained more or less constant during the period. However, the composition of the production changed. Frozen fish remained the most important product, whilst the production of value added products or convenience food increased over the same period. The production of chilled fish and fish fillets decreased.

6.2.2 Comments on various statistical sources

There are important differences in the fish processing statistics provided by Rosstat and those provided by sector research institutes such as VNIRO and VNIERKH. The total production figures provided by the latter are lower than those from Rosstat data. The figures from the sector research institutes also reflect smaller structural changes in the processing of fish and seafood.

For example, according to VNIERKH statistics, the production of "culinary" products increased from 5 360 to 14 010 tonnes in the period 2000 to 2003. The corresponding Rosstat figures are about 8 200 and 37 7000 tonnes. Another example, according to Rosstat figures, is that the production of high-value processed products such as spiced and marinated, smoked, dry-cured and balyk fish increased to an overall production level of 51 500 tonnes. However, VNIERKH figures show a continuous decline in the production of these food items to a total output of 13 950 tonnes in 2003 (2004 figures are not yet available from VNIERKH).

These differences are probably due to the fact that the sector research institutes base their statistics on production figures reported by medium- and large-scale enterprises with more than 100 employees (so called industrial plants). Rosstat, on the other hand, provides aggregated data which includes information on both industrial plants as well as private and smaller enterprises (see chapter **2** on sources of statistics information).

This shows that the changes in the industry towards products with a higher degree of processing take place mainly at private and smaller businesses.

6.3 Production capacity

According to Rosstat, the industrial capacities for fish processing amounted to about 4.5 million tonnes in 2004. Total production capacity changed insignificantly from 2003 to 2004. However, the production capacity for canned and preserved fish increased slightly due to the development of on-shore processing.

When comparing the total capacity figures with the actual production figures (re section **6.2** above), there is an overcapacity of some 1.5 million tonnes. However, it is likely that a large part of this overcapacity consists of worn out buildings and obsolete production equipment.

Rosstat estimates that of the total production capacity of 4.5 million tonnes in 2004, on-board production capacity accounted for 3.3 million tonnes, and on-shore production capacity 1.2 million tonnes.. The share between on-board and on-shore production capacity is thus about 70% and 30% respectively.

6.3.1 The production capacity structure

Table 19 below gives an overview of the production capacity in 2004 as well as actual production of 1) fish cans and preserves, 2) frozen herring, 3) frozen fish excl. herring, 4) frozen fish fillets as well as 5) smoked fish excl. herring, dry-cured fish and balyk products. It should be underlined that this table is based on information from large-scale industrial enterprises only (and since it does not include small-scale production, the production figures are lower than in **Table 18**).

Table 19: Structure of production capacities

	2004	Production	Use Rate, %
Fish cans and preserves, '000 conv. cans	965.413	481.354	49.9
of which fish preserves, 000 conv. cans	62.465	38.444	61.5
Frozen herring, tonnes	207.397	108.945	52.5
Frozen fish (excl. herring – tonnes)	2.520.318	1.050.472	41.7
Fish fillet frozen (without herring) – tonnes	106.567	37.345	35.0
Smoked fish (without herring), dry-cured fish and balyk products, tonnes	70.785	16.803	23.7
of which smoked fish (excl. herring) – tonnes	39.995	9.839	24.6

Source: *Rosstat*

Annex 6a to this report shows the regional location of the various fish processing capacities.

6.3.1.1 Production capacity for large-scale enterprises of canned and preserved fish

The production capacity of canned fish has increased slightly due to the development of on-shore processing over the last few years. On average, the utilization rate of canning facilities was about 49%.

The main production facilities for canned fish are located in the zones next to the raw fish resources. The Northwest region thus has a 38% share, followed by the Far East and Southern regions with an approx. 29% share each (see **Annex 6a**).

The highest utilization rate, close to 80%, is found in the Northwest region. Some 12 canneries in Kaliningrad, the Russian Baltic enclave in the Northwest region, account for about 45% of the supplies of canned fish on the Russian market. The biggest producer in the region is Kaliningradsky Fish Cannery which was recently bought by Moscow interests.[14]

However, there are small producers of especially canned herring products in almost every town and region of Russia.

6.3.1.2 Production capacity frozen fish and cold storage capacities

The Far East region accounts for about 65% of total frozen fish processing, followed by the North-West region.

Cold storage capacities have increased during the last few years and are estimated at 500 000 tonnes. This growth was due to new freezing facilities in the North basin whereas the capacities in the Far East, West and Caspian basins have remained unchanged. In total, about half of the capacity of the freezing facilities is not used.

6.3.1.3 Smoking facilities

The major production capacity for smoked fish was registered in the South region. The same region had the highest utilization rate (29%). On average only one quarter of the smoking capacity was used.

In 2004 the smoking capacity was reduced by almost 13% in the Far East region. The most likely reason for this is that hot smoked fish products are in limited demand among the consumers in this region due to relatively higher prices and the restricted shelf life of the product.

However, in 2004 the production capacities for smoked products increased in the Central region by 6% compared to 2003. The main reason is that this region is close to consumers who have higher than average income levels.

[14] Russian Fish Report, issue No 4, April 2005.

6.4 Equipment and facilities

In general, industry observers consider the combination of low margins and insufficient investment, together with ageing production equipment, a barrier to future growth.

However, for many products, in particular preserves, many companies have upgraded their production facilities in the last few years.[15]

6.5 The structure of the processing industry

Seafood processors very often have different specialisations, so it is difficult to give a simple picture of the structure of the processing industry. Some companies are vertically integrated and control the product from catch/imports to retail.

These companies can be called value-chain producers. One example is the company Ledovo, a large Russian producer of seafood preserves that imports raw material, processes, brands and distributes its products. Another example is the company Nord-West of Murmansk which has its own fleet for primary fish production and produces and distributes its products in the main Russian regions. Along with these companies there are a number of players who focus on either fish harvesting, processing, wholesale or distribution.

It is also difficult to get a transparent picture of the commercial interrelations between the major market operators. The ownership structure is vague and some legal entities or private persons have interests or shares in other companies. For example, the MarFish fish catching company has shares in the Kaliningrad Seafood Products, which in turn has access to fishing quotas.

As regards the size of the companies, the number of small-scale enterprises registered in the fisheries sector is increasing at a rapid pace. According to figures in the White Book, "Russia's Fishery Complex in 2003", there were 4 113 small-scale enterprises in 2004. This is a more than a 30% increase since 2003. It also means that that the small-scale enterprises represent more than 70 % of the total companies registered in the fish industry sector.

The barriers to entry are relatively low and the demand for seafood high. These are the main reasons why the new companies have chosen to focus on seafood production. Their main asset has been access to financing and processing facilities. [16]

6.6 Major players

The major players (fishing and processing companies) in the Russian Far East, the North West and Kaliningrad are listed in **Annexes 6b-6f**.

---

[15] Eurofish Magazine (EM 4/2004),p 62, "Branded herring products in spicy sauces" by Elena Provotorova
[16] Fiskeriforskning, report 7/2005 (March 2005)

6.7 How the fish is delivered to the processors

In brief, in maritime regions the seafood is either landed directly to processing plants or is landed and shipped by rail or truck to the processors.

The main consuming regions are situated far away from the main ports of entry, especially as regards the Far East. For instance, the distance between Moscow and Vladivostok is 9 300 kilometres.

The only reasonable means of transport due to the vast distances is by rail. The railway system is quite developed in the European part of Russia, but it still does not adequately cover Siberia, especially in the North. The Northern ports of the Sea of Okhotsk, Kamchatka and Chukotka are not connected to continental Russia by railway or road.

Big cold storages are traditionally situated at railway junctions. These cold storages usually accumulate fish for further sale and processing. As a rule, processing companies also establish themselves nearby to save money on transport and production costs.

To transport fish the railways use refrigerating units. They also use rail thermo-containers (insulated carriage without refrigerator) during winter time. Railway delivery from the Far East to Moscow by refrigerated carriage costs about 5-6 RUR per kilo ($175-$210 per tonne).

All railway lines belong to the state owned railway companies. Rolling-stock (diesel and electric locomotives, goods trucks, freight cars etc) partly belong to individual private companies. However, the overwhelming majority of the rolling-stock is still owned by the state companies. The railways have to improve their service in order to meet the competition from truck companies.

Companies that base their production mainly on imported raw materials prefer door to door deliveries of raw materials by truck. The port in St. Petersburg is the main entry for imported raw material. The main importers of imported fish are located in St. Petersburg and Moscow.

6.8 Summary of the state of play of the processing industry

- Total production of seafood remained more or less constant during the period 2000-2004 with a yearly total production of around 3 million tonnes.
- The share between on-board and on-shore production *capacity* is about 70% and 30%, respectively.
- Frozen fish remained the most important product at the same time as production of value added products or convenience food increased. The production of chilled fish and fish fillets decreased.
- The changes in the industry towards products with a higher degree of processing are taking place mainly at private and smaller businesses.
- In general, there is a large need for upgrading of production equipment and facilities
- Statistics need to be interpreted and treated with caution

6.9 Future Developments

6.9.1 Increased processing in the small-and medium sized companies

On the basis of the expected positive growth rates for the Russian market, including a continued increase in the retail sector both in the Moscow, St. Petersburg and the regions, there is ample room for increased processing in Russia. It is likely that the dynamism in the small-and medium sized companies will continue to drive ahead product-development and marketing. The developments that have already taken place in Russia in this field during the last 15 years have happened extremely quickly and have reached an advanced stage.

6.9.2 Retail chains change the parameters for raw material sourcing

As volumes and demand have grown, and the retail chains have become key clients, the processors now conclude far more long-term delivery agreements with the chains than they did a few years back. This also means that they demand raw material supplies to be as stable as possible, in terms of volumes, quality and price.

So far a large share of their raw material is imported. The Norwegian exporters informally estimate that possibly as much as 80% of their exports to Russia go for further processing. (The share will be lower as the ratio of chilled fish/frozen fish is falling in favour of fresh fish. A larger share of some chilled fish, such as salmon, will be distributed to the retail chains without further processing).

It also means that the Russian producers on shore can look forward to more of the Russian caught fish being channelled to domestic production.

6.9.3 On-board versus on-shore production

It is a demanding task to direct more of the seafood of Russian origin towards domestic processing, as also described in the chapters on Trade and Harvesting. If the right conditions are put in place for increased on shore landings of the Russian caught fish (strict measures against poaching, less red-tape and taxes when the fish is landed etc), more enterprises will be likely to locate processing factories in the landing areas in order to ensure raw material deliveries. In Murmansk there are signs of growing interest in processing fish landed from coastal fisheries (see the Investment chapter **9.3.1**). However, as explained in previous chapters, on-board production is likely to remain high in the foreseeable future.

6.9.4 Closer co-operation with foreign partners

In view of the domestic raw material situation, it is likely that Russian producers will be increasingly interested in closer co-operation with suppliers of raw material.

It is also likely that foreign partners will be of interest to Russian processors that need to upgrade their equipment or that are interested in further growth.

These two aspects open up opportunities for foreign investors (see examples mentioned in the chapter on Investment).

6.9.5 Geographical aspects

In 2004 the retail chains announced increased focus on regions outside Moscow and St Petersburg. It is expected that this development will intensify over the next few years. This can also give incentives for increased production of seafood in the regions. For instance, labour costs and land prices in Moscow are rapidly increasing, and it can therefore be worthwhile locating production in regions where costs are lower and consumer spending on the increase. So far, the increased regional focus has mainly led processors in Moscow and St. Petersburg to establish sales offices and storage facilities in the other regions.

6.9.6 The likelihood for increased exports from on shore plants

Russian on-shore processors have so far focused mainly on the booming domestic market. However, provided that raw materials can be secured through either imports or higher shares of domestic raw materials, it is possible that Russia will become a more important exporter of processed seafood.

6.10 Current quality standards

The quality and safety of fish and fish products is an important issue for the Russian fishery sector. There are many challenges ahead, both at the administrative and the industry level. According to estimates from the Ministry of Health, the quality level in the fishery industry is generally lower than for other food processing industries such as the meat processing and dairy industries.

6.10.1 The legal framework

There are a large number of sector regulations and standards concerning quality and safety of food products, including fish, imported, produced and sold in the Russian Federation.

6.10.1.1 Safety aspects

The main document for control of food safety parameters is the regulation on "Hygienic Requirements for the Safety and Nutrition of Foodstuffs" (SanPiN-01). An updated version was made by the Ministry of Health and the Nutrition Institute and came into force on 1 September 2002. SanPiN-01 controls the activities of legal entities and private entrepreneurs involved in manufacturing, importing, and distributing of foodstuffs as well as catering services.

Safety requirements including microbiological indicators and the permissible levels of food contaminants for fresh, chilled and frozen fish stipulated in SanPiN-01, are listed in **Annex 6g** to this report. Safety parameters for processed fish, canned fish products and non-seafood products are also stipulated by SanPiN.

6.10.1.2 Quality aspects

Integrated regulations on quality and safety parameters of food and fish in particular are set out in State Standards (GOST). However, when it comes to sanitary and hygienic issues of food safety, Russian GOST refer to SanPiN.

The standardization system goes back to Soviet times when the planned economy aimed at controlling all aspects of production, pricing and consumer properties of the goods produced and supplied to Russia. State standards are drawn up by the sector research institutes and are approved by Gosstandart, which is a state body responsible for standards and metrological regulations.

To date the Russian fishery sector is administered by approx. 150 GOSTs and 2.000 local regional standards of fish basins, associations, enterprises, which take into consideration regional specifics of fish production.

For years state standards have been a 'quality proof' for Russian consumers, and products produced in accordance with GOSTs have a competitive advantage on the market.

6.10.1.3 Labeling aspects

Russian labelling regulations have undergone several changes in recent years. The aim of these changes is to give consumers increasingly better and reliable product information. The developments in labelling are in line with the federal Law on the Protection of Consumers Rights from 07.02.1992.

Labelling requirements for food products and fish in particular, are laid down by State Standard GOST R-51074-2003. For fish, the standard sets two group of products, namely group 4.5 Fish, Seafood and Seafood products and group 4.6 Canned and Preserved Fish and Seafood. According to the standard, products destined for import and sales in Russia should have the following information in the Russian language:

Fish, Seafood and Seafood products

- product name
- fishing region can also be indicated in the product name. For example 'Caspian herring' or 'Far East Navaga'
- length of the fish (large, medium, small)
- type of dressing (head-off, gutted, sliced, etc.)
- type of treatment (salted, dried, smoked etc.)
- salinity level (slightly salted, moderately-salted, hard-cured)
- grade (if any) or categories (for frozen fillet)
- name and legal address of the manufacturer, including the country
- manufacturer's trade mark (if any)
- net weight.
- nutritional content and value
- storage requirements
- certification information and the standards in accordance with which the product was manufactured
- product ingredients, including food additives and biologically active components

Canned and Preserved Fish and Seafood

- product name
- name and legal address of the manufacturer, including the country
- manufacturer's trade mark (if any)
- grade (if any)
- net weight. For preserves a net weight of fish without brine should be indicated, if the fish is sold by weight in retail distribution.
- nutritional content and value
- storage requirements. For instance for preserved fish a sign should indicate that the product should be stored at a given temperature interval for a given period
- date of production / packaging and shelf-life
- certification information and the standards in accordance with which the product was manufactured
- product ingredients, including food additives and biologically active components

6.10.2 The institutional set-up

6.10.2.1 Rospotrebnadzor ("Consumer Rights Watch")

The SanPiN regulations, together with other important regulations, guide the federal body Rospotrebnadzor("Consumer Rights Watch") in its work. The task of this federal body is to supervise food safety, hygiene and sanitary requirements in food production and distribution. Rosportebnadzor was set up as a part of a recent structural reorganization of the Russian government. Rosportebnadzor is the result of a merger between the State Sanitary Epidemiological Service (GosSanEpidNadzor – formerly part of the Ministry of Health) and the Trade Inspection (formerly a division of the Ministry of Economic Development and Trade and responsible for inspections in the trade sector and consumer protection). The aim of these structural changes was to strengthen the enforcement of food safety regulations and trade standards at both the production and distribution levels.

6.10.2.2 Gosstandart

Gosstandart is a state body responsible for standards and metrological regulations.

6.10.2.3 Sector research institutions

Sector research institutions play an important role in drafting regulations affecting the fishery industry. For example, the VNIRO research institute is responsible for standardization in fish processing, and GiproRybPlot is responsible for the co-ordination and elaboration of sector regulations for canned fish and preserves. GiproRybPlot has been in charge of elaboration of 50 intergovernmental 5 state standards and 15 branch standards for canned fish products. The state standards are harmonized with international regulation in this sector.

6.10.2.4 The National Centre for Quality and Safety of fish products (Natsrybkachestvo)

The National Centre for Quality and Safety of fish products (Natsrybkachestvo) has been set up to assist Russian fish processing companies in improving the quality of fish

products. The centre is also empowered to approve fish processing enterprises in compliance with EU standards and to issue Health certificates for fish exports to EU-countries. The head office is in St. Petersburg, whilst there are affiliated offices in the main Russian fishing basins.

6.10.2.5 The veterinary services (Rosselkhoznadzor)

As part of the Ministry of Agriculture's recent reorganization, the Russian Veterinary Service and some other departments such as the Plant Protection Service have been merged into one entity. The new merged state body Rosselkhoznadzor is in charge of supervising the safety of fish products of animal origin including fish.

Within the Rosselkhoznadzor structure the federal and regional veterinary services have the following responsibilities: the federal veterinary service is in charge of approving procedures for foreign trade in fish products including the issue of permissions and veterinary certificates. Regional veterinary departments ensure control of proper storage conditions of fish products for distribution in Russia. Their responsibilities cover certification of transportation means and cold storage facilities at freezing warehouses, production, and wholesale including open-area markets and retail distribution. Approved veterinary rules and SanPin regulations guide the activities of the veterinary service.

6.10.3 Current problems and difficulties

Current problems are on the one hand related to the legal and institutional set-up, and on the other hand to the actual safety and quality of the products produced. The two problems are interlinked.

6.10.3.1 The institutional set-up

The institutional set up for safety and quality control seems cumbersome, and the division of responsibilities between the different controlling bodies is vague. Fish producers mention excessive overlapping of inspection functions and responsibilities as a major problem.

For instance, the Moscow veterinary service is responsible for monitoring storage conditions where fish products are sold. As far as retail distribution is concerned, the regional veterinary service is responsible for supermarket networks, while local Rospotrebnadzor control ordinary supermarkets and food stores.

As regards Natsrybkachestvo, which deals mainly with export-oriented producers, it encourages companies to harmonize their systems with HACCP procedures. However, it seems that little effort is made to apply the same quality control practices for fish products destined for domestic distribution. Double quality standards are thus extensive in the sector.

6.10.3.2 The actual quality and safety of the fish products

As regards the actual quality and food safety situation, the Ministry of Health considers that the quality level is generally lower in the fishery industry than in other food processing industries such as the meat and dairy industry. The problems are in particular

related to violation of the microbiological parameters for fish products. In general, the share of food products which violates hygienic requirements for microbiology was estimated at 6.6%. However, for fish products this percentage was, on random checks found as high as 8.86%. This has been the case for the last 4-5 years. Consequently, according to a report on social-hygienic monitoring, 6748 consignments of low-quality fish were withdrawn from trade in 2003.

Officials of the Moscow Veterinary Service report that they have not had major problems with fish consignments coming to Moscow over the last few years. This is particularly the case for imported fish shipments which are subject to 'double checks' at the customs and regional levels. However, a number of fish shipments of inferior quality coming from Russian regions have been identified. This is attributed to the unsatisfactory animal health conditions in the regions, and the lack of modern laboratory equipment at the regional veterinary offices.

6.10.3.3 An example: Application of food additives and labeling

An example is the application of food additives of non-fish origin such as starches in surimi products. These surimi products are at the outset safe. However, due to lack of proper requirements and control of labeling, the presence of low-cost non-fish additives is sometimes not reported.

6.10.3.4 An example: Double quality standards used by Russian producers in their sales abroad and on the domestic market

The use of re-frozen fish is not permitted by Russian standards, while it is allowed according to international regulations. For example the Nord-West company of Murmansk uses plastic boxes with ice for fresh fish destined for exports, whereas freshly caught fish destined for domestic consumption is handled on the vessel without ice. Fish stored at sea is recovered with liquid ice onshore.

Company example: Murmansk Trawl Fleet (MTF)
According to executives of the Murmansk Trawl Fleet (MTF), their vessels are controlled by three different inspection bodies (Rosselkhoznadzor, Rospotrebnadzor and Natsrybkachestvo) which monitor the same safety parameters. As the company is obliged to make on-site inspections possible, it also has to bring the inspectors to their distant-water vessels fishing in the African EEZ.

As regards inspections by the veterinary authorities, the federal veterinary officers inspect at port the quality of fish caught. At the same time the Regional (Murmansk) veterinary board, which considers the fishing vessel a transportation and cold-storage unit, strives to control almost the same safety parameters.

In order to avoid these redundant checks MTF officials have taken a number of cases to court.

6.10.4 EU approved companies

The Commission of the European Communities issues regularly consolidated lists of approved Russian companies on the basis of Commission Decision 97/102/EC laying down special conditions governing imports of fishery and aquaculture products originating in Russia, as regards the designation of the competent authority and the model of health certificate.

In the consolidated list valid from 27 June 2005[17] there are 86 approved onshore companies, corresponding to 20% of the total number of approx. 430 EU approved enterprises. Factory vessels account for 25%, and freezing vessels for 55% of the total. In Murmansk and Kaliningrad there are about 10 approved onshore companies respectively, the same as in the Moscow and St. Petersburg regions. In the Far East region there are 13 approved companies (Sakhalin 6, Kamchatka 5, Primorye 2).

6.10.5 Future developments regarding food safety aspects

The Russian government is trying to simplify safety regulations and bring them in line with a new law on Technical Regulations passed by the State Duma and signed by the President. These measures aim at making a clearer distinction between safety and quality aspects of food processing and distribution. Regulators are trying to move away from a system based on detailed regulations and standards, to a system where more responsibility is put on the producers; in other words, a system more like the one used in the EU.

However, the draft technical regulations based on the new law that have been made available to the public are so far only reorganizations of previous laws and standards.

[17] http://forum.europa.eu.int/irc/sanco/vets/info/data/listes/11ru.pdf

Thus, the bulk of Russia's food safety regulations remains SanPiN-01 or revised state standards, even though some regulations are being simplified and harmonized with international standards.

Progress seems very slow and the completion period is uncertain. It is likely that international developments such as WTO accession and trade relations with the EU will be able to speed up the process.

7 TRADE

This chapter gives an overview of imports and exports, reviews and comments on quantities and types of fish products traded, describes and comments upon the trade flow, as well as import and export regulations (including tariffs), and finally indicates some future developments in trade.

7.1 Key features

One of the salient characteristics of the Russian fisheries sector is that it directly exports an important share of its own catches, while importing considerable and increasing volumes of foreign raw materials for its domestic processing industry. Political forces, as well as domestic producers on shore, are trying to change this situation so that more fish caught by Russian vessels is processed on shore in Russia.

Russia's trade pattern reflects the global nature of fish trade. Market developments, as well as developments related to seafood harvesting and farming in Asia, Europe and the US, are just as important for Russian exports and imports of seafood as developments in Russia itself. Japan, China and Korea are key markets for Russian exporters. Norway is the most important foreign supplier. Russian imports of seafood have boomed since 1998. Due to increased demand, the Russian market is attracting increased interest from a number of exporting countries.

The Russian trade regime favours imports of raw materials, while tariffs on processed seafood are higher. The future accession of Russia to the World Trade Organization is seen as an important step towards stable and predictable trade conditions. WTO membership will also make Russia an attractive partner for preferential trade agreements.

Since the import process is quite complicated and not very transparent, many of the smaller processors, as well as the retailers, prefer to buy their raw materials from specialized importers in Russia. St Petersburg and Moscow are the main channels for imports of seafood. These two cities play a key role in the distribution of seafood to other regions of the country.

7.2 Total exports and imports

Russia is traditionally a net exporter of seafood, although imports have risen strongly since 1998, and are still increasing at a rapid pace. In 2004 total exports of edible fish products amounted to 1.23 million tonnes corresponding to a value about 1.5 billion USD. Russia thus exports more than one third of its seafood harvest. The corresponding figures for total imports were 0.82 million tonnes at a value of about 0.76 billion USD.

Frozen fish is traditionally the major trade item both as export and import. Frozen fish makes up over 80 % of exports and almost 70 % of imports.

A large share of the imported fish goes to domestic plants for further processing. There is a strong political interest in Russia in directing more of the fish caught by Russian

vessels to further processing and consumption in Russia. As regards continued future exports, the aim is that a larger share will consist of more processed products than today.

7.3 Exports

Since 2000 seafood exports have increased slightly. In 2004 fish exports were almost 3% higher in volume compared to 2000. However, the changes in the structure of the exports have been significant.

Exports of frozen fish have increased annually throughout the period. The increase from 2000 to 2004 was close to 30%. Exports of canned fish have also increased rapidly and doubled from 2000 to 2004. The other clear change since 2000 is the fall in exports of live and chilled fish as well as fillets. In 2004 exports of live and chilled fish were less then half the volumes exported in 2000. The fall in exports of fillets was even more important.

One likely reason for the reduction in exports of chilled fish is that less wet cod is landed in Norway for further processing. Instead, the Russians sell more frozen whitefish directly to other EU countries or from coldstores in Norway.

Table 20: Fish and seafood product exports from the Russian Federation, '000 tonnes

	2000	2001	2002	2003	2004
Live and chilled fish	103.8	65.8	137.7	81.2	45.2
Frozen fish	817.9	947.4	948.4	991.2	1041.5
Fish fillet	138.7	103.8	58.0	67.6	49.3
Salted, smoked and other process fish	45.8	24.9	16.0	9.6	16.2
Crustacean product	46.9	38.4	35.2	33.6	26.9
Mollusk product	21.1	12.5	35.8	11.4	12.1
Canned fish and caviar	15.8	16.0	17.7	23.2	31.4
Canned crustaceans	3.1	5.0	4.4	3.6	2.6
Total	**1.193.1**	**1.213.8**	**1.253.2**	**1.221.4**	**1.225.2**

Source: *Vnierkh*

7.3.1 The major export markets

As shown in **Table 21** below, exports from Russia go mainly to Asia (57.1%) followed by Europe (25.8%) and America (16.8%).

Table 21: Exports from the RF by country (in %)

	2000	2001	2002	2003	2004
Europe, incl.	32.3	29.4	30.6	27.5	25.8
EU	18.7	17.1	17.5	12.1	11.5
Norway	12.4	11.3	11.7	6.8	6.8
Asia, incl.	35.4	49.5	52.8	55.9	57.1
China	1.5	3.4	7.9	3.8	11.1
Korea Republic	11.6	19.5	20.6	24.9	25.2
Japan	18.0	17.6	14.0	15.0	13.2
Africa	0.5	0.4	0.3	0.3	0.3
America, incl.	31.8	20.7	16.3	16.3	16.8
USA	28.5	16.0	11.6	11.6	11.1
Total	**100**	**100**	**100**	**100**	**100**

Source: *Rosstat*

The major export markets for Russian seafood are the Korean Republic, China, Japan, USA and Norway. Exports to Asia have increased considerably since 2000, and this region alone imports almost 60% of the exported Russian seafood.

The export pattern basically reflects the proximity of the countries to the main Russian fishing zones/basins. In particular, it reflects the importance of the Russian Far East basin, as well as the North basin, as exporting regions. The considerable exports of frozen fish also reflect the importance of on-board processing and transhipment operations, as well as the fact that the buyers of these products are to a large extent processors importing raw material.

As regards chilled and frozen fish and fish fillets the key importers are the Korean Republic (27.6%), China (13.5%), Japan (7.0%), USA (6.2%) and Norway (6.0%).

As for exports of seafood other than chilled and frozen fish and fish fillets the same geographical pattern is repeated. However, Japan alone imports more than 40% of these products, followed by the Korean Republic (18.5%), USA (13.5%), China (3.9%) and Norway (3.8%).

7.3.2 The major export species[18]

Chapter **3** of this report describes and comments on Russian fish harvesting which includes about 170 species of finfish and more than 100 invertebrates. The exports reflect the relative importance of the various species harvested. The most important species are

[18] See FAO Globefish's Industry Profile on Russia

various Gadiformes, which include such species as Alaska pollack, cod, whiting, haddock, saithe, ling, tusk and hake. Alaska pollack alone comprises about 35% of Russian export volumes. Pacific herring and other pelagic species are also important export items. Roe is a Russian speciality. Various types of Russian crabs, often named "other Russian caviar", are important in terms of value. Russia is the third largest crab exporter in the world after Thailand and China.

7.3.3 The statistical sources and transhipment operations

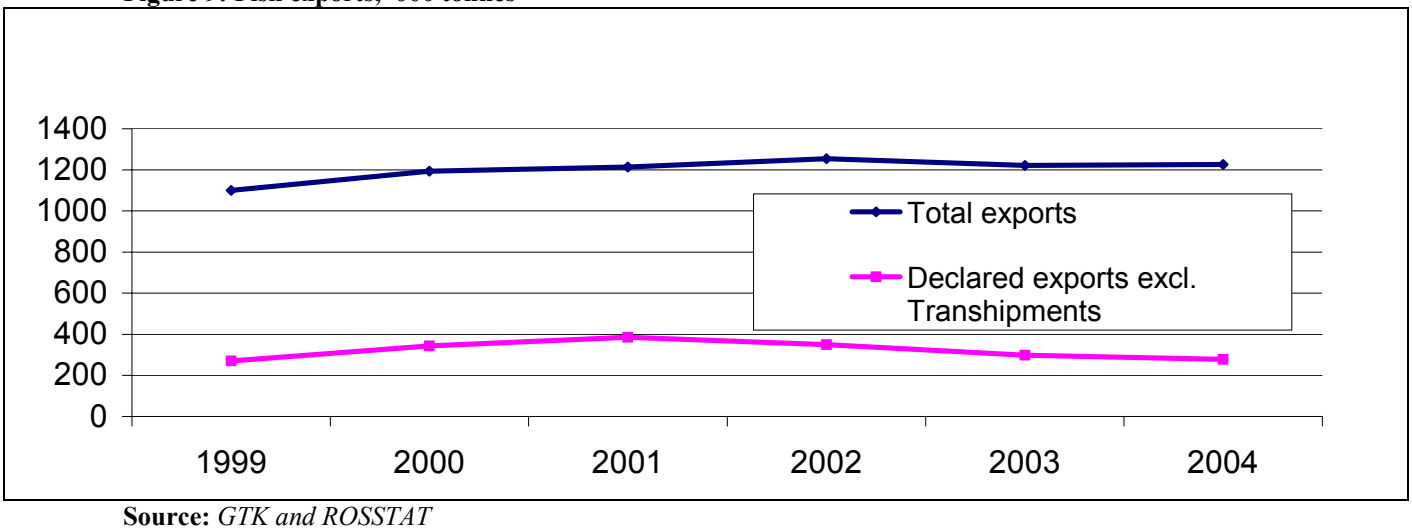
The fish export data reported by the State Customs Committee and Rosstat shows a visible discrepancy.

7.3.3.1 The State Customs Committee (GTK) versus the Federal State Statistics Service (Rosstat)

Russian legislation stipulates that goods which are sold on the territory of the Russian Federation are subject to compulsory declaration. The State Customs Committee monitors and registers these sales. However, this means that the customs authorities only register those fish products which are processed onshore or landed at Russian ports for further export. Fish products sold outside the Russian territory, and in particular outside the 12-mile zone, are not reported to the customs authorities. However, these shipments are subject to obligatory reporting to the Federal State Statistics Service in accordance with established reporting forms.The State Statistics Committee also compiles aggregated export data, including that reported to customs authorities.

The diagram below shows fish exports registered by the State Customs Committee and total exports registered by the State Statistics Committee. In general, the area between the two curves shows the size of the declared transhipment operations in the Russian fisheries. Transhipments by Russian vessels are important and steadily increasing. Statistically this is reflected by the fact that total fish exports are on the increase while customs registered operations are falling.

Figure 9: Fish exports, '000 tonnes



Source: *GTK and ROSSTAT*

It is a recognised fact that sales transactions outside Russian territorial waters are not reported accurately, and that a significant part of fish exports is underreported. Underreporting is largely attributed to illegal fishing (see chapter **3** on fish harvesting).

The problem of underreported fish exports is a difficult issue for the fishery industry and authorities.

In addition to the obvious short-term benefits for the operators involved, illegal fisheries is a consequence of fishery management problems. There is a mismatch between on the one hand, the available resources and on the other hand the large number of historic users and a large overcapacity. However, the recently introduced system of allocating quota shares for a period of minimum 5 years is thought to be an incentive for the major players towards a more sustainable exploitation of the stocks and law-abiding operations. The penalty of loosing long-term rights is regarded as high. It is also hoped that the pending regulations for secondary turnover of quotas will help consolidate the industry.

7.4 Imports

As **Table 22** below shows, total imports have increased annually between 1999 and 2004. In particular, imports of fresh and frozen fish have increased strongly since 1999.

Fresh/chilled fish imports increased four fold throughout the period with a particular strong increase from 2002 onwards. This is often explained by the strong growth in the retail sector. However, fresh/chilled fish still constitutes a small share of total imports.

Imports of both frozen fish and fish fillets increased sharply year on year throughout the period. Imports of frozen fish, which represent more than 70% of total imports, increased by more than 25% from 2003 to 2004. The growth in imports of fish fillets in the same period was over 10%.

Imports of crustaceans also rose considerably, reflecting in particular the increased interest in shrimp.

Furthermore, there is a small and, since 2002, diminishing share of processed fish products being imported. Imports comprised around 1.4% of total imports in 2004. Imports of canned fish have decreased considerably. The figures for processed and canned fish reflect the stronger position of the domestic fish processing companies.

Table 22: Fish and seafood product imports into the RF, '000 tonnes

	1999	2000	2001	2002	2003	2004*	Share, % of total
Chilled fish	9.3	6.3	8.8	13.3	22.8	35.0	4.3
Frozen fish	264.2	304.1	391.4	414.2	464.7	584.1	71.4
Fish fillets	21.2	10.6	18.2	34.6	55.4	62.2	7.6
Salted, smoked and other processed fish	7.8	8.3	12.2	14.0	12.8	11.8	1.4
Crustaceans	4.4	7.8	12.8	18.0	26.7	35.3	4.3
Molluscs	2.1	0.8	4.4	6.2	8.1	10.8	1.3
Canned fish	115.1	119.1	138.4	94.2	86.0	70.3	8.6
Canned crustaceans	0.4	0.9	1.5	2.1	5.4	8.1	1.0
Total	**424.5**	**457.9**	**587.7**	**596.6**	**711.9**	**817.6**	**100**

Source: *State Customs Committee (GTK)* ** Preliminary data*

7.4.1 The main imported species

The key imported species are herring, mackerel, hake, salmon and trout. Russia is the largest importer in the world of Atlantic herring. However, there is now an increasing diversity of species being imported. Along with the above fish species, tuna, dorado, seabass etc are regularly found in Russian restaurants, as well as in the high segment retail chains. Other examples of "new" fish species include red porgy (*Pagrus pagrus*), surmullet (*Mullus Surmuletus*) and Gurnard (*Chelodonichthus kumu*).

This development is especially illustrated by the increasing imports of fresh fish. For example, in 2004 fresh tuna imports increased almost 6 times compared to 2003.

Shrimp is also a product with high growth rates.

7.4.2 The major import sources

As far as the fish imports by countries are concerned, Norway is a leading supplier with a 36% market share, followed by Great Britain (7.1%), Mauritania (5.6%) and Iceland (4.8%). That Mauritania occupies third place of is not surprising. In the Mauritanian fishing zone there are fishing vessels operating under different flags (including Russian).

According to the statistics for 2004, reported by the Russian customs authorities, Norway exported a total of 294 300 tonnes of fish to Russia. The major fish items of Norwegian origin is firstly herring, followed by farmed Atlantic Salmon and trout, mackerel, as well as some smaller quantities of other whitefish.

As regard chilled products, more than 80% of Russian imports come from Norway.

7.5 Major players

Many processing and fishing companies are also involved in trade. They are listed in **Annexes 6b-6f**.

7.6 Import regulations

Foreign trade in seafood can be a cumbersome task due to red-tape. Sudden changes in import procedures and requirements create obstacles for importers of seafood to Russia. Even experienced importing companies may encounter problems and delays with customs clearance of imported products.

7.6.1 Practical aspects

For the exporters, however, the situation may be easier. For instance, Norwegian exporters of fish to Russia have not signalled any major problems over the last few years. The likely reason for this is that it is the importer in Russia who normally handles all contacts with the Russian authorities, such as the customs authorities and the veterinary services. Since the domestic routines lack transparency, many Russian producers of fish that use imported raw materials prefer to buy seafood from "professional importers" instead of importing the products directly from the exporter. The same is the case for retailers and caterers. These "professional importers" often employ people that have previously worked for the veterinary or customs authorities.

7.6.2 Import requirements

The official language of customs-related operations is Russian, and all necessary documents have to be submitted in Russian. A list of documents required for fish and seafood imports include:

- Certificate of Origin.
- Health Certificate
- Packing list which describes product content in the cargo

The following certificates are not required but may be requested by the importer/end user:

- Certificate of Conformity/Hygiene
- Quality Certificate from the country of origin.

The *Health Certificate* is converted to a Russian Veterinary Certificate on the Russian customs point in accordance with international established practice. It confirms that the product fulfils all specified health and sanitary requirements. *The Certificate of Conformity* states that the product in question is in conformity with Russian standards and norms.

As a rule, customs clearance takes place at the customs point of the importer's legal address. Fees levied for customs-related operations are normally 1% of the contract value.

7.6.3 Current tariffs

The Russian tariffs increase according to the degree of processing of the fish products.

The standard applied import duty on almost all imported live, fresh, chilled and frozen fish of all species, including fillets, is 10% (HS 03). For fish fats and oil (HS 15.04) as

well as for prepared and preserved fish (HS 16.04) the applied rate is in general 15%. For prepared crustaceans and molluscs (HS 16.05) the general applied rate amounts to 20%.

For fish meal (HS 23.01) the applied rate is 5%.

However, in some cases the tariff rate in per cent is combined with a “value condition”. **Table 23** below lists some of these products.

Table 23: Import duties for selected fish and seafood products

HS Code	Product Description	Import Duty
0303.50.0000	Herring (Clupea harengus, Clupea pallasii), excluding livers and roes	10%, but not less than 0.04 Euros/kg
0303.74.3000	Scomber – (Scomber scombrus and Scomber japonicus)	10%, but not less than 0.06 Euros/kg
0303.74.9000	Scomber – (Scomber australasicus)	10%, but not less than 0.06 Euros/kg
0303.79.2100	Fish of the genus Euthynnus – Whole	10%, but not less than 0.05 Euros/kg
0303.79.2300	Fish of the genus Euthynnus -- Gilled and gutted	10%, but not less than 0.05 Euros/kg
0303.79.2900	Fish of the genus Euthynnus -- Other (for example 'heads off')	10%, but not less than 0.05 Euros/kg
0303.79.3100	Fish of the genus Euthynnus – Other	10%, but not less than 0.05 Euros/kg
0303.79.3500	Redfish – (Sebastes marinus)	10%, but not less than 0.05 Euros/kg
0303.79.3700	Redfish – Other	10%, but not less than 0.05 Euros/kg
0303.79.4100	Fish of the species Boreogadus saida	10%, but not less than 0.05 Euros/kg
0303.79.5100	Ling (Molva spp.)	10%, but not less than 0.05 Euros/kg
0303.79.5500	Alaska pollack (Theragra chalcogramma) and pollack (Pollachius pollachius)	10%, but not less than 0.05 Euros/kg
0303.79.7100	Sea bream (Dentex dentex and Pagellus spp.)	10%, but not less than 0.05 Euros/kg
0303.79.7500	Ray's bream (Brama spp.)	10%, but not less than 0.05 Euros/kg
0303.79.8300	Blue whiting (Micromesistius poutassou or Gadus poutassou)	10%, but not less than 0.05 Euros/kg
0303.79.9100	Horse mackerel (scad) (Caranx trachurus, Trachurus trachurus)	10%, but not less than 0.05 Euros/kg
0305.10.0000	Flour, meal and pellets of fish, fit for human consumption	5%
0305.20.0000	Liver and roe, dried, smoked, salted or in brine	20%
0305.41.0000	Pacific salmon (Oncorhynchus spp), Atlantic salmon (Salmon salar) and Danube salmon (Hucho hucho)	20%, but not less than 4 Euros/kg

Source: *Russian Government Decree 830*

Information on the current rates can be found in Russian Government Decree 830 with latest amendments.

Combined customs duties were introduced in order to avoid deliberate understatement of the value of the consignment. However, some industry experts indicate that the practice of underreporting the cargo value is still quite extensive. Such import schemes often involve off-shore companies or double invoicing. "Black" or "grey" customs operations are considered to be the rule rather than the exception. On the other hand, controls are more efficient than before, and some "loopholes" have been closed.

7.6.4 Future tariffs following Russia's accession to the WTO

At this stage it seems that the bound rates of duty will follow the present structure upon accession of Russia to the WTO. The tariffs will thus continue to increase with the level of processing. The system of combined rates will continue.

However, the bound tariff rates, both in terms of per cent and value, for live, fresh, chilled and frozen fish of all species, including fillets (HS 03), are likely to be at a lower level then the rates currently applied. As regards tariff reductions for fish fats and oil (HS 15.04) as well as for prepared and preserved fish (HS 16.04) it is expected that the bound rate will be more or less similar to the rate applied today.

The Russian authorities may of course decide to apply lower tariffs than the rates bound in WTO. In view of the fact that the Russian authorities want to encourage increased domestic processing this is however not so likely.

It was hoped that Russia would accede to the WTO at the Hong Kong Ministerial meeting in December this year but many trade policy observers now think that Russia will not accede to the WTO before 2007.

7.6.5 Other trade effects of future Russian WTO accession

The accession of Russia to the WTO is an important driving force in establishing Russian law and regulations that are compatible with WTO. Accession is above all important in order to make trade conditions more transparent and foreseeable. In addition to tariff issues, WTO membership will improve trade conditions related to, for instance, TBT and SPS.

Upon accession to the WTO Russia will also become an eligible partner for free trade agreements (FTAs) or preferential trade agreements (PTAs). The EU is expected to be among the front runners when it comes to concluding such an agreement with Russia. Russia's accession to the WTO may at some point also present the possibility of a FTA between EFTA (the European Free Trade Association of which Iceland, Norway, Switzerland and Lichtenstein are member countries) and Russia.

7.6.6 "Imports" of fish caught by Russian vessels

As described above a large share of the Russian catches is exported directly. This can partly be explained by a complicated declaration and tax system at Russian ports. The

existing system of taxation and credits, as well as relatively high tariffs at the ports, do not motivate Russian fishing companies to deliver fish back to on-shore processing and sales. Many Russian fishermen find it easier, and more profitable, to export their fish rather than go through the domestic "red-tape".

7.6.7 Import measures

As part of the objective of the Russian authorities to redirect more of the Russian caught fish to domestic production, there have been calls for introducing quotas on imported fish.[19] It is, however, difficult to assess the likelihood of such measures being introduced.

7.6.8 The of case Kaliningrad

The Russian Baltic enclave Kaliningrad is a Free Economic Zone (FEZ) under the Federal Law "On the Special Economic Zone in Kaliningrad Oblast" of 22 January 1996. According to the local legislation of the Free Economic Zone, a company that adds more than 30% of value to the raw material is exempted from customs duties on the imported raw material and related taxes for product processing.

The system has not surprisingly led to a strong growth in processing of raw material in the FEZ. Kaliningrad has become Russia's leading "packaging" region.

The favourable conditions of Kaliningrad are highly debated within Russia. It is difficult to say whether it will be possible to maintain such a system in the long run (see also chapter on Investment **9.7.2**).

7.7 Export regulations

There are some tariffs on Russian seafood exports, in accordance with Governmental regulation no 1103 dated 30 October 1993. However, it is difficult to get an overview of the implementation of these tariffs. The main problem for the Russian authorities is related to the fish caught outside the Russian 12-mile zone.

It is possible that the Russian government will introduce mandatory customs clearance on catches from the EEZ in Russian ports. A draft decree "On export of raw material and production made from aquatic biological resources of the EEZ and continental shelf of RF beyond the EEZ and continental shelf of RF" has been presented in the federal government. The main objective of the draft regulation is to reduce unreported exports/harvest and thus make processing in Russia more cost-competitive compared to the processing industry in China in particular.

The influential Governor Darkin of Primorye and the association of Fishery Industrials of Primorye are campaigning hard for this regulation.

If it is adopted there would also be a need to improve the infrastructure of the ports and logistics in general. This could again give possibilities for investors.

---

[19] Interfax 08.06.2005

However, industry observers are uncertain as to when, or even if, such measures may be introduced.

7.8 Future developments in trade flows

Developments both in the short, medium and long-term will depend on a number of factors. Some of the key factors are the fish harvest situation in both Russia and other major catching and fish farming nations. Others are related to the investments and development of the fish processing industries world-wide (especially in China, Korea and the EU). Another key parameter is related to the price consumers are willing to pay for various seafood products globally (the price is a reflection of their preferences). A competitive transport infrastructure is also essential. Finally, such developments are also a result of the legal framework in general and the trade framework in particular, not only for Russia but also for other major fish trading countries.

The rest of this chapter will describe some of the key issues related to trade and the trade framework, with a focus on Russia's position in global trade. More detailed information on Russian fish harvesting and seafood farming as well as the domestic market for seafood can be found in the other chapters of the report.

7.8.1 The future export pattern

The general principle for all fish exporters in a free market economy is to sell the fish where the profit is highest in the short or in the long term. Russia is in the position of being geographically close to key markets in Asia and the EU and of having a booming demand for seafood on its domestic market.

7.8.1.1 Asia

Most analysts believe that Japan will continue to exert a strong demand for high quality seafood. It is also expected that China in particular, but also Korea, will further strengthen their position as processors of imported raw-materials. Furthermore, it expected that the high economic growth in China will lead to higher consumption of fish in China itself. As long as the prices that these foreign importers are willing to pay are higher than the net profit expected from sales in Russia, or on other markets, there will be a strong incentive - especially for the vessels and the industry in the Far East of Russia - to continue the high level of exports to Asia.

7.8.1.2 The EU

Quotas, for example for cod, have been cut back in the EU leading to lower catches. The EU is a major net importer of fish and is likely to remain so in the foreseeable future. The EU is also among the highest paying fish markets. Almost 100 Russian companies are currently approved by the EU, and can therefore export there. A key challenge for Russian exporters will be to comply with EU food safety regulations. However, it is likely that the EU will become an increasingly important market for Russian fish in the future. Today Russia mainly exports cod and Alaska pollack to the EU.

7.8.1.3 Norway[20]

In the past 15 years, almost 2/3 of all officially declared cod from the Barents Sea has been handled by Norwegian fish receiving stations. A considerable part of this has come from Russian fishermen. In 2002 Russian deliveries started to decrease, and two years later they fell by almost 40%. According to Fiskeriforskning (see footnote) the main reasons for this decline can be found in the development in Russia over the last few years. In the 1990s the Russian fishing fleet needed renewal. The solution for many was to enter into so-called bareboat contracts whereby Western shipping companies leased out boats to the Russians in return for a pledge by Russian fishermen to land their catches in Norway. Many have now terminated their contracts and are free to choose where they want to deliver their fish. Many of the large, older vessels have also been replaced by modern factory vessels where the fish is frozen on board instead of being landed near the catch area. This means that the Norwegians will have to compete with other potential buyers for Russian fish.

7.8.1.4 The domestic market

As previously explained, the Russian authorities are demanding measures to ensure that more of the seafood of Russian origin is processed and consumed in Russia.[21] The existing system of taxation and credits, as well as relatively high tariffs at the ports, do not motivate Russian fishing companies to deliver fish back to on-shore processing and sales. It is probably only possible to change this system slowly because of the market mechanisms previously described, traditions, bureaucratic red-tape and technical conditions (current capacity on board, the need to build more plants on shore close to the landing areas etc). It could also be that "red-tape" is sometimes used by vessels-owners as a pretext for exporting the fish directly instead of selling it on the domestic market.

However, seen from an enterprise perspective, the high growth in income per capita, and the positive developments on the Russian market provide in themselves incentives for Russian suppliers of domestically caught as well as imported fish to focus more on the Russian market.

7.8.1.5 Exports of processed seafood

Russian exports so far consist of mainly unprocessed seafood. It is possible, provided that today's dynamic product development in the processing industry continues that Russia can become an important exporter of processed seafood products.

7.8.2 The future import pattern

As mentioned previously, imports of seafood to Russia have boomed since 1999. The main reasons for this are the high economic growth rates in Russia and positive market developments in general (see chapter on Market).

---

[20] See Fiskeriforskning info No.4 June 2005
[21] See for instance Interfax 08.06.2005

The main increase has come from Norway. Norway is geographically close to the main consumer areas of Russia and a large producer of popular species such as herring and mackerel, as well as farmed Atlantic salmon and trout.

7.8.2.1 Herring – volumes, prices and the future[22]

Herring is the most commonly consumed fish in Russia and, as already mentioned, Russia is the world's largest importer of Atlantic herring. In 2004 Russia imported more than 450 000 tonnes of Atlantic herring (round weight), of which over 50% came from Norway.

However, it is anticipated the harvest of this species will increase strongly from the autumn 2005 and for some years to come. It is very likely that a large share of these increased volumes will go to Russia.

Exporters to Russia of herring have been in the fortunate position of being able to sell increased volumes at higher prices since 1999. Such a situation can only be explained by the fact that the demand is increasing more than supply. Russia as such is still a relatively immature market.

As regards Icelandic exports of this species to Russia, they has so far been relatively limited. This reflects the lower volumes caught by Iceland, as well as the focus by Icelandic Poland as a market for its herring fillets. However, industry operators and market observers also claim that herring fillet is mainly in demand in Moscow and St. Petersburg and that this segment is far more oriented towards quality than price. Apparently, herring caught by Icelandic vessels has a lower quality that herring caught by Norwegian vessels due to "natural conditions" (the herring has for instance a higher fat content when it is Norwegian waters). In addition, the distribution facilities in Russia still need to be upgraded in order to better preserve the quality of fillets.

7.8.2.2 New species and new suppliers

At the same time, it has already been pointed out that new species have entered the Russian market. For example, tuna producing countries are now able to sell increasing volumes to Russia. Another example of a new player is Chile. Chilean exports of frozen salmon to Russia are rapidly increasing (one reason for this is that rising prices for Norwegian salmon in 2005 open up for cheaper substitutes).

7.8.2.3 Retail sector: new requirements for Russian seafood producers

Russian importers often mention that the quality of the imported seafood is generally good. Stable supplies is terms of price, volumes and quality, have become a key issue in

---

[22] In 2006 the total harvest is expected to increase by some 200 000 tonnes. **Sources:**
"Global trade in herring" presentation by Kristin Lien, the Norwegian Seafood Export Council, Pelagic Days, Aalesund 24-25 August 2005 and
"Increased volumes and price effects" presentation by Frank Asche, University of Stavanger, Pelagic Days, August 2005.

view of the demands from the rapidly growing retail sector in Russia. It is also considered important that foreign suppliers can ensure agreed fish sizes and accurate meal portions.

The retail sector and its impact on consumption – and thus also trade – will be described in more detail in the Market chapter of this report (chapter **8**).

7.8.2.4 Likely developments

The main factor that may prevent further growth in Russian imports of fish is the possible introduction of trade restricting measures. However, the most likely long-term development in the long run is that the diversity of species and the number of supplying countries will continue to increase in the next few years.

8 MARKET

This chapter gives an overview of the statistics related to seafood consumption in Russia and the Russian market for seafood (including a list of the main types of fish and seafood products consumed in Russia divided into processed and unprocessed, fresh, frozen and canned. Consumption patterns (food preparation and the use of fish) are included.

The chapter also gives an overview of the wholesale, retail and catering sectors. The distribution system is also commented on. Information about how fish products are handled during transportation and retail sales are commented on (i.e logistic methods, transportation units and sales equipment) wherever feasible.

Finally, the chapter comments upon price determination for fish and seafood products.

8.1 Key features

The statistical information on Russia as a market for seafood is sometimes contradictory. However, it is often fruitful to focus on trends rather than the figures themselves. The rapid and continued growth in the retail sector, together with increased purchasing power per capita, make up the most important single driving force for increased consumption of seafood in Russia. The retail sector is not only expanding in Moscow and St. Petersburg, but also in other densely populated regions. This expansion makes a wider range of seafood, both in terms of species and new product varieties, available to the consumers. With Moscow and St. Petersburg included, there are 13 cities in Russia with more than one million inhabitants.

From a Western European perspective, the consumption in Russia of canned seafood and seafood preserves is striking. As regards species, herring has a very strong position. Herring is the most commonly eaten fish in Russia. New product varieties are constantly being launched. For instance, it is common to find 30 to 40 different herring products in Russian supermarkets.

As discussed in the chapter on trade, the considerable increase in volumes of herring in the last few years on the Russian market, combined with a strong increase in import prices, indicates that the Russian market for herring still has a potential for growth. The same trends are likely to be found for other species, although this has not been examined in the same detail as for herring.

Exporters and others that know the Russian market well expect the demand for seafood of almost all species and varieties to continue to increase over the next five to ten years.

8.2 Consumption

There are clear distinctions in the consumption of seafood based on the income level of the households. There are also differences based on geography (urban areas versus rural areas as well as coastal areas versus inland). As shown in **Figure 10** below, the focus on

Russia as a market for seafood is centred mainly on the densely populated areas, with a relatively high purchasing power per capita, in the European part of the country.

Figure 10: Focus on the European part of Russia

Source: *Lonely Planet*

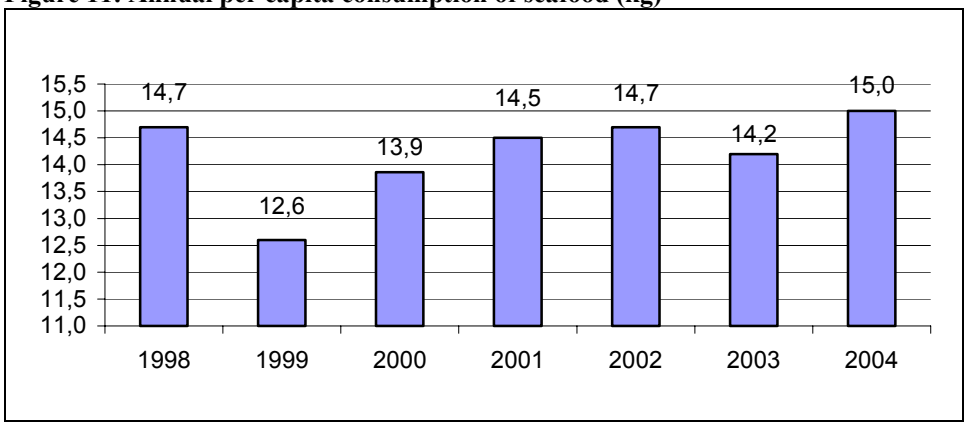
8.2.1 Total consumption

Reference is often made to the situation during Soviet times in order to indicate the growth potential of the Russian market. However, whereas before production and consumption figures tended to be overstated to meet the targets set by the government, they tend nowadays to be underreported to minimise taxes. So a comparison between consumption during Soviet times and consumption today has to be treated with caution.

Figure 11 below shows that the per capita consumption of fish and seafood products has been between 14 and 15 kilos over the last five years with a significant increase in 2004. The low consumption in 1999 is very much related to the financial crisis in 1998 and is as such not representative.

These consumption figures provided by Rosstat are based on family budget monitoring which make no distinction between reported and unreported landings of fish by smaller fishermen and entrepreneurs. Thus the Rosstat figures, which are higher than most other available statistics, should give a more accurate statistic of the daily consumption of seafood.

Figure 11: Annual per capita consumption of seafood (kg)



Source: *Rosstat*

8.2.2 Sources of seafood consumption

The division of different sources of fish supplies into purchased fish and fish obtained from "natural" sources is shown in **Table 24**. These figures show that natural supplies of fish, i.e. fish exchanged for other products or purchased from small fishermen, are more important in rural households than in urban areas.

Table 24: Sources of seafood consumption, kg. per capita per year

	All types of family households		Urban area		Rural area	
	2003	**2004**	**2003**	**2004**	**2003**	**2004**
Purchased	13.0	13.9	13.8	14.7	10.9	11.7
Natural supply	1.6	1.5	1.0	0.8	3.2	3.2
Consumption	14.2	15.0	14.3	15.1	13.9	14.8

Source: *Rosstat*

8.2.3 Consumption pattern by product variety and species

Table 25 below shows per capita consumption of main fish items in Russia. Most Russian statistics contain a mix of processing forms and species. Herring is very often singled out, probably to reflect the importance of this fish species. However, as far as the type of processing is concerned, the most popular fish products are fresh, frozen, hot and cold smoked, salted, marinated and dried. Semi-finished fish products include fillet, sliced products and semi-cooked products.

Table 25: Per capita consumption of main seafood products in urban and rural areas kg. per year

	All types of family households		Urban area		Rural area	
	2003	**2004**	**2003**	**2004**	**2003**	**2004**
Fish fresh, chilled and frozen	9.0	9.6	9.0	9.5	9.0	9.7
Other seafood fresh, chilled and frozen	0.3	0.3	0.3	0.3	0.1	0.1
Fish and other seafood, salted, smoked and dried (excl.herring)	1.1	1.1	1.1	1.1	1.1	1.1
Herring	2.1	2.2	2.0	2.0	2.6	2.6
Canned fish	1.0	1.1	1.1	1.2	0.8	0.8
Salmon and sturgeon roe	0.0	0.0	0.1	0.1	0.0	0.0
Semi-finished fish products	0.3	0.4	0.4	0.5	0.2	0.2
Total in fish equivalent	**14.2**	**15.0**	**14.3**	**15.1**	**13.9**	**14.8**

Source: *Rosstat*

8.2.3.1 Live fish

For live fish the established market structure leads to a very large price discrepancy between low- and high-priced fish. Cheap fish, which mainly includes common and silver carps, is often raw-boned. Sturgeon and trout are found in the luxury segment.

8.2.3.2 Chilled fish

The assortment of chilled fish available at the retail distribution is limited. This is due to scarce facilities for cold-storage of chilled fish at wholesalers and retail stores. Chilled fish is mainly sold to the restaurant and catering sector. However, this picture is rapidly changing in line with the growth in the retail and catering sector. For example, for many years Russia imported mainly frozen salmon from Norway. In January 2005 the ratio was for the first time 50:50 for frozen and chilled salmon of Norwegian origin.

Due to the lack of consumer expertise, as well as the lack of state quality control, de-frosted fish is sometimes offered on the market as chilled fish.

8.2.3.3 Frozen fish

Frozen fish is in stable demand. However, consumption varies according to the different regions of Russia. In Moscow and St. Petersburg frozen fish is consumed by about 30% of the inhabitants, while this figure is over 80% in the more remote Russian regions[23]. The reason for this is that the middle- and high-income population favours more processed fish. For example, in Moscow and St. Petersburg, where the population on

[23] Vitrina/Restoranny biznes, March 2005

average is more wealthy than in other Russian regions, sales of fish fillets make up to 45% of total fish sales[24].

8.2.3.4 Canned fish

As shown in **Table 25**, canned fish is a far more popular product in Russia, as well as in many other Eastern European countries, than in Western Europe. Canned fish has been in great demand among Russian consumers for a long time. The major part of canned fish products is traditionally supplied by domestic producers of Murmansk, Kaliningrad, St. Petersburg and the Far East, as well as by the Baltic States and Scandinavian countries.

The most popular types of canned fish consumed in Russia are those produced in natural juice, in tomato sauce and oil. Canned salmon and pink salmon in natural juice, sprats in oil and tomato sauce and canned mackerel have increased in popularity in the last few years. Canned herring remains a popular product.

In more expensive Russian cities such as Moscow and St. Petersburg the share of canned fish products is tending to decrease and is estimated at 8%. However, in Siberia, for example, canned fish producers report a steady high demand for canned fish.

8.2.3.5 Seafood preserves

Nowadays Russian consumers can enjoy a wide range of preserved seafood. Fish preserves are available with a large choice of marinades and sauces. Approx. 50% of the preserves are made from herring, followed by salmon preserves with a 24% share. Preserves from mackerel, capelin, sprat and saury constitute 15%, and roe and soft roe preserves are estimated at 3% of total sales. Seafood preserves from other seafood than fish account for 8% of sales. These products are made of shrimp, crayfish tails, mussels and octopus.

8.2.3.6 Highly processed fish

Consumers in the urban areas tend to consume a higher percentage of highly processed fish than in the rural areas. Combined with a wider range of seafood products available, this leads to a higher consumption of processed and high value species (such as salmon) in the big cities. In the rural areas the inhabitants have easier access to primary fish resources, so their diet consists of more fresh or unprocessed fish.

The market for convenience foods such as surimi, breaded fish products etc is only just emerging in Russia, and most market analysts believe this segment has a high growth potential.

8.2.4 The most popular fish species

The main types of fish consumed in Russia can be divided by price. “Cheap” fish species include Baltic herring, sprat, blue whiting, navaga (wachna cod), Polar cod, capelin, pike-perch and herring. These species are regularly available in stores and are accessible for

[24] Vitrina/Restoranny biznes, March 2005

low-income consumers (retail prices up to RUR 70 per kilo). More expensive middle-priced fish species are Alaska pollack, pike-perch, hake, cod, mackerel, redfish, pink-salmon, flatfish, chum salmon, lancet fish (wolfish) and halibut (retail prices up to RUR 70-150 per kilo). Atlantic salmon, trout and sturgeon are key species in the luxury segment (RUR 150-300 per kilo). All prices are mid-2005 prices.

Despite the fact that demand for expensive fish is increasing strongly, the demand for low-priced fish remains stable.

Operators on the market claim that it is not unusual to find seafood at the supermarket packed as another species (for instance hoki can be sold as another whitefish species).

According to the FAO Nutrition Database, the per capita consumption of seafood was as follows in 2002 (the latest year for which figures are available):

Table 26: Consumption of seafood in Russia per capita in 2002 (round weight, kg)

Seafood	Consumption (round weight, kg)
Pelagic fish (mainly herring and mackerel)	8.7
Demersal fish/Groundfish (whitefish)	5.6
Freshwater fish	3.2
Marine fish, other	0.3
Crustaceans	0.2
Cephalopods	0.3
Molluscs,other	0.2
Total	**18.5**

Source: *FAO Nutrition Database*

The table above shows a total consumption of 18.5 kg per capita and is thus higher than the Rosstat figures. However, in this context it is the division of consumption by species that is important.

8.2.5 Seafood other than fish

Consumers generally seem to have very little expertise in the consumption of seafood other than fish. The market lacks stable consumer preferences towards particular seafood items and brand recognition. Price level and eye-catching packaging are often decisive purchasing factors for consumers.

However, the consumption of seafood products other than fish is growing. Since 2000 the consumption of these products has almost doubled. The yearly growth rate is about 10-15%. The main products are shrimp, mussels, octopus, crayfish, lobsters, oysters, squids, sea cucumber and scallops. The most popular product is frozen cold-water shrimps. The product is normally available in 0.5 kg and 1 kg packaging units (and sometimes in 200g. and 300g. units frozen shrimps). Recently, shrimp that is not pre-packed has been offered in retail distribution. The market for warm-water shrimps is only just emerging. This product is positioned in the luxury segment and is relatively expensive.

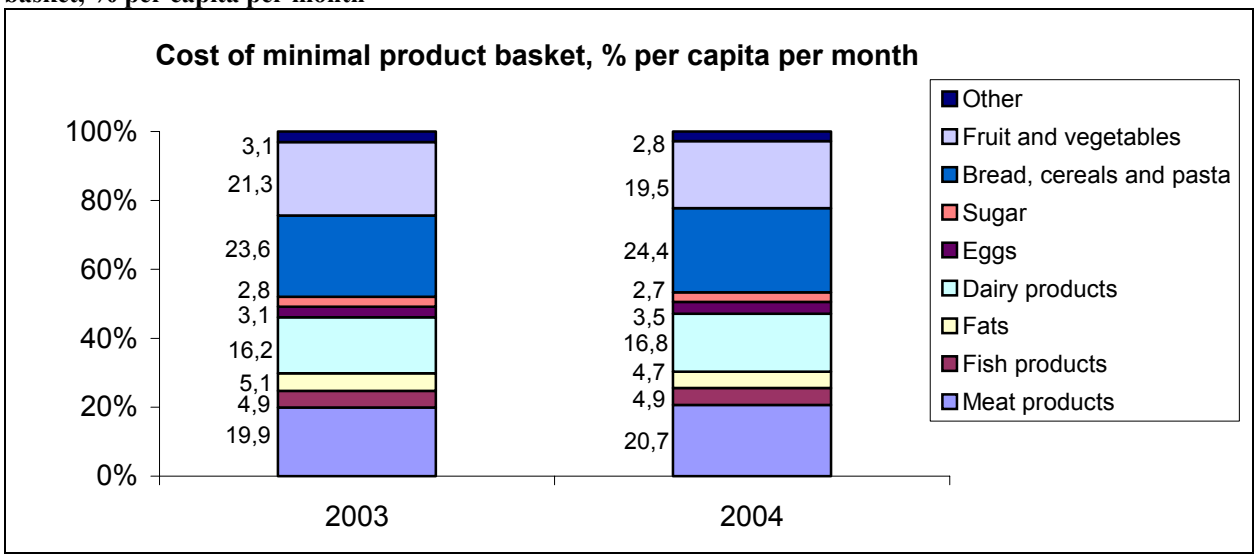
As pointed out by executives of a big Russian producer, Ledovo, it is difficult to grade the quality of these products. Since consumers do not have a tradition for eating seafood other than fish, they cannot distinguish between the various qualities. Their competitors are said to use low quality mussels for seafood preserves, and these products are in demand because of lower prices vis-à-vis Ledovo products, which are positioned as premium class products.

The market for seafood other than fish seems still relatively untapped, even though a wider variety of products is on the market. In Moscow supermarkets, for example, squid and octopus are offered dried, marinated, baked, fried and canned; scallops are available fresh frozen, cooked and dried; crabs can be found fresh-frozen, cooked-frozen and canned, and lobsters are delivered to the market frozen and canned.

8.2.6 Seafood consumption versus food consumption in general

Fish represents a relatively small share of the total Russian consumption of food. While fish accounts for 4.9% of the Russian "food basket," meat products make up more than 20.7% (see **Figure 12**). Bread and cereals are very important in an average household.

Figure 12: Seafood consumption versus consumption of food in general: Cost of minimal product basket, % per capita per month



Source: *Rosstat*

8.2.7 Price versus quality

As mentioned above, price is a key decision parameter. However, the middle- and high-income level consumers are gradually putting more emphasis on quality. In Russia, like in many other countries, there is a growing awareness of the health aspects of food. This is leading to an increased demand for marine products and diets based on seafood among middle- and high income people. Indirectly, this trend is reflected in an increasing number of fish restaurants including sushi bars and a general interest in Japanese cuisine.

In other words, there is large group of consumers in Russia, mainly in Moscow and St. Petersburg that are willing to pay for seafood of high quality.

Market specialists also say there is an increasing interest among Russians for "clean food," that is food without additives.

8.2.8 Fish consumption pattern

The consumption of seafood fluctuates according to the season. During the summer period the demand for fish products decreases in line with a general trend of reduced consumption of products of animal origin. However, during the summer season the sale of chilled fish products tends to increase. The consumption of canned fish, being a long-shelf-life product, peaks in spring, which is the 'picnic and summer-residence' season. A high demand for seafood snacks is registered from April to October, coinciding with the beer season.

Herring is most commonly used as a starter and snacks.

For evening meals there is a preference for whitefish, salmon, trout and sturgeon. The fish is often fried, baked in the oven, or as grilled skewers.

8.2.9 Seafood snacks

Seafood snacks are a relatively new addition to the product range. In the last two years the market in this sector grew by 25%-30% per year. It is expected to continue to grow by some 5% in the future. In 2004 the market capacity was estimated at 190 million USD.

Currently, the market for seafood snacks is considered complementary to the beer market in terms of market potential and pricing. However, great efforts are being made to increase the consumption of seafood snacks as individual high value products regardless of beer consumption. The major group of customers comprises beer consumers who generate 70%-75% of sales of seafood snacks. Being dependent on beer consumption, finished seafood snacks should have the following properties, in particular:

- individual product packaging is usually not more than 100g.
- price is about a half theprice of a bottle of beer
- product should be ready for consumption

The sales of seafood snacks are currently almost equally divided between low- and middle-priced products. Cheap seafood snacks are produced from relatively cheap products such as herring, low-priced roe and small fish such as smelt. The middle-priced assortment is made up of dry-cured squid with different flavours, followed by octopus, anchovy, eel, mackerel and shrimps. Pressed caviar is considered a possible product for premium class seafood snacks in the future.

8.3 Brands

The Russian seafood market still is in an early phase when it comes to internationally recognised brands or trademarks. Although domestic producers introduce product brands,

they still are not able to ensure consistent brand recognition and thus consumer loyalty. There have been a number of attempts to establish a national fish brand, but without success. The reason is partly that successful branding demands both stable quality and guaranteed availability at the same time. Until now most Russian producers have had difficulties in achieving this.

However, private labelling is becoming important in the industry. For example, Atlantic salmon packed in Russia under the Aro trademark is available in Metro Cash&Carry. Another example is Khomyakovsky Khalodokombinat that produces frozen cod products under the 'Quality Products' trademark, also owned also by Metro C&C.

Some of the most important fish brands in Russia are listed in **Annex 8a**.

8.4 Distribution

There are more than 2000 companies in Russia currently involved in the seafood trade. Most seafood importers and distributors are located in Moscow, making this the main transshipment point for the outer regions. More than 300 wholesalers, traders and distributors supply fish and seafood products to the Moscow region alone. St. Petersburg is the other key city.

For the Russian Far East, Vladivostok is home to most major importers/distributors and serves the same focal point function as Moscow for eastern traders. However, there is not much easily available information concerning distribution east of Ural.

It is expected that in the regions the growth in the retail sector will improve the distribution system outside Moscow and St Petersburg.

8.4.1 Importers

Moscow and St. Petersburg-based importers and wholesalers are the major fish and seafood suppliers to the domestic retail outlets. As explained in the chapter on trade, the importing procedures are so complex that the retailers and many processors prefer to buy the imported fish from specialized importers instead of importing directly themselves. Most of the operators in the regions are small and avoid importing their seafood directly from abroad.

8.4.2 Wholesalers

Before the 1990s, the overall wholesale structure was not efficient, and trading techniques were outdated. Due to increased competition on the marketplace and in the export business trade with enhanced standards being applied, the fish and seafood wholesalers have had to adapt to today's buyers who demand quality and brand-name goods. Since the middle of the 1990s, a significant transformation in distribution management, sales techniques and product quality choices have taken place.

The overall wholesale structure in Russia can be divided into large-scale wholesale and medium/small-scale wholesale operators. As noted before, there are more then 2 000 companies engaged in seafood wholesale trade and distribution, e.g. large wholesale

organizations of fishery industry basins such as Dalrybsbyt, Sevrybsbyt, Kaliningradrybsbyt, Kasrybprom, Lenryba, Novorossiyskrybprom, TPO Russia (the main district trade-production organizations in Russia).

The wholesale structure can also be divided into fish processors that have their own transportation fleet and distribution facilities, and specialised merchandise companies.

The specialised merchandise companies have their own warehouses and transportation fleet and distribute thousands of product items including meat, dairy products etc. These companies work on major contracts with food stores, supermarket chains and catering companies and normally also deliver to the regions.

In general, the wholesalers seem to play an important role in the fish flow. The wholesale companies often have free working capital and can therefore influence both primary fish production by providing up-front payment in cash, as well as retail distribution by ensuring credit.

Annexes 6b-6f list fishing and processing companies, many of which are wholesale companies.

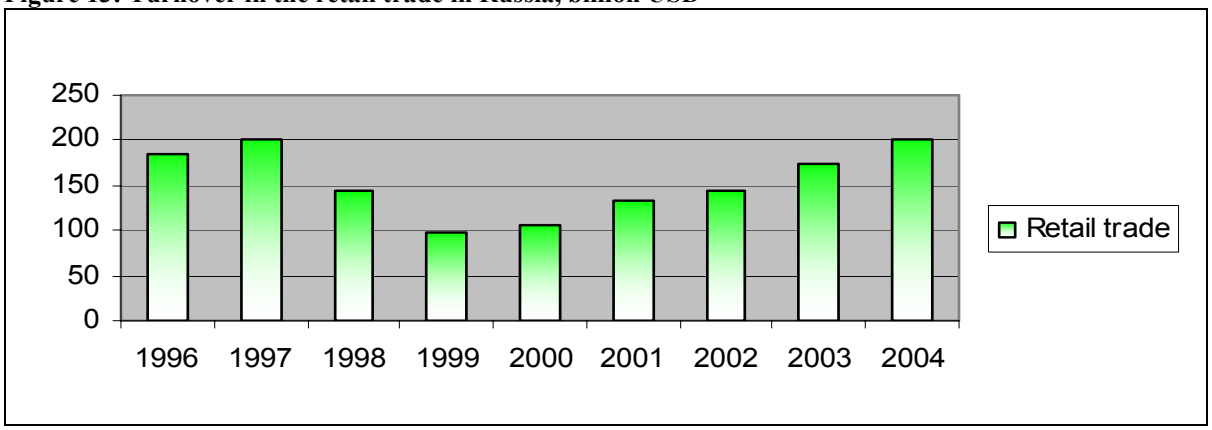
8.5 Retail sector

8.5.1 Growth

The rapid growth of the Russian retail system started after the economic crisis of 1998, and today the country is one of the world's fastest growing retail food markets.

The retail sector has been one of the top performing industries of the national economy due to growing disposable incomes, economic recovery, new product decisions and investment in numerous new shopping centres.

Figure 13: Turnover in the retail trade in Russia, billion USD



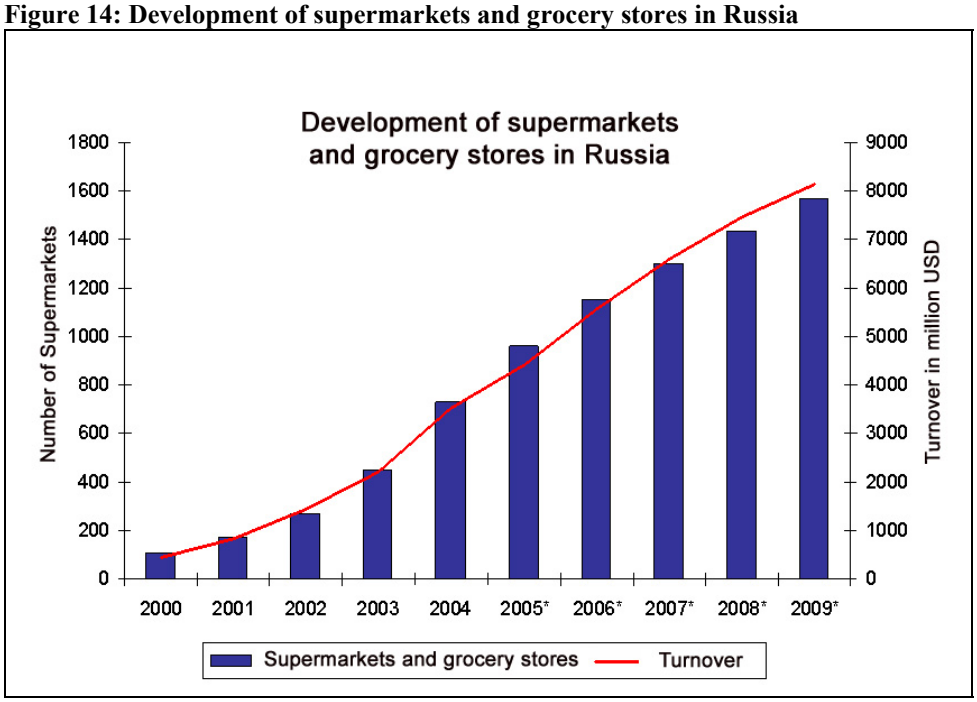
Source: *Cushman & Wakefield*

In 2004, A. T. Kearney put Russia in first place in its annual Global Retail Development Index for the second year running. This indicates the overall attractiveness of emerging markets for investments in the retail sector.

> "Its country risk decreased slightly as it took steps to improve economic and political stability, and moved closer to entering the WTO. Retailers also continue to be attracted by not only the size of the Russian market, which is home to 143 million people and an estimated US$ 280 billion in annual consumer spending, but also by its potential growth", stated the report.

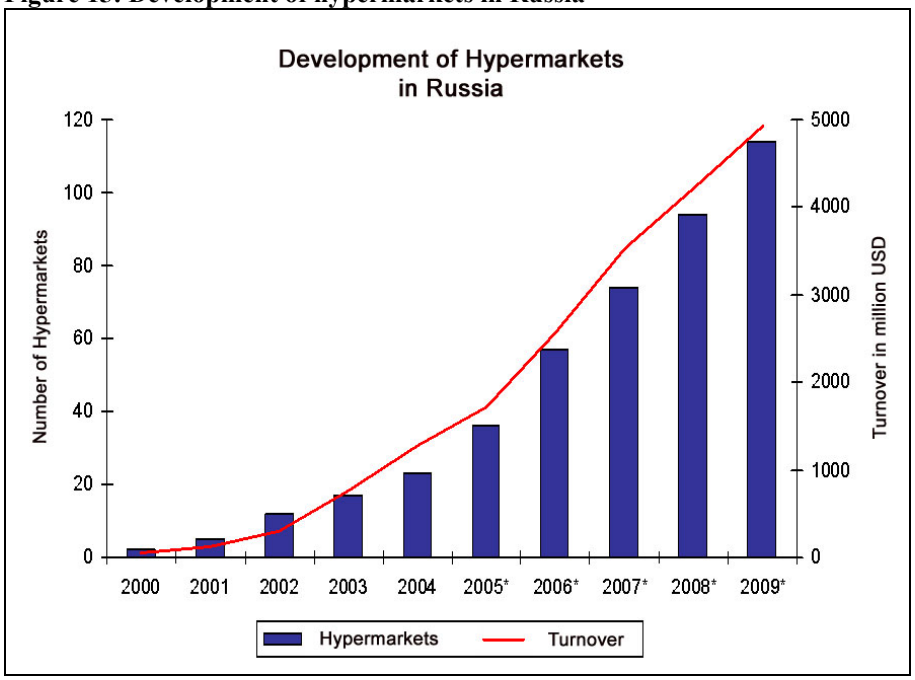
Figures 14 and **15** below show the development, according to PlanetRetail, of super markets and grocery stores, as well as the development of modern hypermarkets in Russia.

Figure 14: Development of supermarkets and grocery stores in Russia



Source: Norwegian Seafood Export Council, presentation by Ingellill Jacobsen, Pelagic Days, August 2005

Figure 15: Development of hypermarkets in Russia



Source: Norwegian Seafood Export Council, presentation by Ingellill Jacobsen, Pelagic Days, August 2005

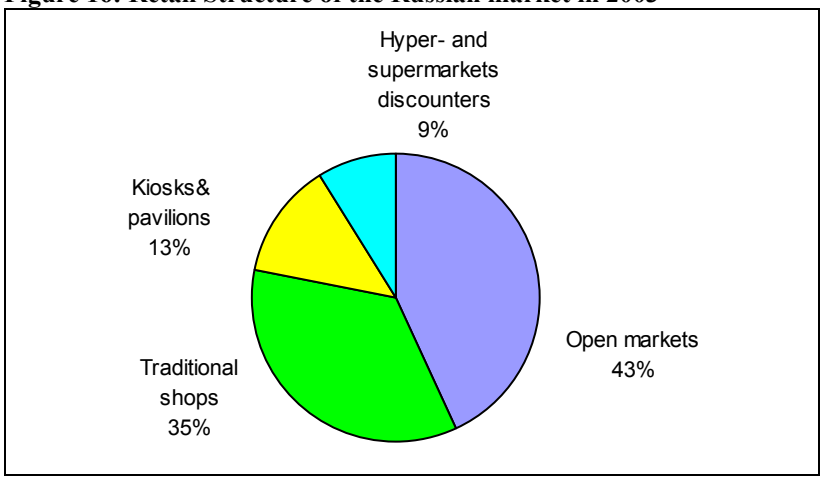
Retailers initially focused on Russia's two largest cities – Moscow and St. Petersburg. However, to increase their market shares, the retailers are now expanding in other cities with populations greater than one million.

8.5.2 The current food retail structure

At present, the Russian food retail structure consists of about 340 000 food and beverage retail outlets[25]. Open markets account for about 43 % of total sales; traditional grocery shops for 35%; kiosks and specialty shops for 13%; hypermarkets, supermarkets and discounters account for remaining 9%.

[25] USDA Foreign Agricultural Service "Russia: Retail Food Sector Report" 2004

Figure 16: Retail Structure of the Russian market in 2003



Source: *AC Nielsen*

While modern retail chains currently account for less than 10% of total retail sales for the country, and about 28% in Moscow, they are expanding rapidly and should be considered as prime targets for sales of fish and other seafood products in the future.

According to market experts, the new retail outlets in Russia have the potential to take control of 35-50 % of total retail sales by 2015. For Moscow the figures could be even higher: 50-70 %.[26] At present however, as noted above, despite the rapid growth of the supermarket/hypermarket chains, traditional open markets still account for 43% of total retail sales in Russia, and thus remain an important channel for seafood distribution.

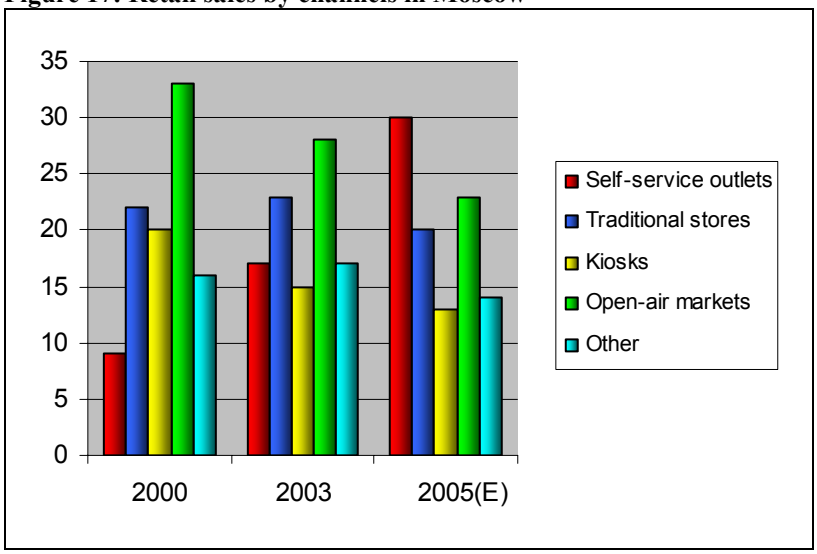
8.5.3 Seafood market in Moscow

The Moscow retail market represents 28% of total national retail sales. This represents the most developed market in the country in terms of strategic retail developments, consumer incomes and distribution infrastructure.

It is difficult to present exact figures for the development of sales channels for fish in Moscow. According to research conducted by Price Waterhouse Coopers, many Muscovites still prefer to buy their fish at open-air markets[27]. However, during the past 5 years the market share of this traditional outlet has gradually declined from 33% to 23%. The market share gained by modern retail shops has shown considerable increases. It now accounts for 30%, an increase from 9%, and is forecast to reach 50-70% by the end of the next decade. The rapid expansion of supermarket and hypermarket chains makes them a prime channel for increasing sales of fish products, particularly for fresh fish and seafood.

[26] "Business Analytica "
[27] PricewaterhouseCoopers 2003/2004 "Global Retail and Consumer Study from Beijing to Budapest"

Figure 17: Retail sales by channels in Moscow



Source: *IRG (E = estimated)*

Another source, GfK Rus, puts the share of modern retail chains much higher, noting: "the latest wave of Muscovites' shopping habits studies show that townfolk get a taste of civilized trade formats: in the year of 2004, 64% of the shoppers preferred to buy FMCG (Fast Moving Consumer Goods) categories in hypermarkets (8%), supermarkets (29%) and discounters (28%) compared to 53% in the previous year"[28]. The GfK study further states, that open markets and small self-service independent shops are the two main losers as their share has been reduced by 10% and 8% respectively in 2004.

The leading retailers for Muscovites are as follows:

Russian discounter **Pyaterochka**
Russian hyper and supermarkets chain **Perekryostok**
Turkish hyper and supermarkets chain **Ramstore**
Russian hyper and supermarkets chain **7th Continent**

The main criteria for the change in preference as to which food outlet to choose are: (i) proximity to home or work; (ii) the range of products; and (iii) prices.

Moscow, being the largest single market for seafood in Russia, is a trendsetter as regards choice of seafood. The variety of products is enormous, as regards both species and product varieties.

8.5.4 Foreign and domestic retail chains

The entry of several foreign chains such as Ramstor, Auchan, Spar and Metro has had a major impact on Russia's food retail market. They have implemented new management

[28] GfK Rus – Institute for marketing research "Moscow, Russia: A taste of comfortable shopping", April 2004

philosophies, introduced modern technologies and principles as well as practices to improve customer service. They have been able to offer their customers lower prices, higher quality and more efficient distribution. Large Russian holding companies have thus been placed under significant pressure by these foreign investors. Faced with growing competition, they have started to form strategic alliances.

Some of the main strategies are:

- consolidation of smaller food retail chains;
- development of several formats and marketing strategies simultaneously;
- implementation of franchising systems; and
- construction of new outlets, warehouses and distribution centers.

There is a brief description of the ten top retail investors in **Annex 8b**.

8.6 Catering

Growing consumer spending has encouraged a rapid expansion in restaurant and catering services in Russia. However, the share of consumer expenditure on food 'away-from-home' is considered to be relatively small and currently accounts for 7% of total food spending. Nevertheless, spending on food 'away from home' grew much faster at 8% compared to a 2% increase in spending on 'at home' food[29]. The number of restaurants in Russia is well below the European average. According to latest estimates there are 2 500 restaurants and cafés in Moscow, while the corresponding number in Paris is over 14 000. The number of specialized fish restaurants is also relatively small; in Moscow, for example, there are some handfuls of restaurants specializing in fish cuisine[30].

8.6.1 Geographical aspects

Moscow and St. Petersburg account for the major part of the restaurant sector in Russia. Progress in the restaurant business in the other regions varies depending on the purchasing power of the population, or a positive attitude of the local administration towards the restaurant sector. For example, a developed catering service is encouraged by higher incomes in the oil and gas extracting regions.

The expansion of the restaurant chains to the regions has been slow so far; and this applies in particular to medium-priced and expensive restaurants. This is due to the fact that it is difficult for restaurant management to ensure an adequate quality of food supplies, and to maintain a stable relationship with the local administration.

As a general rule the typical restaurant offers a large variety of meat products, while fish cuisine represents a relatively small share of the menu. Since competition in the

[29] Rosstat figures for family budget estimates
[30] Business Directory of Moscow

restaurant business is hard, restaurants try to target the standard consumer (who in general eats far more red meat than fish).

However, the interest in seafood products is increasing due to the focus on healthy life-style. There is a growing number of sushi restaurants and a higher focus on Asian seafood cuisine in general. Before, sushi was considered a delicacy and was served in a number of luxury restaurants. Now the average bill at moderately-priced sushi restaurants is estimated at 20 US dollars. Marine cuisine is regarded as one of the profitable divisions at the Rosinter group restaurants which run the Suchi-Planet restaurant chain.

The Russian restaurant market is currently made up of a number of sectors which differ in terms of prices, market players and service concept:

- fast food
- middle-priced restaurants
- expensive haute cuisine restaurants

8.6.2 Fast Food restaurants

Stationary fast food restaurants are one of the fast growing sectors in the restaurant business. The most successful chains are McDonald's, which run more than 100 outlets in Moscow and the regions, Rostics (part of Rosinter group), with 39 outlets in major Russian cities, and Sbarro restaurants with 37 outlets in Moscow.

Usually the fish assortment at fast food restaurants is very limited. These restaurants use only frozen fish and semi-finished products, helping to ensure low prices and consistent quality. In McDonald's, for example, the only fish meal is produced from breaded Alaska pollack fillet. Sbarro offers steaks from frozen salmon.

The Ledovo group recently launched a concept of fish fast food restaurants. The first restaurant called 'Ryba-Hit' was opened in an Auchan trade center last year, and a project to set up 10 more fast food retail outlets in other trade centres is underway.

Ledovo, in its capacity as one of the largest producers of seafood products in Russia, provides 90% of the raw materials used in their restaurant chain.

The project targets middle-income people who are interested in a healthy lifestyle but still want to eat fast food. Until now, there have only been two fish fast food outlets belonging to the 'Capitan' restaurant chain (which again belong to the 'Ice-Fish' seafood distribution company). The average bill for fish fast food restaurants is estimated at 8 US dollars compared to 3.3 US dollars in McDonald's restaurants.

8.6.3 Middle-priced restaurants

Middle-priced restaurants are also one of the fastest expanding segments of the restaurant business. The major market player in this sector is currently the Rosinter group of restaurants which owns the 'Sushi-Planet' chain. There are also inexpensive Japanese

restaurants belonging to 'Vesta-Center International'. Vesta-Center International owns 'Yakitoria' and 'Gin-no-taki'.

The typical guest is a middle-income consumer, who looks for quality food, including fish, at affordable prices. The fish menu of these restaurants mainly consists of quality fresh/frozen fish fillets and steaks. These restaurants also serve fresh and chilled fish items such as farmed salmon of Norwegian origin, as well as Russian inland-water fish species such as pike-perch, pike, bream and different carp species.

8.6.4 Luxury restaurants

Haute cuisine restaurants target wealthy Russians who look for top quality food. According to industry estimates this niche is already saturated, and substantial growth is hardly possible. However, there may be a potential to increase the use of seafood within the segment.

These restaurants often buy fresh and chilled fish from European producers. The products usually include sea bass, dorado and turbot, as well as a large variety of other seafood such as oysters, lobsters, mussels, warm-water shrimps etc.

8.6.5 Distribution to the catering segment

As a rule restaurants stay loyal to their regular food distributors. Fish suppliers to restaurants tend to keep prices at more or less the same level with a difference of 10-15 roubles per kg. Nevertheless, restaurants keep contacts with a number of suppliers to ensure favourable terms and stable deliveries.

About 20% of total fish supplies to the restaurant sector are of Russian origin. The main problems related to domestic fish supplies seem to be lack of consistent quality, mediocre packaging and unstable deliveries.

Very often fish distributors offer a rigid assortment of fish and are reluctant to introduce new fish items, even though their customers may require new fish species. This is due to the fact that fish suppliers operate with so-called 'minimal purchasing quantity,' and smaller consignments are considered unprofitable to deliver.

As far as frozen fish is concerned, the fish is very often of inadequate quality. However, given an increasing number of suppliers of frozen fish, it hoped that this segment will improve considerably.

The number of distributors specialized in fresh fish is relatively small. These are companies working on contract basis with foreign partners with an efficient logistics system. The major market players are La Maree, New Wave, Black Tiger and NRG Product. La Maree for example ensures express deliveries of fresh fish from the Rungis market in Paris.

8.7 Price determination for fish and seafood products

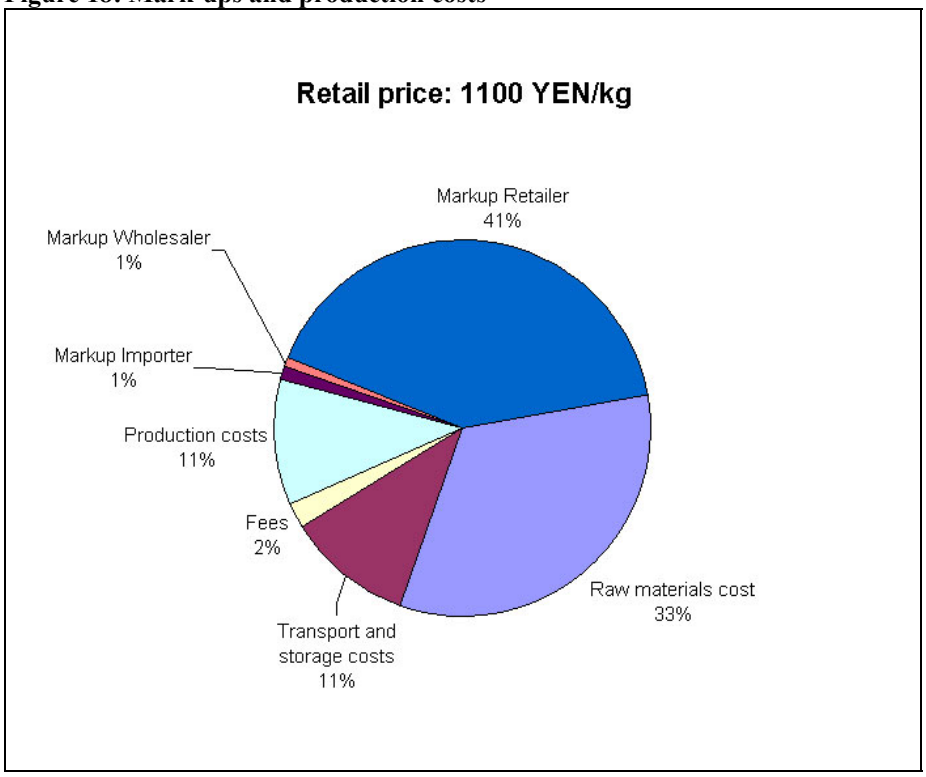
Due to the complexity of the industry it is difficult to provide an accurate picture of how the price of the fish is determined throughout the value chain. An exact overview of the price determination for fish and seafood products in Russia demands many in-depth interviews with operators throughout the value chain combined with regular price monitoring at the various levels (import prices, retail prices etc). The time and resources available for this project did not permit such an extensive survey on this topic. However, some hopefully valid assumptions can be made based on available research from other markets and some information from operators on the Russian market.

8.7.1 Price determination on seafood in Japan – An example

The Norwegian Seafood Export Council recently did a survey on price determination in Japan[31]. The key message is that the retailers insist on maintaining a certain mark-up. When examining this mark-up for tuna, bonito, salmon, sardines, horse mackerel, mackerel and saury it turned out that the retailer mark-up is between 40% and 50% for each species.

Figure 18 shows mark-ups and production costs, CIF price 270 YEN/kg for Norwegian mackerel on the Japanese market.

Figure 18: Mark-ups and production costs



Source: Norwegian Seafood Export Council, presentation by Ola Brattvoll, Pelagic Days, August 2005

[31] Pelagic Days, August 2005

8.7.2 Price determination in Russia

The main source of information for the prices given below is an analytical article published by VNIERKH.

8.7.2.1 Retail

Given that many of the retailers are the same in both Japan and Russia (Auchan, Carrefour etc), it is natural to assume that more or less the same mark-ups will be found in Russia as in Japan. In general, retailers will put pressure on suppliers rather than pass price increases on to their clients.

However, a rough price analysis of the Russian fish market indicates that prices in 2004 increased throughout the value chain, including retail. Indications are that the *wholesale prices* for frozen fish went up by 20%, for salted and smoked fish by 23%, and for canned fish by 15%-20% compared to 2003.

The *retail prices* for frozen fish increased by 30%, salted and smoked fish by 30%, and canned fish by 15%. In 2004 the growth rate of retail prices was thus higher than that of wholesale prices. In general the difference between wholesale and retail prices was 70%, and for some products retail prices were 2-2.5 times higher than wholesale prices.

As on all other markets, the big retailers in Russia have considerable power in deciding the price of the products on their shelves and influence the prices downstream in the value chain. A related element is their need for stable deliveries at stable prices, and it is expected that the major retailers will also increase the number of long-term contracts with seafood suppliers.

Another option for the retailers, when the price increases from other parts of the value chain are too high, is to find alternative suppliers. For example, as prices for Norwegian salmon increased considerably in 2005, frozen salmon from Chile entered the Russian market.

8.7.2.2 Distribution

Distribution costs for local producers that own a transportation fleet are estimated at between 5%-15% for this category of producers. Specialised distribution companies usually charge higher prices.

8.7.2.3 Wholesale channels

The margin at this stage is very sensitive to the type of fish sold and seems to vary from 2%-10%. The lowest margin, which varies from 2%-4%, is recorded for commonly consumed fish types such as herring, mackerel and Alaska pollack. Frozen herring is considered by major wholesale operators to be a commodity exchange product.

8.7.2.4 Finished product manufacturing

An added value to the products at this stage in the value chain is estimated at a level of 15%-30%.

8.7.2.5 Raw material supply

Some processors measure their production costs in value terms (not percentage-wise), regardless of the raw material processed. In general, the costs related to fish processing from filleting to freezing and packing add approx. 60 cents per kg to the raw material. Furthermore, the stage of 'Raw material pre-processing' is very often merged with 'Finished product manufacturing' as being carried out in one production flow. In this case the total value of the product can be increased by approx. 50%.

8.7.2.6 Conclusions

In order to get an exact overview of prices and how they are determined throughout the value chain, a more thorough analysis is required. However, it is our assumption that the picture is more or less like the situation in the above example from Japan. The role of the retailers as regards price determination is of utmost importance.

9 INVESTMENT ACTIVITY AND PROSPECTS

This chapter provides a listing of Russian and foreign investments in the sector, identifies initiatives by major Russian industrial groups to enter the fish industry and outlines investment prospects for foreign companies in the Russian fish industry. The chapter also addresses project financing opportunities by international financing institutions, and factors that limit or are needed to encourage private investment.

9.1 Key features

The key elements emerging from this chapter are that the Russian fishery industry is in a phase of adapting to new conditions introduced by legal, structural and market developments and that it is still less attractive for foreign or Russian investments than other sectors of the economy.

The new legal framework introduced by the Law on Fisheries in 2004, and in particular the long term quota share allocations, is a key element in providing long term perspectives and stability for the fishing sector and the fish processing industry. Although the industry is pressing for more legislation to allow an official quota market and other incentives to the industry, there are clear signs of dynamism, especially in the fish processing industry and in fish farming.

This development acts in favour of foreign participation in investment and business opportunities in the Russian fishing and processing industry. It is logical to expect that a growing number of Russian processing and fish farming enterprises will be looking for supplies of modern equipment to meet the requirements of the consumer market, which is growing not only in Moscow and St. Petersburg, but also in a number of other emerging regions.

Foreign participation in fishing operations with access to quota shares is possible but limited. The acquisition of "Tralflot" by Singapore based Pacific Andes (see section **9.3.7.2**) stands out as an indication of the strategic interest in Russian based fishing operations, which also translates into various partnerships and indirect forms of participation entered into by foreign partners in Russian fish industry – as examples from Murmansk show. However, opportunities for participation in Russian fishing operations in distant waters seem relatively limited. As the industry is expected to stabilise and consolidate with the implementation of long term quota arrangements and associated measures, the potential for more direct investment, acquisition of technology and availability of financial support could develop.

Foreign investment in own processing facilities in Russia is developing cautiously, but is already there, and is likely to increase. Foreign shareholders have entered the processing industry, others have established production agreements with Russian producers, and yet others have established, or are considering running own greenfield based processing operations.

There is a strong belief in the sector that consumption of seafood will develop in the coming years and expand in more regions. Both Russian and foreign investors will need to buy the best technology to produce the high quality products which are in demand on the market. Also fish farming shows potential for new technology and a strong demand for high quality imported feed.

Foreign investors must have the financial strength and willingness to commit themselves. They will need to bring their own financing, as credits and investment funding opportunities in Russia are very limited. In the case of fishing operations they have to register as Russian legal entities.

The support from international and bilateral financial institutions and banks has so far been limited but will be increasingly available as the sector consolidates and becomes more transparent.

9.2 Introduction

Foreign direct investments in the Russian fisheries sector are generally limited. This applies both to the catch sector, which depends on access to fishing quotas and to the processing industry, where investments are limited compared to the overall food industry. There are, however, reports of indirect partnerships with investments particularly in fishing operations, which are not visible as direct foreign investments.

In comparison with the fish industry, foreign investments are stronger in the consumer driven retail sector, as described in the chapter on Market and in other sectors such as construction and equipment, which depend less on the supply of natural resources.

Foreign investors can still participate in fishing activities in Russia after the quota auction system was replaced in 2004 by a system of 5 year quota allocations for Russian companies.

According to the new law on fisheries the right to conduct commercial fisheries is held by legal entities and traders registered in the Russian Federation and paying taxes in Russia.

A foreign corporation or an individual can establish a Russian registered company (either with 100% foreign capital or together with Russian partners), and a foreign individual can register in Russia as a sole trader and start commercial fishery.

Thus there are different options for potential foreign investors in the fishery sector: buying existing companies or shares thereof, or establishing a company on their own or in partnership with Russian individuals or companies. A foreign individual can also register as a sole trader.

Foreign owned entities or partnerships will also be able to buy fishing companies or quota shares once the legislation on the secondary market for quotas (i.e. quota transfers) is adopted.

The uncertainty that could face a foreign investor is if the legislation regulating the shares of foreign capital in Russian companies were to be changed.

There are a few significant offers for sale of fishing companies possessing fishing quotas. This market is closely watched by Russian firms who are quick to buy good offers. But there is also room for foreign companies as the example of Pacific Andes buying Chukotka Tralflot described below (section **9.3.7.2**) illustrates.

As explained in the chapter on the fish processing industry, many Russian processing companies are vertically integrated, having also fishing operations. Investors in the processing industry should be careful to limit their commitment to activities clearly defined by the contract and avoid getting involved in fishing operations which are not included in the deal, as for instance upgrading of equipment or vessels under conditions of payments from future catches.

Large Russian industrial groups in the oil, gas and metal sector have started showing interest in investing in the food industry, but only to a limited extent in fisheries. Foreigner investors should be careful in making investment alliances with industrial groups which have their own strategies and decision making outside the control of foreign partners.

There are records of failed ventures in the past between western and Russian partners in the fish industry, and advisors underline the need to ensure that investments and big sales contracts are sufficiently secured legally and, if necessary, also politically.

Attached in Annex 9a for additional information are three articles by the Russian lawyer Sergei Mashkarenko with advice on mistakes to be avoided when entering a contract with a Russian fishery company, how to check the real owner of a vessel, and who rules Russian fisheries.

9.3 Russian and foreign investments in the fish industry

9.3.1 Murmansk

Although a number of fish processing and catch companies in Murmansk have attracted foreign shareholders, Murmansk is considered to be a difficult location for foreign investors, despite having near access to raw materials. Lack of transparency and domination by a few major players is a deterrent for foreign companies to taking the full step of setting up operations in Murmansk. It seems however that foreigners are looking at Murmansk and hoping for more investment friendly conditions in the next few years, and there are examples of partners having established successful cooperation in both fishing and processing activities.

The investment scene in Murmansk can be summarised as follows:

Politically there is a strong wish to maintain 100% national ownership of the quotas. As regards on-shore processing of whitefish, there are challenges regarding ownership issues, financing (the banks consider the risks to be so high that the company must have almost 100% equity) and control over boat operations (for companies owning vessels).

The port authorities of Murmansk are seen as a key player in the fish industry sector. Investment in a processing plant would also demand considerable investments in infrastructure. Investments in general in Murmansk are still regarded as requiring big financial muscles.

There are currently no foreign owners in the fish industry in legal terms. However, there are various agreements of co-operation, including barter trade.

4-6 big companies including Nestlé are reported to have been looking into the possibility of establishing white fish plants.

The the port of Murmansk has made proposals to become a customs free zone under the law on Special Economic Zones being prepared by the Government.

9.3.1.1 Handling of fish from coastal fisheries

According to reports from Murmansk there is a noticeable increase in landings of fresh fish, mainly cod and haddock, from coastal fisheries. An increasing number of onshore companies processing fresh fish have appeared, and the demand for supplies of fresh fish from the coastal zone has increased. There is, however, only very limited production of high value cod and haddock products (loins, portions etc) by coastal processors. This is expected to change in the future when the number of producers will increase, and supplies will no longer be sufficient to cover the demand for cod and haddock. It is likely that processors will look for other alternatives and start production of more value added products from cod and haddock, and increase the processing of saithe, catfish, redfish, flat fish, skates, etc.

The increasing volume of raw fish being iced in onshore facilities on the coast is not considered to be of sufficiently reliable quality for value added production, and large quantities are reported to be sold at low price to China through various middlemen. Many land based plants lack proper equipment, production capacity, know-how in utilising the fish in the most valuable way, and experience in selling the product on international markets.

It is anticipated that the fishing companies in Murmansk will push for more of the coastal catches being iced on board and delivered to processing under their control and will need additional supplies of equipment and coastal vessels, as for instance is the case of the Udarnik fishing company which is reported to be planning to build new coastal vessels.

9.3.1.2 Selected companies including companies with foreign shareholders

The table below lists some major processing, exporting and fishing companies in Murmansk, some of which are in an investment phase. The company profiles with

information on investment plans, trade, supplies, market and transport situation are listed in **Annex 9b**.

Table 27: Major companies in Murmansk

Company	Comments
TMT Ltd. Murmansk, Fishing Port	Shareholders: 51% Russian, 49% Portuguese No fishing operations
JSC „NORD WEST F.C.“ Murmansk	Processing and vessel owner
NORD PORTO Murmansk	Portuguese shareholder Plans to buy equipment for IQF freezing.
GULFSTREAM FISH Triruchja, Murmansk	Only processing Factory built in 2004 Plans to buy equipment for IQF freezing. Bank credits at interest rate: 15-17% per annum.
FISHING INDUSTRY UNION OF THE NORTH Murmansk	Former SEVRYBA organisation. Now with 87 members. Both processing and fishing companies.
FCF “UDARNIK” Minkino village, Murmansk region	Fishing company investing in a factory expected to start working in 2006. Local investor
SEVROS BIO NORD SPECTR PLUS LTD Murmansk	Group of fishing companies working together. Planning to build factory on acquired land and pier, to start working in 2006. Access to bank credits
PORT VLADIMIR, Murmansk, Fishing Harbour	Processing company with Portuguese shareholder
JSC ARCTICSERVICE Murmansk	Fishing and processing. Arcticservice is a part of the big Russian company “Tunaycha” from Sakhalin

9.3.1.3 Selected Investment Cases

Chilled fish terminal taking off in Murmansk

Murmansk harbour is reported to have commissioned a chilled fish terminal pioneered by OAO Murmansk Rybokombinat PLC as a pilot project for similar terminals along the Murmansk coast (**Source:** *Fishnet.ru 05.04.2005*).

Gigante Murmansk and Pechenga

A Norwegian investment totalling 30 million NOK, including 15 million NOK from the Norwegian Industrial and Regional Development Fund, as well as export credits. The redeveloped factory, started in 2003, had limited production due to difficulties with supplies of cod and pelagic fish. A court case against new Russian owners was lost by the Norwegian party in February 2005, with financial losses ensuing.

The Gigante Pechenga salmon farming project is part of the investment and is not affected by the dispute. The farm currently produces a few hundreds of tonnes of salmon, and major investments are required to reach the planned capacity of 12 000 tonnes (**Source:** *Fiskeribladet 09.02.2004*).

Icelandic initiatives

Icelandic investors are reported to have purchased a large cold store in the Murmansk port with the purpose of converting it into a cod filleting plant. Another reported investment initiative is the purchase through a Russian partner company of a large site in Murmansk fishing port, with the plan to invest in new fish- and shrimp-processing complex on the site. (**Source:** *Russian Fish Report, Nov. 2004*). However, local business operators in Murmansk have not been able to confirm the above information on Icelandic initiatives in Murmansk.

Swedish SCANDSEA INTERNATIONAL AB (with the Icelandic Fish Products International) has been reported to have invested in a processing factory in Murmansk in 2000 and in a cold store in 2002, but both investment operations failed.

Other cooperation

As an example of alternatives to making investments under the present conditions the Danish company Espersen has made a cooperation agreement in 2005 with a plant in Murmansk to fillet and freeze Barents cod, which is then shipped to the EU (Poland) where value added production for the retail market is made (thus also avoiding higher customs duties on finished products imported into the EU).

The Danish part has supplied the processing machinery and a quality control programme for the production, with no further financial risk in the operation. The experience from this cooperation also suggests that there is a shortage of qualified labour for filleting operations in Murmansk (see also discussion on fish from coastal fisheries (section **9.3.1.1**)).

A directory of business companies in Murmansk, including fish and fleet companies, can be found on the URL: http://www.mbnews.ru (in Russian)

SIVA - The Industrial Development Corporation of Norway (www.siva.no) – has set up an industrial park in Murmansk (http://www.siva.ru/)

9.3.2 Republic of Karelia

Karelia is a dynamic region for trout farming in Russia (see also chapter on Fish Farming). In 2003 the administration drew up an investment plan of 5.5 million USD to develop the sector. A major player is the Kivach Ltd. Trout Farm (http://www.kivach.com/).

The Russian company OOO Kalmar is reported to be planning to build a trout farm in Pitkyaranta estimated at RUR 20 million (USD 0.7 million) with a planned production of 600-650 tonnes of trout a year. (**Source:** *PRIME-TASS/ESMERK, Feb. 2005*).

The Russian fish processing plant Sortavalsky Rybozavod (Karel Republic) plans to invest USD 8 million to extend the production of imitation crab sticks. The modernisation will enable the plant to manufacture 75 tonnes of crab sticks daily. Sortavalsky is also building a new storage facility in Klin (Moscow Region). The terminal will have a capacity of 6 000 tonnes of products. According to market insiders, leading operators of the North-West market for imitation crab sticks are the following companies: ROK 1 (Fish Processing Plant #1) - 50% of the market, Meridian - 30%, Morskoi Zamok - 10, others - 10%. (**Source:** *DELOVOI PETERBURG/ESMERK - 2005-02-07*)

9.3.3 Pskov

Intraflex, a Pskov-registered firm, is to open a € 3 million fish factory in 2005. Intraflex, a limited liability company which processes fish products, was set up in 1998. Around 80% of its filleted fish exports go to the EU. The construction project is financed by Intrafleks and Baltisky Bank's credit. When the new plant is launched, Intrafleks will be able to triple its sales of fish products. (**Source:** *WORLDFISH REPORT - Pischevaya Promyshlennost/Esmerk, Nov. 2004*)

9.3.4 Kaliningrad

From a western European point of view Kaliningrad is well located, with access to internal Russian supplies, as well as to foreign, imported supplies, thus providing some flexibility in case of unstable supply flows. The Free Economic Zone (FEZ) conditions provide for duty and tax free imports and exports of goods (foreign countries) and duty free exports of processed goods to the Russian market.

The FEZ system has led to the growth in the processing of raw materials, with Kaliningrad becoming Russia's leading packaging region. However, opponents claim that the advance has been achieved on the basis of foreign supplies creating a kind of discrimination against Russian-caught fish and the development of processing in other regions.

The issue of the free and special economic zones is discussed in more detail in section **9.7.2** below.

9.3.4.1 Selected companies

The table below lists some major processing, exporting and fishing companies in Kaliningrad, some of which are in an investment phase. The company profiles with information on investment plans, trade, supplies, market and transport situation are listed in **Annex 9b**.

Table 28: Major companies in Kaliningrad

Company	Comments
RYBFLOT-FOR, Kaliningrad	Fishing company, distant fishing, on-board processing. Planned investments in vessels and on-board processing
POSEIDON 2000 1, Svetly	Small processing company. Planned investments in filleting and smoking
MARFISH CO. LTD1, Svetly	Fishing company – Baltic and distant waters
LEDOVO SVETLY, Svetly	Group of 6 processing and trade companies. Market leader
KATRAN LTD. Kaliningrad	Small import/export company. Looking for the investors/partners for processing equipment and training for filleters
KALININGRAD SEAFOODS , Svetly,	Big cod processor with new factory
ATLANTRYBFLOT, Kaliningrad	Fishing company, North Atlantic and distant waters. Planned fleet investments

9.3.4.2 Selected Investment Cases

Austria

The Kaliningrad-based JSC Tarny Kombinat is reported to have commissioned a new manufacturing line for welded cans for fish and other foods, supplied under a credit programme run by the Austrian Control Bank. The financing injected into the project has amounted to € 5 million aimed at the improved supply of modern packs for the canneries of the province. The estimated export financing provided by the Austrian credit programme into the Kaliningrad region is USD 42 million. (**Source:** *Russian Fish Report 15.03.2005*)

Ledovo Seafood

Ledovo, one of Russia's major producers of frozen food and seafood, is to invest € 10-12 million over the next two years. Of this, € 9 million would be spent on its seafood plant in the Kaliningrad region. The Ledovo group, which is made up of six production and trading enterprises, had a turnover of 668 million roubles (€ 17.9 million) in 2003. Seafood products made up 57% of its sales. (**Source:** *WORLDFISH REPORT – 2.12.2004*)

Viciunai-rus

The company Viciunai-Rus (Kaliningrad Region), a daughter unit of the Lithuanian Viciunai Group, has commissioned the second stage of its fish-processing plant. Investments in the additional capacities amounted to RUR 300 million (USD 10.5 million). Viciunai-Rus will now be able to make 34 000 tonnes of fish products a year, and offer new products to consumers (including fish sticks and burgers). (**Source:** *PRIME-TASS/ESMERK – 31.01.2005*)

9.3.5 The Moscow and St. Petersburg regions

The close proximity to major consumer areas such as the Moscow region (15-20 million inhabitants) and St. Petersburg (6 million inhabitants) provides a good basis for the production of fish and seafood products to the markets and the retail stores. A fair number of Russian enterprises operate in the two regions, which are also the focus of foreign partners and investors. Moscow and St. Petersburg are good platforms for the wider distribution of seafood products throughout Russia.

The infrastructure in the region and for distribution in Russia is reported good and improving rapidly.

9.3.5.1 Selected investment cases

Ryboobrabatyvayuschy Kombinat #1 (Fish Processing plant #1) - ROK 1

(http://www.nwfish.ru/)

This large fish delicacy producer in Russia is so far the only example of an EBRD funded investment in the fisheries sector. USD 8 million in capital were invested an equity capital manager in 1999, short after the rouble crisis, when outstanding growth rates made it one of the best moments to invest in domestic production.

The company switched from imported to domestic sourcing of raw materials from the Russian Far East and Murmansk. It now has a wide range of products and different sales distributions, including Metro and Auchan.

Saopik

The fish processing company Saopik will invest around USD 1 million to build its own plant in the city of St. Petersburg. The company now leases production premises, making around 2 tonnes of fish products a day. The new plant will have a total area of 1 700 square metres. (**Source:** *Delovoi Peterburg, 27 May 2005*)

Homyakovsky Hladokombinat Jsc, Tula

Modern Processing factory built in 2003 in Tula to be near to the Moscow market. Cold stores in Tula and Moscow. Whitefish production. 50% exports, 50% domestic market. See company profile in **Annex 9b**.

Albatross Seafood Production Ltd.

A company established by Albatross Seafood, Aalborg, Denmark. Production started in 2003. Financed by the company and foreign bank loans. The facility has two cold stores with a total capacity of 4 500 tonnes, the factory of 2 800 sq. m with a capacity, once all the machinery is installed, of around 2 000 tonnes a month. Products and volumes: Surimi crabsticks 12 000 tonnes, shell-on prawns 12 000 tonnes, delicatessen (mussel meat, black tigers, peeled prawns, cocktails, cuttlefish, and squid) 1 000 tonnes. (**Source:** *EUROFISH Magazine, Issue 4, 2004*).

9.3.6 Southern Region

9.3.6.1 Fish processing

A € 60-million fish processing plant is to be built in Taganrog in southern Russia with the help of two German companies, Rosoma and Sig Cantek. The project will be operated by Russia's Morion, and also involve Kaliningrad-based AtlantNIRO, PKTs Flot and the Kaliningrad Institute of Direct Investment, (**Source:** *WORLDFISH REPORT – 15.07.2004*)

9.3.6.2 Mussel farming

A delegation of businessmen and officials of Krasnodarsky Krai province on the Russian Black Sea Coast has visited Italy to discuss co-operation projects with the Italian company Sud Pesca s.p.a. on the prospect of setting up a network of mussel farms along the Russian Black Sea coast. (**Source:** *Russian Fish Report 14.03.2005*)

9.3.7 Russian Far East (RFE)

As mentioned in the chapter on Fish Harvesting, catches of the main fish species are in a downward trend, and from an investment point of view, the sector in the RFE is perceived as being in decline. There are no significant foreign investments in any sector of the fish industry (including infrastructure, storage) in the RFE, apart from a number of fishing companies with participation mostly from Asian neighbouring countries, with South Korea as the biggest partner.

The dominant pattern is fisheries driven by Japanese/Chinese/Korean off-takers with pre-financed consignments, which limit the volumes of fish products landed available for value addition in the Russian Far East (see also the Trade chapter).

Local banks are reported to be unwilling to give long-term loans to fishery related activities.

Only a few fishing companies have the strength to both secure quota shares and to maintain a modern fleet. The remainder have difficulties in financing fleet maintenance and renewal. This is seen as one of the reasons why the rate of quota utilisation is only 53%.

Traditional fish quotas are being reduced, while quotas for less valuable fish in new catching areas are being allocated, leading to increasing costs for the fishing companies. Kamchatka and Sakhalin are oriented towards open sea and ocean fishing, while Primorye is leading in terms of overall catch and has the best fishing, processing and transportation facilities. However, Primorye has lost some of the catch in the inshore fisheries in waters where management has been taken over by neighbouring coastal provinces.

The infrastructure (cold storage, transportation) is well developed, particularly in Primorye. 40 companies in Primorye have a total cold storage capacity of approx. 120 000 tonnes, while the capacities in Sakhalin and Kamchatka are about 10 000 – 20 000

tonnes. Practically all the cold stores equipment (compressors, pipelines, etc.) is Japanese made, dating back to 1964-1980.

The new law on fisheries in 2004 created some optimism. Some companies saw windows of opportunity with the new law. But from an investment point of view the main picture is still a shadowy sector lacking transparency.

Experience from an EBRD action plan in Sakhalin suggests that fish industry operators are happy with the stable relations built up with the Japanese buyers, and that investment in fish processing is not considered attractive due to the remoteness of the island from the important consumption centres.

In Primorye it is reported that it is almost equally profitable if a fishing company a) sells raw fish to Chinese or b) processes fish and sells to Europe (see also chapter on Trade).

The Association of Fishery Industrialists of Primorye, backed by the governor Sergey Darkin, are pushing for government measures to ensure that catches in the Russian EEZ are landed and processed in Russia.

The development of inshore or coastal fisheries is a very popular subject in the RFE, and has been discussed over the last 6-7 years, but without any practical results to date. One of the motivations for developing coastal fisheries is the worsening stock situation in the open sea. But operators show little enthusiasm for diversifying into coastal fisheries, in spite of serious efforts that have been made to involve the local fishing companies.

Generally it is the impression that suppliers of equipment have good business relations with the fleet-owners. The German EMF Group is reported to be in a good position.

According to the regional EBRD office in Vladivostok, the estimated need for investments in the fleet is 20-50 million USD per vessel. The estimated need for investment in fish-processing companies is in the range of USD 1-2 million per company.

According to a report by IntraFish from the Far Eastern Fishing Forum held in Vladivostok 8-9 September 2005[32] the challenges facing the fishing industry in the Russian Far East were discussed at the forum in an open and promising climate. The forum was supported by the Russian Ministry of Agriculture, the Primorsky Region and the Primorye Association of Fisheries. The problems of the sector were addressed in an open way, which foreign industry observers saw as a change in attitude, based on the realisation that Russia could regain its position as direct supplier to Europe after having sent thousand of tons of H&G fish and other raw materials to China and other countries for value-adding.

The debate was perceived as a step in the right direction towards achieving better and more sustainable management of fisheries. Added to that the long-term stability of the

[32] IntraFish, 29.09.2005

new quota system and the consolidation of the industry in the hands of fewer and bigger players were seen as developments that – if implemented – could put Russian far eastern fisheries back in a strong role.

9.3.7.1 Investments prospects

Cooperation with Germany

At the session of the Russian-German Agricultural Committee held in the beginning of December 2004 in Berlin, possible cooperation, including fisheries in the RFE, was discussed. Among the issues discussed were supplies of fish processing equipment to Primorye including plans to build a new fish processing factory in Vladivostok with German supplies.

Cooperation with China

The Governor of Primoriye province Sergey Darkin has approved a plan to boost co-operation between the province and China in 2005 – 2008, according to reports from the area.

According to the plan, the Russian authorities will put special focus on attracting Chinese investments into the province's marine culture and on-shore processing based on waste-free technology (**Source:** *Russian Fish Report, 31.03.2005*)

Negotiations with Heylongjiang province of China have shown that there is interest in establishing sea farms to grow scallops, mussels and oysters, etc.

Cooperation with South Korea

The Merchants' Association of Seoul's Jungbu Market, one of South Korea's largest dried fish wholesale markets, said towards the end of May 2004 that it had signed a memorandum of understanding with Russia's Khabarovsk city government to build a joint venture fisheries-industrial complex there. Jungbu Market would invest 10 billion won (USD 8.5 million) in 2004 to build cold storage warehouses, marine product processing plants and a place for drying pollack. (**Source:** *WORLDFISH REPORT – 3.06.2004*)

Russian plans and initiatives

A project techno-park called "Peter the Great" was presented at a conference in Vladivostok in May 2005. The project aims at securing foreign and national investments to promote innovative technologies in reproduction and processing of marine resources. Techno-parks, business incubators, are widely discussed, but still at a very early stage with no investments.

The Department of Fisheries in Primorye has announced plans for the developing of port processing and storage infrastructure, including the reconstruction of "Far Eastern Commercial Cold Storage (DALKOMHOLOD)" in order to increase its capacity up to 30 000 tonnes. However, no concrete steps have yet been taken, and the existing fishing ports are being acquired by metallurgical holdings and converted to universal ports.

Upgrading the processing infrastructure seems unlikely in the short term due to the fragmented industry structure and strong competition from China.

As part of the policy to develop coastal fisheries, priority is being given to the construction of small-sized fishing vessels, although the sector is not competitive vis-à-vis neighbouring ship-building yards in Korea and China.

A step in this direction was taken with the signing of a construction agreement in March 2005 with the Far Eastern ship-yard "Zvezda" to build the first small seiner of the new series, RS-450. The ship-yard is expecting an order of at least 5 vessels. The RS-450 is a new type of seiner for fishing traditional species of fish, and could be converted to squid and anchovy fisheries. The vessel is 27.5 meters long, 8 metres wide, has a speed of 10 knots, a crew of 8, and estimated cost of USD 820 000.

9.3.7.2 Some foreign investments

Netherlands-Switzerland-Kamchatka

JSC "Holkam" established in 1992 by the Dutch company "Kalkman VIS B.V." with the Kamchatka administration-owned company "Kamchatimpex". There were 4 divisions in the JV-company: fishery and wholesale; retail sales; food production; agriculture. The Dutch company pulled out of the project at the end of 1990's due to financial problems connected with the reimbursement of credits.

South Korea

There are several Russian companies with Korean participation in the Far East. Korean investments are reported to comprise up to 50% of the companies' capital. Some of the Korean companies are Daerim, Silla, Hansung. The estimated number of enterprises with Korean participation could be around 10. Most of the Russian companies mentioned were created from zero (with some exceptions) and operate with former Korean large-scale vessels. All the companies focus on the Alaska pollack fishery. Being Russian resident companies, all of them have been allocated 5-year TAC shares with effect from 2004.

Iceland and Sweden

JSC «Istok», Vladivostok**.** Established by "SCANDSEA INTERNATIONAL AB" (Sweden). In 2001-2002 the company bought two Icelandic vessels from "FIS products Internationals": m/v "Asanda"; m/v "Stella Karina", managed by Fiskafurdir Utgerd (http://www.fishproducts.is/fleet.htm), operating on shrimp fishery in the Far East.

"Tamara"

Created in the middle of 1990's with UTRF-Kamchatka, the biggest fishing company in the region at that time. However UTRF-Kamchanka practically does not exist now, and the fate of the JV is unknown.

China

In the spring of 2005 the Singapore branch of "Pacific Andes" bought 100% of the Chukotka based JSC "Tralflot". Although the value of the deal has not been officially

disclosed, reliable sources say the price was three times the initial offer, unofficially known to be about 17 million USD. The company owns 3 large-scale factory trawlers with a quota of about 25 000 tonnes of fish in the Russian Pacific (mainly Alaska Pollock). The vessels have been under repair and preparation for the Bering Sea Pollock season starting in June 2005.

A directory of the fish industry in the Russian Far East can be found on www.dalryba.ru.

9.4 Initiatives by major Russian industrial groups to enter the fishing Industry

In recent years, Russian industrial groups have started to show interest in agribusiness companies, but involvement in the fishery industry is limited. The following is a list of some known initiatives in the area:

9.4.1 Gidrostroy

One of the biggest Sakhalin-based fishing companies, "Gidrostroy", acquired in 2003 a semi-destroyed canning factory in the settlement Krabozavodskiy on Shikotan Island. The factory was refurbished and is now producing canned products. The company is also planning to establish a Keta Salmon hatchery, and the plan is to purchase the necessary equipment in Canada.

9.4.2 Alliance Group

A leading Russian financial-industrial corporation "Alliance Group" with principal interests in oil and fuel is strengthening its position in the Russian Far East in the area of ports and supplies of fuel to the fishing industry. The corporation recently signed a cooperation agreement with the "Samsung" corporation and the "ING Bank N.V."

9.4.3 JSC "EVRAZ HOLDING"

EVRAZ Holding is a major metallurgic company. In October 2003 the holding bought the majority shares of Public Company "Nakhodka Active Marine Fishery" (BAMR), one of the biggest fishing companies in Russia with about 40 large vessels in working condition, annual catch of about 150 000 tonnes, and 6 000 employees. The fishing activity of the BAMR is controlled by the ROLIZ group (which belongs to the Governor of Primorye, Sergey Darkin).

In July 2005 EVRAZ Holding bought Vladivostok fishing port and is currently turning it into a universal port. It also owns shares in Nakhodka fising port.

9.5 Investment prospects for Icelandic companies in the Russian Fish Industry

As one of the world's leading fishing nations Iceland offers a wide range of products, services and know how for the fishing industry throughout the value chain from catches to consumption of seafood.

Icelandic investments in the Russian fisheries sector have so far been limited. Icelandic companies are likely to consider investments, business opportunities and partnerships in the following areas:

- **Processing:** by investing in local processing plants to support growing local markets, such as the Moscow area. The rapid development of this sector could open up for many Icelandic products and services, for example:

    - Plastic tubs and boxes
    - Tub-cleaning machines
    - Processing lines and individual processing equipment (graders, scales, flow-lines, conveyor belts etc.)
    - Consultancy services related to: construction and renovation of processing plants, implementation of health and sanitary standards, training and education
    - Trading, marketing, selling and distribution of Russian origin seafood products

- **Fleet**: The changes expected to take place in the Russian fleet structure and status in the years to come could create demand for fishing gear (trawls, nettings, trawl doors etc.), processing equipment (scales, conveyor belts, processing lines etc), handling equipment (tubs etc) and packaging material from Icelandic suppliers

- **Cold storage**: by investing in and setting up cold storage in key fisheries locations, like Murmansk, Moscow, Kaliningrad, St. Petersburg

- **Fishing rights/quotas**: by buying or forming partnerships with Russian fishing companies which hold quota rights, and which could benefit from the possibility of acquiring transferable quotas, once the legislation will permits this. Participation in distant fisheries (e.g. in African waters) is also seen as a potential opportunity

- **Fish farming**: Icelandic companies also consider the development of fish farming in Russia as a potential business opportunity. These opportunities are mostly related to the growing need for handling equipment such as processing lines and individual processing equipment, plastic tubs and boxes, as well as the expanding and increasingly competitive market for high quality feed which is dominated by European exporters.

Some Icelandic companies, having invested in market connections and sales representation, already know the Russian fishing industry well. The financial institutions in Iceland are however still reluctant to take direct steps into the market, as the overall rating of Russia in the international financial environment is not yet satisfactory for the Icelandic Banks. However, the banks believe that this will change within 1-2 years. They are therefore keeping a close eye on the development and believe that the fisheries sector in Russia will become an interesting investment opportunity, as well as of course other sectors.

Some areas which could hold investment and business prospects for the Icelandic fish industry in Russia (fishing operations, fish processing, storage and distribution, manufacturing of equipment and fish farming) are described in the following overview below, and are also referred to in other parts of this Survey.

9.5.1 Trawler or fishing operations

In August 2005, a fishing company in Vladivostok, with 3 trawlers and quotas for Alaska pollock, herring and other species, was announced for sale for USD 9 million on the www.dalryba.ru website. This is an example of the developing market for fish companies. As discussed in the introduction above, foreign companies can participate, but it is likely that Russian companies will act quickly to buy.

9.5.1.1 Archangelsk Trawl Fleet (ATF)

ATF is the only remaining fishing enterprise with 100% of state shares. The company owns about 25 different tonnage vessels. The enterprise possesses quota volumes in the Barents Sea and a fish-processing complex in Archangelsk. Until now, no reports of government plans for privatisation have appeared, but this seems to be a matter of time, since the financial situation in the company is not satisfactory.

If the privatisation process is triggered, auctions will be held and the winner will become the owner of the enterprise. Before privatisation is started, it is possible to rent the enterprise from the state, after submission of a business plan. The lease holder will then have priority should the decision be taken to privatise the company. This is the only known real possibility to join large scale industrial fisheries in Russia.

The latest developments concerning ATF are reported to be positive economic results after a long period of crisis. So far in 2005, the company has increased its yearly profits by 116 million RUR (3.7 mill EUR). The Archangelsk Trawler Fleet was last year on the brink of bankruptcy, but was saved at the last minute by an initiative from Archangelsk Oblast governor Nikolay Kiselyov. Part of the rescue operation was privatisation of the fleet. (**Source:** *www.barentsobserver.com 04.08.2005*)

9.5.1.2 Fisheries in third country waters

The former Soviet fleet had built up extensive fishing operations based on bilateral agreements with coastal states in the Central Eastern Atlantic, the South East Atlantic, the Indian Ocean and the South East Pacific. These operations have now been reduced drastically.

Currently Russian vessels are operating mainly in the waters off Mauritania and Morocco.

According to the agreement with Morocco, only Russian companies nominated by the Federal Agency of Fisheries can obtain licenses, and the possibility of using third country vessels – although not forbidden – is considered unlikely because of the strong competition for quotas in Moroccan waters. In other agreements there is in principle no requirement for government involvement, and there are no restrictions in terms of the nationality of the vessels, which means that each company takes decisions at its own risk.

Mauritania

Fisheries in Mauritania are based on agreements through local fishing agents with the Mauritanian government.

Russian (and former soviet countries) fishing companies involved in operations in Mauritania are:

- Murmansk Trawl Fleet – 2 vessels
- Nakhodka Base of Active Marine Fishery- 4 vessels
- Baltic Atlant (Lithuania) – 5-6 vessels including reefers
- VALS (Moscow) – 1 vessel
- Arkhangelsk Trawl Fleet – 3 vessels (arrested by local businessman)
- Atlantrybflot is also reported to fish in Mauritania

Main species: Horse (Jack) mackerel, sardinella, sardine.

Morocco

An agreement was reached in September 2005 to extend by one year the Russian-Moroccan fishery agreement from 2002. According to the agreement 12 vessels are allowed to fish in the Moroccan EEZ, with an annual quota of 120 000 tonnes. 22% of the total catch goes to the government of Morocco as payment for quotas. At least 10% of total harvest must comprise sardines and sardinella. In 2004 the catch was 108 000 tonnes. On average 6-7 vessels are at the fishing grounds the whole year around.

Russian companies fishing in the Moroccan zone (August 2005):

- Murmansk Trawl Fleet – 2 vessels
- FOR company (Kaliningrad) – 2 vessels
- Morskaya zvezda (Sea Star) (Kaliningrad) -2 vessels
- Archangelsk Trawl Fleet – 1 vessel
- Atlantrybflot is also reported to fish in Morocco

Since 2000 there has been an interim charter law which allows local companies to rent foreign vessels for pelagic fishery. On average 27 foreign vessels have been engaged in this type of operation, including 4 ships under Russian flag.

Sierra Leone, Guinea-Bissau, Guinea Conakry

Russia has no agreements with these countries now. However Sierra Leone and Guinea-Bissau have on repeated occasions declared their wish to sign such agreements. In general there is no need for intergovernmental agreements to obtain licenses for foreign vessels. Only two small Russian companies are working in the area in Guinea-Bissau, catching shrimps with bottom fish by-catches.

Angola and Namibia

2 vessels of MARFISH Co.Ltd. from Svetly, Kaliningrad are reported to be fishing in Namibian waters.

Yemen

After good relations in Soviet times when there were different kinds of scientific and technical cooperation, contacts have been renewed opening up for the possibility of

obtaining fishing licenses in Yemen's waters. Different kinds of vessels could be used either with or without a factory on board. There are several processing plants along the coast, which could process landings delivered with ice from small boats.

Main species: shrimp, lobster cuttlefish and bottom fish by-catches.

South East Pacific

Since 1990 there have been no Russian ships in the area off Peru. Two former Russian large-scale trawlers are operated by a Greek fleet-owner. According to industry sources a Vladivostok based company is planning to buy 3-4 new trawlers for pelagic fisheries in the South East Pacific with guarantees from Vneshtorgbank (see also the information related to the Nordic Investment Bank below).

9.5.2 Fish processing, storage and distribution

9.5.2.1 Overview

The big and growing market for chilled and frozen fish which is easy to smoke and slice creates dynamism in the processing industry. The fish processing and distribution sector is smaller than the meat and bakery sectors, but is growing more quickly[33].

Russian brands (see **Annex 8a**) have a strong position in the retail stores, and are a sign of the increasing value added production taking place in Russia as a substitute for imported brands (see also the company profiles **Annex 9b**).

There is strong competition in the sector, but many companies are small with only one production line for slicing salmon, packaging herring or smoking. Bigger and older factories are actively in replacing old equipment and investing in new and renovated machinery (see the ROK 1 example).

According to an equipment supplier[34] the introduction of 5 year quotas has increased the industry's confidence in more stable supplies and its willingness to replace old equipment. Moreover, new or renovated equipment is necessary to secure good quality value addition to the products (such as herring fillets) which cannot be obtained with the old machinery.

Some firms – usually from Moscow – are investing in modern equipment without thinking about the price. Other firms have to settle for the cheapest variants, often buying used foreign machines, sometimes in bad technical condition.

Most equipment comes from Germany (Baader, EMF Group), Norway, Denmark, the Netherlands, UK, and Japan and Korea especially for surimi production. Low-cost

---

[33] Presentation on the food industry was made by Raiffeisen Bank in an Adam Smith conference in Moscow, 16 November 2004 - http://www.adamsmith.org/policy/

[34] SEAC AB, www.seac.se

second-hand filleting lines and other equipment from closed factories in Norway and Denmark is reported to be on offer in Russia.

Warehousing and some packaging equipment can be sourced locally and is not specific for fish alone.

Quadriga Capital Russia (working with EBRD) suggests that in the present situation investments should instead be directed to chilled logistics and distribution rather than into processing companies. The infrastructure is still weak in many regions, and improvement of the refrigeration-chain is a precondition for the growth of the small-medium industry in the regions and for the regional strategy of the retail chains.

9.5.2.2 Investing in the processing industry

For foreign trading and exporting companies with a long experience on the Russian market, it is increasingly becoming a strategic option to consider setting up production in Russia based on raw materials imported from customary sources. The motivations quoted by investors who have taken the step to invest in Russia, or by potential investors are:

- Avoiding high customs duties and other trade barriers
- Positioning the production close to the consumer markets
- Ability to react quickly to clients' demands
- Reducing transport logistics and costs
- Saving on energy and other infrastructure costs
- Lower labour costs

An important motivation among existing and potential investors is the belief that the market in Moscow and other regions will continue to grow for many years to come.

Contrary to other CEE countries, low labour costs are not necessarily a determining reason for outsourcing production to Russia, as the advantage is offset by the other difficulties in running a processing operation in Russia. Furthermore, labour costs in the Moscow area and other dynamic and emerging regions (St. Petersburg, Ekaterineburg) are rising rapidly. Factories in the Moscow region and in Murmansk are in fact reported to be hiring cheap labour from China.

Reliability of supplies is a key factor, especially if the motivation was to base production on raw materials from Russia and not imported products. Irregularities in supplies will have to be compensated for by imported raw materials.

Foreign investors have to bring their own capital and finance. Russian banks or foreign banks operating in Russia cannot offer competitive financing compared to western banks, although Russian banks are reportedly beginning to show more interest in medium sized operations.

The number of foreign owned processing plants in the Moscow and St. Petersburg regions is still very limited. It is a common view that setting up a processing operation

involves many challenges in order to get bureaucratic procedures, authorisations and infrastructure in place, requiring a time factor multiplied by 3 compared to western countries. Significant human resources and project planning from the investor's side are needed to set up own production in Russia.

Constructing a greenfield processing plant may be preferable to buying existing factories, where both buildings and the equipment are likely to be worn and out of date, and where the buying process can be legally complicated.

Practical experience suggests that even after an investment project is successfully established, the bureaucracy and legal issues may continue to be a cumbersome factor in the day-to-day running of the business.

A successful investment in a processing operation in Russia is likely to yield higher profits and advantages such as contacts to the market and distributors extending as far as Vladivostok, and greater ability to respond to market trends and growth. A successful operation could also attract new investors (foreign and Russian) and increased good-will from Russian banks towards medium sized businesses.

9.5.3 Equipment manufacture (boats, processing, handling, storage)

As described in the Overview above, and in the Fleet chapter, there is a demand in the industry for supplies of processing equipment and a need to improve the refrigeration chain. The companies interviewed in Murmansk and Kaliningrad have different investment needs in this area. On a larger scale, perhaps, investment opportunities in storage will emerge in Murmansk and in the ports of the Russian Far East. In addition to these general developments, examples of specific suggestions from sources in the industry are mentioned below.

9.5.3.1 Processing on board

Russian fishing companies frequently mention vessel renewal as a priority. However there is also the view that building new vessels should not be a priority, since in spite of being old, the Russian fleet has enough capacity to exploit the resources of the Russian fishing zone. However, the aim to improve conditions for coastal fishing justifies the building of small inshore vessels, as is seen in the RFE and Murmansk.

An interesting investment option could be a programme to re-equip processing equipment on board fishing vessels. Despite all the deficiencies of the obsolete ships (low engine power, lack of energy supply, etc.) they provide an undoubted advantage: they are big and have large space for carrying out value-added production on board. In particular, many ships in the Far East could be re-equipped for pollack fillet production. Moreover, there should be no problem technically in carrying out production for supermarkets (IQF in retail packing). With adequate governmental support, such a programme could lead to the reduction of the H&G share and, as a result, volumes of pollack supplies to China for processing could be reduced.

9.5.3.2 Coastal Fishery

The establishment of infrastructure for coastal fishery and processing for the regions of the European North and Russian Far East has always been a complicated issue. In Soviet times all attempts to solve this problem failed. Both in the North and especially in the Far East fishing communities are located in remote areas which are difficult to access.

Russian Far East

The active fishing season in the RFE is limited due to packed ice. Coastal processing operations are just primitive fish salting, as for example in the East Koryakia and South-East Chukotka. During the fishing season local co-operatives have to recruit factory-vessels to process the catches. Back in 1990 the Soviet-American Joint venture, "Marine Resources Company International" tried to arrange the construction of small autonomous fish-processing modules (40-feet containers) for the distant regions. Later, these mini-factories were used by the Russian companies and installed on board the middle and large-scale vessels to extend productivity and output for export.

One option for a programme could be in the framework of one or two regions (Chukotka and Koryakia) and be coordinated at the level of regional governments. In addition to the coastal module factories, the programme should engage small fishing vessels. The advantages of this approach are: compactness of the project and possibility to trace the fish all the way to the processed product. As for investments, individual projects within the framework of the program could be within the reach of individual investors. The settlements Khatyrka and Meinepylgino (Chukotka) could be suggested for consideration. This region could provide coastal catches of cod, halibut, flatfish, wild salmon and fresh-water fish from June to October-November.

Murmansk

As described in section **9.3.1.1**., increasing volumes of cod, haddock and other fish are landed in coastal fisheries, and one company is quoted as planning to acquire vessels for coastal fishing.

9.5.4 Fish farming

As described in the chapter on Fish Farming there is a growth in inland and marine fish farming in Russia. The Republic of Karelia seems to be the most dynamic area, particularly for trout farming. The Moscow and St. Petersburg regions are also emerging. The prospects for salmon and cod farming in the Barents Sea appear, however, less promising in the medium term.

The ranching industry for Pacific salmon in the Far East is significant. This sector is also subsidised by the state, which according to sources in the sector, have received 180 million roubles (6.3 million USD) by the state in 2005.

On the website of the Federal Agency of Fisheries (www.fishagency.ru) there is a list of projects under the execution of investment programme of the Fishery Agency for construction projects, with a total planned budget of 4.9 million USD, of which approx.

50% was executed in Jan-Oct 2004. 85% of the allocation is earmarked for fish farming enterprises, mostly to Far East salmon hatcheries.

As mentioned in the chapter on Fish Farming, investors are reluctant to invest in hatcheries in spite of the state support given to this sector, because federal legislation does not yet offer any clear definition of the rights of the investors to harvest the ranched salmon.

9.6 International Financing Institutions

The record of international and bilateral financing initiatives in the Russian fisheries sector is very limited.

9.6.1 Bilateral instruments

In the course of the 1990's several European countries set up funds for technical cooperation with Central and Eastern European countries, including Russia. Some of these funds are now closed, partly as a consequence of the EU-enlargement, partly through the increasing role of EU funding instruments.

Investment funds of European countries are listed on www.edfi.be. The former Norwegian Industrial and Regional Development Fund has been taken over by Innovation Norway (www.invanor.no).

According to the Danish Investment Fund for Central and Eastern Europe, Russia is rated on a "low" to "medium" investments grade by international financing institutions. Investments in Russia need substantial additional deposits to cover risks. The fund has been involved in a joint venture project between Royal Greenland, a Danish shipyard and Sevryba (Murmansk) consisting in the supply of 4 trawlers with allocation of fishing quotas in 1999 – 2001 in the Russian EEZ of the Barents Sea. The quota allocation was withdrawn and the project failed.

The Norwegian Industrial and Regional Development Fund has financed the Gigante Murmansk project described in section **9.3.1.3**

Export guarantees for supplies are provided by both public and private organisations.
The Austria Control Bank (http://www.oekb.at/control/index.html) mentioned in section **9.3.4.2**, which in 2002 had issued and outstanding guarantees in Russia for EUR 2.8 billion, lists the following Russian banks as "acceptable banks":

- Alfa Bank Holdings (ABHL)
- Gazprombank Group
- International Moscow Bank (IMB)
- Joint Stock Commercial Bank (Bank of Moscow)
- MDM Bank
- Moscow Municipal Bank
- ZAO Raiffeisenbank Austria
- Sberbank (Savings Bank of the Russian Federation)

- Vneshtorgbank (Bank for Foreign Trade)

9.6.2 Institutions of the Nordic Countries

The Nordic financing institutions offer different kinds of financing facilities with the aim of promoting the establishment of enterprises, trade and occupation, involving partners from the Nordic countries. A good share of activities goes to Russia, both in the North Western region and more remote areas.

9.6.2.1 The Nordic Investment Bank (www.nib.int)

NIB is also owned by the Baltic States. As a development bank NIB can participate with direct loans with up to 50% in large projects (10 million USD level) in Russia or with indirect loans to smaller projects through Russian banks. Currently NIB has a cooperation with Sberbank, Vneshtorgbank and Proimstroi Bank, but other banks are not excluded from channelling loans from NIB.

Fish industry projects in Russia are in principle eligible for NIB lending, providing there is a partner from one of the Nordic countries involved. There is a special facility for projects in the North West region of Russia with a clear environmental conditionality, which also could apply for fishery related projects.

In general loans can be given to projects that are related to the member countries such as: a) investments and supplies by NIB member countries, b) supplies of commodities from Russia to NIB member countries and c) loans related to projects where member countries are owners.

Enterprises admitted to lending from NIB have to be creditworthy, incorrupt, and the projects should comply with good environmental practices.

There are no fish industry projects on record, but the bank is currently examining a proposal for the delivery of 3 trawlers to the RFE for distant water fisheries.

There is no clause against investments made in the catch sector involving dependence on quotas. As a development bank NIB is also prepared to take political risks.

9.6.2.2 The Nordic Environmental Finance Corporation (www.nefco.org)

NEFCO contributes with loans (in some cases soft loans) and equity to projects that have a clear environmental benefit. In principle fishery related projects in Russia could be supported, but there are currently none on record or in the pipeline (some projects have earlier been screened and approved in principle, but have not been carried out). Emission control and pollution abatement are key criteria, but not conservation of fish stocks. Investment in clean processing technology could be an eligible project task. In fish farming improvement of existing sites could be considered, but greenfield farm projects, even with state of the art clean technology would be less likely to be supported, as no fish farming at all would be a better option from an environmental point of view. However, greenfield projects with a clear demonstration value of superior environmental technology and likely to be replicated could also be considered for support as

demonstration projects. The projects should always have some degree of Nordic partnership.

9.6.2.3 The Nordic Project Fund (www.nopef.com)

NOPEF provides loans for project feasibility studies and business plans in a wide range of areas, including fisheries, fish processing and fish farming. Russia accounts for approx. one fifth of approved projects in 2002-2004. A declining share (about 10%) of the programme is dedicated to project export, i.e. supplies of turnkey solutions. A number of fishery related projects, including salmon farming, have been financed or supported by the fund, totalling 7 projects from 2002 to 2004.

9.6.3 European Union

Launched by the EC in 1991, the TACIS Programme provides grant-financed technical assistance to 12 countries in the CIS countries (former Soviet Union). Further information is available on the TACIS and the EU delegation in Russia websites:

(http://europa.eu.int/comm/external_relations/ceeca/tacis/index.htm)
(http://www.delrus.cec.eu.int/index.htm)

Under TACIS there is a priority assistance programme for Kaliningrad Oblast, covering among others the private sector, focussing assistance on enterprise restructuring, human resource development, promotion of innovative Small and Medium-sized Enterprises, and support for the energy sector. A development project for the Kaliningrad port has been supported.

TACIS support has been given to agricultural programmes but not to fisheries.

TACIS has an open tender for Support to Russian Export-oriented SMEs in the Russian Federation with an indicative maximum budget of € 3 million.

One of the TACIS tenders addresses institutional capacity-building and training related to Russia's WTO accession.

The TACIS BISTRO Programme aims at complementing the main TACIS programmes by providing a rapid and flexible mechanism for supporting small-scale technical assistance projects. Examples of BISTRO projects are: data gathering, analysis, identification of solution, implementation and dissemination.

9.6.4 European Bank for Reconstruction & Development (www.ebrd.com)

EBRD can contribute with direct loans to large projects (minimum 10 million USD), but can also channel loans through local banks for smaller projects. This is done through small business funds, regional venture funds and equity capital managers.

The only example of a fishery project to have received EBRD financing is the 8 million USD loan to ROK 1 mentioned in section **9.3.5.1** done in cooperation with the equity fund manager Quadriga in St. Petersburg.

According to the Russian Far East regional EBRD representative small business funds can be used to provide equity into the processing industry but not the catch sector. Until now this opportunity has not been utilised. The small and medium processing sector in the Far East is insignificant, but is expected to develop in the next few years.

EBRD sees no obstacle in principle to finance investments and small business projects in the fish sector, but full transparency from the beneficiaries is required.

EBRD operates a Russian Small Business Funds (RSBF) scheme (see www.microloans.ru) which normally provides loans of up to USD 10 000. The most common sector to get loans is trade businesses. Fisheries businesses are not listed as a specific sub-sector for this type of loans.

9.6.5 The International Finance Corporation (www.ifc.org)

IFC follows similar criteria to EBRD for financing large and small business projects.
IFC considers Russia as a low Investment Grade Country and for each 100 USD invested 50-60 USD should be set aside to cover risks. Russia has no net debt as a country – but this not the case for the companies.

The most active western European banks that are active in Russia are from Austria, Germany and the Netherlands.

IFC has no record of investments in the fisheries sector. Beneficiaries have to comply with good governance standards and environmental concerns.

9.6.5.1 Links to web pages on investments in Russia:

http://www.ivr.ru/ - "Investment Opportunities in Russia" – site by the Ministry of Economy of the RF and the Russian Federal Commission for Securities Market
http://www.runa.info/eng/press-center/ - Market and investment monitoring
http://www.siva.no/ - SIVA - The Industrial Development Corporation of Norway – including many useful links
http://www.bizbarents.com/default.asp?id=2404 – Swedish Centre Business Development Barents region (in Swedish)
http://www.bizbarents.com/Global/Filer/SC-financial_sources_barents.pdf - Overview over financing opportunities in Russia and other CEE countries (2003)
http://www.sakhipa.ru/ - Sakhalin Investment Promotion Agency. In Russian, but project proposals are listed in English
http://fishdep.petropavlovsk.ru/p011.php - Kamchatka Fishery Department
Hamburg chamber of commerce – Kaliningrad
http://www.bisnis.doc.gov – A US Government site to facilitate business in Eurasia

http://www.npacific.ru/np/industriya/homeindustry.htm - fishing companies in RFE (in Russian)

9.7 Issues that limit or are needed to encourage private investment

9.7.1 A transparent fisheries sector

There is a general perception of lack of transparency in the fisheries sector, perhaps mostly in that part of the industry which is involved in capture fishery. This is reflected by investment institutions which see limited possibilities for participating in fisheries projects, and unwillingness by the banks to give loans to the sector.

The lack of transparency is linked to a number of factors related to property rights, to policies and bureaucracy of local administrations, to customs and tax regulations and sometimes to corruption.

The 5 year quota allocation system introduced with the new fisheries law in 2004 is seen by fishing companies and analysts as a positive development with a potential for creating transparency and stability in the sector. There are signs that mergers and takeovers are taking place in the industry, and that time is still needed before a clearer structure of the industry emerges. Some analysts point at the positive perspective of a sector with fewer and larger companies with an obvious interest in protecting their quota allocations against illegal fishing.

The new fisheries law paves the way for more responsible and efficient management of the resources and as far as coastal fisheries are concerned, it should lead to a better utilisation of inshore resources for the benefit of smaller fishing companies.

The confidence of investors and financing institutions in the fishing industry will depend on positive developments in some key areas as mentioned above.

9.7.2 Special Economic Zones

The concept of Special Economic Zones (SEZ) is widely seen as a catalyst for developing regional economies including fishing. A draft law on Special Economic Zones is currently under preparation by the Russian government. Typical areas eligible for SEZ status according to the new law are Kaliningrad, the Murmansk port and the industrial port of Nakhodka (Vladivostok).
The new law would introduce to kinds of regimes:

- Industrial and production zones within areas of 10 sq. km.
- Technical and innovation zones within areas of 2 sq. km.

The SEZs would operate as free customs areas where foreign goods are stored and used duty free and without bans or economic restrictions otherwise enforced in accordance with Russian Law.

Fishery industrialists both in the RFE and in the North West see the establishment of industrial-and-production zones in fishing ports as favourable for improving conditions

for vessel calls in ports and associated services, and for promoting export-oriented on shore fish processing plants. The fishing port of Murmansk has already prepared a project along these lines.

Kaliningrad Oblast has presently the status of Free Economic Zone (FEZ) according to a law from 1996. The FEZ has given a high degree of stability to the region and has favoured the development of the fish processing industry which was already concentrated in the Baltic area in the former soviet period. As mentioned in section **9.3.4** above, critics find that Kaliningrad's special regime has contributed to distortions in the supplies of raw material in favour of foreign suppliers and at the expense of the development of the industry in other regions. On a general level there are inconsistencies between the Federal FEZ law and other Federal laws, leading to frequent changes to and unpredictability of the basic conditions for investments. See also "Investment Opportunities in the Agriculture and Food Processing Industries in Kaliningrad Oblast", a study under EuropeAid BIS/02/012/009, October 2004.

A widely discussed issue is the establishment of business incubators and techno-parks, but they are still at a very early stage with no practical investments.

9.7.3 Commercial transactions

Traders and exporters seem to be generally happy with their Russian partners or by working through own subsidiaries or distributors in Russia. One key element, however, for foreign companies doing business in Russia has been related to the issuing of letters of credit and other guarantees for payments. Foreign companies frequently require a letter of credit when dealing with markets which are considered more risky than others, or with new trading partners. This has also been the case in Russia. However, when problems have occurred, Russian banks have not been able to issue LoCs efficiently, in spite of reassurances by both the banks and the clients.

Some countries only issue export credits and insurances if the trade relationship with the Russian partner is at least 3 years old, so exporters and investors rely on proper payment instruments when entering the deal with new partners.

From the Russian side the problem is related to requirement by the Russian banks that a Russian company must deposit an amount equal to the LoC value on a special account. As a result of this Russian companies avoid LoC, preferring cheaper forms of payment.

EU importers can expect the requirement of pre-payment from the side of Murmansk and Kaliningrad producers/exporters of white fish (cod, haddock, pike-perch). Financially strong and well-know major European importers are in the best position to negotiate the terms.

Sometimes payment is required 3 days after delivery, or in the best case (but very seldom) 1 week after delivery to the place of destination.

References

Business Analytica
Business Directory of Moscow
Delovoi Peterburg, 27 May 2005, 07 Feb 2005
Eurofish Magazine, Issue 4, Jul-Aug 2004
EuropeAid BIS/02/012/009, "Investment Opportunities in the Agriculture and Food Processing Industries in Kaliningrad Oblast", Oct 2004
Fiskeribladet, 09 Feb 2004
Fiskeriforskning, No.4 Jun 2005
Fiskeriforskning, Report 7/2005, "Produkt-og markedstilpasning av pelagisk fisk i det russiske markedet", March 2005GfK Rus - Institute for marketing research "Moscow, Russia: A taste of comfortable shopping", April 2004
GLOBEFISH Research Programme Vol. 80 Fishery Industry Profile – Russia, FAO, Jun 2005
ICES, Report of the Arctic Fisheries Working Group (AFWG), 19-28 April 2005, Murmansk, Russia.
Interfax 08 Jun 2005, 02 Feb 2005, 13 Jul 2005
Lonely Planet, http://www.lonelyplanet.com/worldguide/destinations/europe/russia
Norwegian Seafood Export Council, "Global trade in herring" presentation by Kristin Lien, Pelagic Days, Aalesund 24-25 August 2005
PricewaterhouseCoopers, 2003/2004 "Global Retail and Consumer Study from Beijing to Budapest"
Prime-Tass/Esmerk, Jan. 2005, Feb. 2005
Raiffeisen Bank, Presentation on the food industry, in an Adam Smith conference in Moscow, 16 Nov 2004
Russian Fish Report, May 2005, Apr 2005, Mar 2005, Nov 2004, Oct 2004, Oct 2003, Apr 2003
Schleifer and Triesman (2004)
University of Stavanger, "Increased volumes and price effects" presentation by Frank Asche, Pelagic Days, August 2005
USDA, Foreign Agricultural Service "Russia: Retail Food Sector Report" 2004
Vitrina / Restoranny biznes, March 2005
VNIERKH, VNIRO, GYPRORYBFLOT and the **State Customs Committee**, White Book "Russia's Fishery Complex in 2003"
Worldfish Report, Dec 2004, Nov 2004, Jul 2004, Jun 2004

Links

www.mbnews.ru
www.barentsobserver.com
www.nwfish.ru/
www.fishproducts.is/fleet.htm
www.dalryba.ru
www.fishagency.ru
www.seac.se
www.adamsmith.org/policy/
www.Fishnet.ru
www.cia.gov
www.fiskeriforskning.no

Survey of the Fish Industry in Russia

ANNEXES

The numbering of the annexes refers to the chapter numbers in the survey

Mandate

INTERNATIONAL FINANCE CORPORATION
PRIVATE ENTERPRISE PARTNERSHIP

PROPOSED SURVEY OF THE FISH INDUSTRY IN RUSSIA
TERMS OF REFERENCE FOR A CONSULTANT

IFC'S PRIVATE ENTERPRISE PARTNERSHIP

*The **International Finance Corporation** ("IFC"), a member of the World Bank Group, promotes sustainable private sector investment in emerging economies to help reduce poverty and improve people's lives. IFC does this through financing private sector ventures in partnership with private investors, and through private sector advisory work ("technical assistance") in partnership with donors.*

*IFC's **Private Enterprise Partnership** ("PEP") provides technical assistance to the private sector in the former Soviet Union, in partnership with various donors. PEP's focus is (i) promoting private sector investment, (ii) supporting the growth of small and medium-sized enterprises (SMEs), and (iii) improving the business-enabling environment.*

INTRODUCTION

The Ministry of Foreign Affairs in Iceland ("MFA") has asked IFC to facilitate the conduct of a **Survey of the Fish Industry in Russia** ("the Survey").

The purpose of the Survey is to provide an updated and accurate source of information on the Fish Industry in Russia that can be used by interested parties to facilitate investment and general business decisions.

The Survey is funded jointly by MFA, the Ministry of Fisheries in Iceland, the Trade Council of Iceland, and participating Icelandic companies.

A Consultant appointed upon the recommendation of MFA will conduct the Survey. IFC have assisted in the development of the Terms of Reference for the Survey, and will supervise the Consultant.

PROPOSED FORMAT OF WORK

The proposed format of work will comprise:

1. Initial meeting with IFC Task Manager
2. Travel in Russia conducting field research

3. De-briefing with IFC Task Manager upon completion of field visits
4. Submission of Consultant's Draft Report (within 15 working days of completion of field work)
5. IFC's review of the Draft Report and submission of comments to the Consultant (15 working days)
6. Submission of Consultant's Final Report (within 10 working days of receipt of final comments from IFC)
7. IFC's acceptance of Consultant's Report

TASKS

The Consultant will investigate and address the issues listed below, where appropriate and relevant, in the Murmansk, Archangelsk, Kaliningrad, St Petersburg, and Russian Far East fishing regions (comprising Vladivostok, Sakhalin, and Kamchatka); in the major consumer markets (principally Moscow and St.Petersburg); and major fish processing, distribution and storage facilities wherever located.

The research should be divided into a global and regional approach, the more focused regional approach being put on chapters 4,5 and 6.

Specifically, the Consultant's Report will address these issues:

1. MARKET

i. Provide an overview of the market in Russia – this should include a list of the main types of fish and seafood products consumed in Russia (processed and unprocessed; fresh, frozen and canned), major outlets – wholesale, retail and catering, and include analyses of quantities and market share by product type;

ii. Review the way that fish and seafood products are delivered to market, and provide information about how fish products are handled during transportation and retail sales. Include comments on logistic methods, transportation units, and sales equipment;

iii. Review and comment upon the main characteristics of fish consumption in Russia, including consumption patterns (food preparation and the use of fish);

iv. Review and comment upon imports and exports – this should include a listing and comments upon major players in this sector, quantities and types of fish products, destination of imports and exports; and include future trends;

v. Describe and comment upon import and export regulations and tariffs on fish and seafood products;

vi. Describe and comment upon price determination for fish and seafood products.

2. FISH INDUSTRY STATISTICS

Provide of tabulation of Industry statistics: this will comprise (by product), fish catches, processing, consumption, imports and exports; include an opinion on the accuracy and relevance of official statistical information; tabulate landing by species in the following ports: Murmansk, Archangelsk, Kaliningrad and St Petersburg.

3. INVESTMENT ACTIVITY AND PROSPECTS

i. Identify and describe investment prospects for Icelandic companies in the Russian Fish Industry; specific focus to be on investment possibilities in (a) trawler or fishing operations, (b) fish processing, storage and distribution, (c) fish imports and exports, (d) manufacturing of equipment (boats, processing, handling, storage); and (e) fish farming;

ii. Provide a listing of Russian and foreign investments in the Fish Industry, including fish farming, identify the main investors, regions and type of investment; list key local and foreign players, their plans, and approximate financing needs; this review to include infrastructure opportunities (transport, distribution, storage);

iii. Identify and review current initiatives (if any) by major Russian industrial groups to enter the Fish Industry;

iv. Identify and review project financing opportunities, with a particular focus on identifying IFI's specializing in financing projects in the Fish Industry;

v. Identify and review issues that limit or are needed to encourage private investment;

4. FISHING FLEET and FISH HARVESTING

i. Tabulate and comment upon the Russian fleet - by type of vessels, capacity, origin;

ii. Provide information on how fishing vessels in Russia are purchased, rules and regulations; describe and comment upon rules of Double Flag in Russia;

iii. Review and comment upon the type of gear used, origin of the gear, and catching methods;

iv. Review and comment upon fish processing and handling equipment used onboard, including main suppliers and general age of equipment;

v. Describe and comment upon the major types of fish and seafood harvested;

vi. List major international RFOs where Russia is a member and quota allocations related to that;

vii. Provide a description of historic quota prices, current official licence fees, the current quota market and prices, and likely developments.

5. FISH PROCESSING

i. Provide an overview of fish processing in Russia, both onboard and onshore, and the way fish is delivered to processors, including current status and future trends;

ii. Tabulate and comment upon current quality standards for processing, including food safety and labeling;

iii. List and comment upon major players in fish processing, including processing methods and facilities.

6. FISH FARMING

Describe and comment upon fish farming activities in Russia – to include a listing of all activities, including capacity, types, quality – and current and future prospects

CONSULTANT PROFILE

A specialist with a strong record in the private sector, with relevant experience in the fishing sector globally, and preferably with experience in Russia.

COMMENCEMENT DATE

The fieldwork should commence within 6 (six) weeks of the date of appointment.

COMPLETION DATE

The Draft Final Report is to be submitted by email to IFC Moscow no later than 15 working days after the completion of the field inspection work. IFC will have 15 working days to review this Draft Final Report and to submit comments to the Consultant for consideration in preparing the Final Report. The Final Report (24 copies in English, in both hard copy and electronic format) is to be delivered to IFC Moscow (at the address below) no later than 10 working days after receipt of final comments.

LOCAL TRANSPORT AND INTERPRETER SERVICES

The Consultant will provide all transportation, accommodation, and interpreter services.

REPORTING - IFC TASK MANAGER

The Consultant will report to Ian Luyt, Senior Operations Manager, Technical Assistance Programs, IFC Private Enterprise Partnership, Moscow (see full address below).

CONSULTANT'S FINAL REPORT

The Consultant's Final Report is to be delivered to IFC Moscow (at the address below) by the times stated above, unless otherwise agreed with IFC in writing.

The Consultant shall warrant that on delivery, all reports and other writing materials are free of material faults and processing errors.

At the conclusion of the Project, all materials developed by the Consultant will become the exclusive property of MFA and IFC. In addition, any and all work sheets and other working documentation will also become the property of MFA and IFC. The Consultant cannot and should not share any project materials and/or results without written permission from MFA and IFC either before, during or after the work has been completed.

The Consultant that wins this tender will work to ensure that all reports, in particular the Final Report and supporting data, are up to IFC standards. If the data is not, then any additional work needed to bring the work product up to standard will be paid for directly by the Consultant and will not be reimbursed.

SUBMISSIONS OF INTEREST

Submissions of interest for this work are invited from suitably qualified applicants. These submissions should include (a) the applicant's resume and record of professional work (b) references where applicable and available, and (c) a detailed quotation (in United States Dollars) for the work including proposed terms of payment. The quotation should include professional fees and all other costs related to the work, including travel costs. All reasonable travel and lodging expenses to and from and within Russia will be reimbursed upon delivery of original receipts to IFC. A daily per diem is paid at standard IFC-PEP rates to cover meals, tips and valet services.

Submissions should include a Time-Plan, projected Personnel required (including CV's), Work Methodology, and the applicant's capacity and track record in carrying out the activities required.

Submissions will be accepted in electronic format.

CLOSING DATE FOR SUBMISSIONS OF INTEREST

The closing date for submissions of interest is 12 DECEMBER 2004.

ADDRESS TO BE USED FOR SUBMISSIONS

International Finance Corporation
36 Bolshaya Molchanovka Street, Bld 1,
Moscow 121069 Russia

Tel + 7 095 411 7555
Fax + 7 095 411 7564

Email address: iluyt@ifc.org

Please mark mailed submissions for the attention of Ian Luyt, IFC Private Enterprise Partnership.

WORLD BANK VENDOR REGISTRATION

Companies, which choose to submit a proposal for this Project, should note that before being able to sign a contract with IFC they must have vendor registration from the World Bank. Companies that already have been registered should include in their proposal their World Bank registration number. Information on how to obtain vendor registration from the World Bank can be obtained at the following website: http://www.worldbank.org/apandprocurement/

BASIS FOR AWARD OF CONTRACT

Proposals must be complete and convey all of the information requested in order to be considered. If the proposal fails to conform to the essential requirements of the Terms of Reference, the IFC alone will determine whether the variance is significant enough to consider the proposal susceptible to being made acceptable and therefore a candidate for further consideration, or not susceptible to being made acceptable and therefore not considered for award.

Only the information provided with the proposal, subsequent discussions and clarifications provided in writing, and the bidder's written Best and Final Offer, is used in the evaluation process and award determination.

Proposals will be evaluated on the basis of Consultant's capability, proposed work plan, and overall cost. IFC reserves the right to award this work to two or more bidders.

International Finance Corporation
Moscow
15 November 2004
/fishtent]

3. Fish Harvesting

3a. Catches of fish and seafood in 1999-2003 ('000 tonnes)

	1999	2000	2001	2002	2003
Total catch	**4141.2**	**3776.3**	**3620.5**	**3232.0**	**3281.4**
Cod Fishes total	2078.7	1757.1	1778.0	1445.3	1725.7
Alaska Pollack	1500.5	1215.1	1145.0	826.7	1055.9
Blue whiting	182.6	241.9	315.6	298.4	360.2
Other cod fishes	395.6	300.1	317.4	320.2	309.6
Atlantic cod	215.6	171.0	188.9	188.2	186.2
Pacific cod	101.9	68.4	59.8	60.6	51.6
Haddock	30.9	24.9	34.9	38.8	45.5
Navaga	47.0	35.8	33.8	33.6	27.1
Herring	529.8	535.4	402.8	331.6	333.5
Pacific herring	359.2	361.2	278.5	203.4	190.8
Atlantic herring	157.3	158.7	110.0	113.2	130.1
White-Sea herring	0.5	0.4	0.5	0.8	0.8
Baltic herring	12.8	15.1	14.7	14.2	13.3
Mackerel total	266.8	270.8	206.9	182.0	139.8
Horse Mackerel	55.6	50.5	28.2	1.7	5.6
Mackerels other	71.2	70.9	56.2	41.4	12.6
Chub mackerel	48.4	45.8	31.7	37.5	20.8
Atlantic mackerel	51.3	50.8	41.6	45.8	40.0
Atka Mackerel	40.3	52.8	49.2	55.6	60.8
Capelin	32.6	94.9	181.6	250.9	96.0
Flatfish	127.4	143.6	125.3	113.7	112.1
Flatfishes other	97.0	103.0	95.1	79.8	81.8
Halibut	10.7	23.5	21.2	17.6	17.3
Pacific saury	4.8	17.4	40.4	51.7	57.1
Salmon	233.5	217.0	226.3	187.8	239.5
Pink salmon	187.2	157.1	167.6	117.6	188.1
Keta salmon	28.2	36.5	32.1	36.6	27.6
Red salmon	14.9	19.5	22.5	28.4	17.7
Trout	3.2	3.9	4.1	5.2	6.1
Sturgeon total	2.5	2.7	2.7	2.6	2.6
Redfish	29.6	39.1	45.1	56.6	56.6
Pike perch	3.6	3.9	4.2	6.0	5.7
Sea food and crayfish	197.4	188.9	149.9	158.8	135.6
Crabs total	67.2	58.1	51.2	42.9	42.1
King crab	37.1	28.6	16.3	10.9	8.4
Tanner crab other	21.2	21.8	24.5	23.8	27.9
Blue king crab	5.5	5.2	4.5	4.6	3.5
Golden king crab	2.7	1.8	2.2	2.3	1.8
Shrimps	17.8	36.9	25.3	13.3	11.5

Northern prawn	16.9	35.2	13.4	12.6	10.9
Mussels	0.584	0.363	0.311	0.315	0.053
Scallops	17.7	18.6	12.3	9.4	7.0
Squids and octopus	56.1	73.7	63.1	56.1	73.7

Source: *VNIRO*

3b. Estimated catches of fish and seafood in 2004 ('000 tonnes)

	2004 estimates. '000 tonnes
Total catch	**3000.0**
Fish, of which	**2857.7**
Herring	336.2
Sardine	10.7
Sprat	42.9
Baltic herring	6.6
Horse-mackerel	70.8
Scomber	114.1
Alaska Pollack	867.9
Cod	273.8
Haddock	58.7
Blue Whiting	352.3
Redfish	45.8
Halibut	27.1
Flatfish	75.0
Saury	94.9
Tuna	0.1
Atka Mackerel	50.5
Navaga	21.3
Salmon	172.1
Sturgeon	0.2
Common carp	39.0
Silver carp	1.4
Other	196.3
Seafood, of which	**142.3**
Crabs	35.5
Squid	72.3
Shrimp	11.4
Other	23.1

Source: *VNIERKH*

3c. Resource fees for commercial fisheries introduced in 2003

Aquatic biological species	Resource fee, RUR per tonne
Far East Basin (inland marine waters, the territorial sea, the Russian EEZ and the continental shelf of the Russian Federation in the seas of Chukotka, Okhotsk, Japan, the Eastern Siberian Sea, the Bering Sea, and in the Pacific Ocean)	
Alaska Pollack of the Sea of Okhotsk	3,500
Alaska Pollack of other fishing areas	2,000
Cod	3,000
Herring	500
Halibut	3,500
Atka mackerel	750
Flounder	200
Wachna cod	200
Red king crab of the West Kamchatka subarea	100,000
Red king crab of the North Okhotsk subarea	40,000
Red king crab of other fishing areas	100,000
Blue king crab	100,000
Golden king crab	40,000
Snow crab bairdi	60,000
Snow crab opilio	60,000
Red tanner crab, angulated snow crab	30,000
Hanasaki crab of the South Kurile waters	25,000
Hanasaki crab of other fishing areas	13,000
Hairy crab Erimacrus isenbeckii of the southeast Sakhalin and the Aniva Bay of the Sea of Okhotsk and southwest Sakhalin waters of the Sea of Japan	40,000
Hairy crab Erimacrus isenbeckii of other fishing areas	9,000
Angular tail shrimp	3,500
Deepwater shrimp	5,500
Grass shrimp	2,600
Humpback shrimp	5,000
Other shrimps	1,000
Pink salmon	3,500

Chum salmon	4,000
Coho and Chinook	4,000
Sockeye	20,000
Saury	200
Grey sea urchin	6,000
Black sea urchin	2,600
Other sea urchins	1,300
Squid	1,000
Whelks	12,000
Scallops	5,000
Sea cucumber	30,000
Sturgeons (subject to allowed fishery)	5,500
Other aquatic species	200
North Basin (the White Sea, inland marine waters, the territorial sea, the Russian EEZ and the continental shelf of the Russian federation in the Laptev Sea, Kara Sea, as well as in the Barents Sea and in the waters of the Spitsbergen Archipelago)	
Cod	5,000
Haddock	3,500
Scallops	7,000
Herring	400
Plaice	300
Halibut	7,000
Ocean perch	1,500
Capelin	50
Shrimp	1,000
Red king crab	100,000
Other marine species	200
Baltic Basin (inland marine waters, the territorial sea, the Russian EEZ and the nation's continental shelf in the Baltic Sea, the gulfs of Visla, Kurshsk and Finland)	
Herring	20
Sprat	20
Cod	3,000
Turbot	400
Other flatfish species	50
Other aquatic species	20
Caspian Basin (areas of the Caspian Sea falling under the Russian jurisdiction in the sphere of fisheries)	
Sprat	20
Herring	20
Large freshwater species, pike-perch exclusive	150
Pike-perch	1,000
Roach	200

Sturgeons (subject to allowed fishery)	5,500
Other aquatic species	20
Azov-Black Sea Basin (inland marine waters and the territorial sea, the Russian EEZ in the Black Sea, areas of the Sea of Azov with the Taganrog bay falling under the Russian jurisdiction in the sphere of fisheries)	
Pike-perch	1,000
Turbot	2,000
All the mullet species	1,000
Bream	150
Roach	150
Anchovy	50
Tyulka	50
Sprat	20
Sturgeons (subject to allowed fishery)	5,500
Other aquatic species	20
Inland waters (rivers, water reservoirs, lakes)	
Sturgeons (subject to allowed fishery)	5,500
Atlantic salmon, Chinook, autumn Amur chum salmon, coho, inconnu, taimen, sockeye, Baltic salmon	5,000
Chum salmon, masu salmon, sea trout	3,000
Baikal white grayling, eel, chir Coregonus nasus, muksun Coregonus muksun	2,100
Polar char, arctic char, char, all trout species, greenling, whitefish, omul Coregonus autumnalis, whitefish Coregonus pidschian, Coregonus peled, malma Salvenlinus malma, barbel, blackshad, vimba, asp, grayling, royal fish Chalcalburnus chalcoides, white Amur, silver crap, kutum, catfish, lamprey	1,200
Large freshwater fishes, pike-perch exclusive	150
Pike-perch	1,000
Ripus, taran, roach, vendace	80
Other aquatic species	20

3d. New law on fishery: a closer look

Russian Law on Fishery provided new fundamental rules for the industry. Sergei Mashkarenko makes a survey of the most important provisions of the law.

At the end of the last year Russia adopted its new Federal Law "On Fishery and Preservation of Water Biological Resources" No.166-FZ of 20 December 2004 being the first law in the history of modern Russia that provided regulation for the fish industry. The mere fact that this law was made is the huge milestone for the national fish industry as it took more than 8 years to develop and adopt it.

Structure and General Issues

The Law is divided into seven chapters each chapter dealing with certain aspects of fishery regulation except to the first chapter that contains general issues. The first chapter provides the list of principles for the legislation regulating the industry. Probably, one of the most important principles is that water biological resources shall be granted publicly and openly. According to this principle information about granting of water biological resources, including information on distribution of quotas shall be publicly available to any person. This gives opportunity for checking the quotas granted to fishing companies with authorities.

Another important provision of the Law on Fishery is fixed in its Article 4. According to this article in case international treaties of the Russian Federation in the field of fishery and preservation of water biological resources contain different rules than the rules provided by the national water biological resources legislation, then the rules of international treaties shall prevail. The said provision giving upper hand to international treaties was maid in compliance with the similar rule of Clause 4 Article 15 of the Constitution of the Russian Federation.

It should be noted that the contract obligations in the field of fishery and preservation of water biological resources shall be regulated by civil legislation and not by fishery legislation (Article 5 of the Law). At the same time the turnover of water biological resources shall be carried out only to the extent allowed by the Law on Fishery.

Title for the Water Biological Resources

As a general rule the Law on Fishery provides that water biological resources shall be in the federal property, i.e. belong to the Russian Federation. However, as an exception from this rule the Law on Fishery indicates that water biological resources living in isolated water objects can be not only in the federal property, but also in the property of the member states of Russia, municipal property and, what is more important, in the private property. It should be pointed that such water biological resources being in private property of companies or individuals can be transferred from one company or individual to another in accordance with the civil law, i.e. not subject to special procedures for transfer of other water biological resources.

The right to use water biological resources arises on the basis of Permit for Fishery (Catch) of Water Biological Resources or Agreement for the right to use fishery plot. Other grounds for arising right to use water biological resources can be also provided by the Law on Fishery. The right to use water biological resources can be limited in accordance with federal laws and international treaties of the Russian Federation. This means that a ground for limitation of right

can't be created by the Ministry of Agriculture or by the Fishing Agency, but should be provided at the level of federal law.

The same approach is used for termination of right to use water biological resources. The Law on Fishery provides extensive, but not closed list of grounds for termination of the said right. Though the list of grounds for termination is open any additional grounds for termination can be provided only in the federal laws. The Law on Fishery names the following grounds for termination:

- expiry of term for use of water biological resources;
- in case the parties agreed to terminate the right;
- in case termination condition provided in the Permit for Fishery (Catch) of Water Biological Resources or in the Agreement for the right to use fishery plot has occurred;
- under the court decision;
- in case the user refused from using of water biological resources;
- in case of company liquidation or death of natural person that had the right to use water biological resources;
- if it becomes necessary to use water objects for state purposes.

Types of Fishery and Fishery Plots

According to the Law on Fishery a list with the kinds of water biological resources allowed for fishery shall be approved by the Ministry of Agriculture. Subsequently, the Government Resolution No. 209 (see below "Total Allowable Catches and Types of Quota") specified that a list of water biological resources subject to business fishery shall be approved by the Ministry of Agriculture under agreement with the Ministry of Natural Resources.

The Law on Fishery provides six types of fishery allowed for natural persons and legal entities, namely:

- industrial (i.e. business) fishery, including coastal fishery;
- fishery for scientific research and control purposes;
- fishery for teaching and cultural educational purposes;
- fishery for the purpose of fish-farming, reproduction and acclimatization of water biological resources;
- amateur and sports fishery;
- fishery in order to secure traditional way of life and traditional economic activity of the native small nations of the North, Siberia and Far East of the Russian Federation.

A special article in the Law on Fishery is devoted to a so-called "fishery plots". A fishery plot consists from a defined area of water or a part of it and from a coastal part of land. Such plots are created for industrial (business) fishery, business fish-farming, for amateur and sports fishery as well as for the fishery in order to secure traditional way of life and traditional economic activity of the native small nations of the North, Siberia and Far East of the Russian Federation. A fishery plot can be used for one of the said purposes or for several of them. Particular list of fishery plots including defined areas of inland waters and territorial sea of the Russian Federation shall be

approved by an executive body in each corresponding member state of Russia under agreement with the Fishing Agency.

Total Allowable Catches and Types of Quotas

Unlike the previous procedure when proposals of the Fishing Committee about total allowable catches were subject to approval by the Government of Russia the Law on Fishery provided different procedure for this matter. According to the new law the Fishing Agency will annually determine the total allowable catches. However, they will be subject to approval not by the Government, but by the Ministry of Agriculture.

At the same time the Government is not totally out from the process as according to the Law on Fishery it prescribes the procedure and terms for determination and approval of the total allowable catches. Correspondingly on 12 April 2005 the Russian Government adopted its new Resolution No.209 (the "Resolution No. 209") making changes to the earlier Regulation about determination of total allowable catches.

According to the Government Resolution No.209 materials containing full biological reasons for the total allowable catches for the next year (with except to pacific salmon) in the inland waters, in the territorial sea, on the continental shelf and in the exclusive economic zone of the Russian Federation shall be annually submitted by the Fishing Agency for the state ecological examination to the Federal Service for Supervision in the Field of Natural Resources not later than 15 of May. After the ecological examination the Fishing Agency shall annually submit the draft total allowable catches for approval of the Ministry of Agriculture. This Fishing Agency is obliged to make such submission not later than 15 of October of each year.

The Resolution No.209 provides special terms for determination and approval of the total allowable catches of pacific salmon. Materials containing reasons for the total allowable catches of the pacific salmon for the running year shall be annually submitted by the Fishing Agency for the state ecological examination to the Federal Service for Supervision in the Field of Natural Resources not later than 1 of February. Following the examination the draft total allowable catches of pacific salmon for the running year shall be submitted by the Fishing Agency to the Ministry of Agriculture not later than 15 of March.

The Law on Fishery also contains important provision allowing to change earlier approved total allowable catches in case during fishery or monitoring of resources it will be found out that approved total allowable catches differs from the actual state of affairs. Procedure for making such changes to the total allowable catches should be prescribed by the Government of Russia.

Total allowable catches will be annually divided into quotas by the Fishing Agency subject to approval by the Ministry of Agriculture. Procedure for dividing total allowable catches into quotas should be prescribed by the Government of Russia. In particular, total allowable catches and quotas granted to Russia under international treaties will be divided into the following eight types of fishing quotas:

- quotas for industrial (i.e. business) fishery on the continental shelf and in the exclusive economic zone of Russia with except to coastal fishery ("industrial quotas");
- quotas for coastal fishery in the inland waters, in the territorial sea, on the continental shelf and in the exclusive economic zone of Russia ("coastal quotas");

- quotas for fishery in scientific research and control purposes ("scientific quotas");
- quotas for fishery in teaching and cultural educational purposes;
- quotas for fishery in fish-farming, reproduction and acclimatization of water biological resources purposes;
- quotas for arranging of amateur and sports fishery;
- quotas for fishery in order to secure traditional way of life and traditional economic activity of the native small nations of the North, Siberia and Far East of the Russian Federation;
- quotas for fishery in the areas subject to international treaties of Russia in the field of fishery.

Distribution of Fishing Quotas

Depending from the types of fishing quotas (see above "Total Allowable Catches and Types of Quotas") the Law on Fishery provides different rules for their distribution between the users of water biological resources, in particular:

- industrial quotas, coastal quotas on the continental shelf and in the exclusive economic zone of Russia as well as quotas for fishery in the areas subject to international treaties of Russia in the field of fishery shall be distributed between individual businessmen and legal entities (registered in the Russian Federation and catching from the fishing vessels flying under the Russian flag) for the term of not less than 5 years by the way of fixing to them shares in the total volume of quotas. Such shares shall be determined on the basis of information about their catches during the previous 5 years.

  At the first sight this provision seems to be similar to the rule provided in the Government Resolution "On quotas for fishery of water biological resources" of 20 November 2003 No.704 (the "Resolution No. 704"). However, one should note two important differences. According to the Resolution No.704 the quota shares were determined on the basis of information about catches during the previous 3 years. Secondly, according to the Resolution No. 704 the quota shares were strictly fixed to the users for the term of 5 years. In the Law on Fishery this approach was changed. The quota shares will be fixed for the term of "not less than 5 years". Potentially the new provision might open door for fixing quota shares to the users for a longer period than 5 years. Particular procedure for distribution of quota shares shall be provided by the Government of Russia.

- coastal quotas in the inland waters and in the territorial sea of the Russian Federation shall be distributed between the users of water biological resources by the Fishing Agency under the procedure provided by the Ministry of Agriculture in accordance with proposals made by the executive bodies of the member states of Russia.

  The new rule differs significantly from the provision of the Resolution No.704. According to the Resolution the coastal quotas were subject to distribution in accordance with quota shares determined by the executive bodies of the member states of Russia for the term of 5 years.

- scientific quotas, quotas for fishery in fish-farming, reproduction and acclimatization of water biological resources purposes, quotas for fishery in teaching and cultural educational purposes shall be distributed between the users of water biological resources by the Fishing Agency under the procedure provided by the Government of Russia.

- quotas for arranging of amateur and sports fishery shall be distributed between the users of water biological resources by the executive bodies of the member states of Russia.

- quotas for fishery in order to secure traditional way of life and traditional economic activity of the native small nations of the North, Siberia and Far East of the Russian Federation shall be distributed between the users of water biological resources by the executive bodies of the member states of Russia.

Withdrawal and Transfer of Quota Shares

The quota shares for industrial fishery distributed between the users can be withdrawn from them. The withdrawal is carried out by the Fishing Agency if the fisherman's right to use water biological resources was terminated (see above "Title for the Water Biological Resources"). It is important to note that the withdrawn quota shares will not be distributed between other fishermen in proportion to their own quota shares, but instead of this will be subject to auction sale. Procedure for the withdrawal of quota shares for industrial fishery shall be provided by the Ministry of Agriculture.

The draft Federal Law "On Fishery and Preservation of Water Biological Resources" that was earlier prepared by the Commission of the Ministry of Agriculture on Preparation of Draft Federals Laws Regulating Development of the Fisheries Industry provided that transfer of quota shares shall be carried out through the auctions. A different provision is contained in the adopted text of the Law on Fishery.

According to Clause 4 Article 32 of the Law on Fishery transfer of quota shares for industrial fishery from one entity to another entity "shall be carried out on the basis of a contract, including a contract entered in accordance with results of an auction". This wording might be interpreted as giving possibility to enter a contract without an auction in certain situations. The Ministry of Agriculture is obliged to determine procedure for entering and registration of contracts for transfer of quota shares and it is currently working on such document. So, this issue is expected to become clear when the Ministry of Agriculture will adopt the said procedure.

Quota Auctions and Quota Shares Auctions

Unlike the Government Resolution No. 704 the Law on Fishery adopted a different approach towards the auctions. According to Article 38 of the Law on Fishery there should be two kinds of auctions: (a) quota auctions and (b) quota shares auctions.

The Resolution No.704 didn't provide any quota auctions at all. It prescribed only the quota shares auctions with respect to sale of quota shares for catch of water biological resources newly allowed for fishery and for catch in the newly developing fishery areas. The three government bodies: Ministry of Agriculture, Ministry for Economic Development and Ministry of Finance have issued the joint Order No.502/282/90n of 20 October 2004 that approved the corresponding quota shares auctions procedure. However, the Law on Fishery does not mention about the quota shares auction regarding water biological resources newly allowed for fishery. Instead of this the law provides the quota auctions for catch of water biological resources newly allowed for fishery (the "quota auctions").

The quota auctions will take place within three years after starting industrial fishery of corresponding water biological resource newly allowed for fishery. After that the quota shares will be fixed to companies and individual businessmen for the term of not less than 5 years. In addition to quota auctions the Law on Fishery provides the quota shares auctions with respect to sale of quota shares for industrial fishery withdrawn from the fishermen by the Fishing Agency. The quota shares auctions are also treated as an instrument for transfer of quota shares between the fishermen (see above "Withdrawal and Transfer of Quota Shares").

The quota auctions shall be arranged by the Fishing Agency or alternatively by the specialized organization on the basis of a contract entered with the Fishing Agency. According to the Law on Fishery procedure for auction sale of industrial quotas and quota shares in the total volume of quotas for industrial fishery shall be approved by the Ministry of Agriculture.

****

This article is intended merely to highlight issues and not to be comprehensive, nor to provide legal advice. Should you have any questions or comments on issues reported here or on other aspects of law, you are welcome to contact Mr. Sergei Mashkarenko. You can reach him as follows:

E-mail: sergei@mashkarenko.ru

Tel/Fax: (7-812) 174 59 50

Mobile: (7-812) 915 34 21

Mail: 11-1-363 Turku Street, St.Petersburg, 192071, Russia

© Copyright 2005 by Sergei Mashkarenko. All rights reserved.

3e. Summary of the Concept of Development of Fisheries - 2020

In the autumn of 2003 the government published the full text of the approved Concept of Development of the Fishery Economy of the Russian Federation for the period up to the year 2020.

The strategic plan has described the main objective of the industry as "sustainable operation of the fishery economy complex based upon conservation, reproduction and rational use of aquatic biological resources, development of freshwater and marine culture in order to meet the domestic demand for fishery products and provide for the nation's food security as well as for social and economic development of the regions whose economy is dependent on the adjacent fishery. Thereby conditions shall be created for raising the efficiency of exports of fishery products and competitiveness thereof and the management structure of the fishery economy complex shall be optimised".

The main policy guidelines have been laid down as follows:

- Creation of legislative base for efficient development
- Creation of mechanism for long-term and efficient stocks management with transparent distribution of fishing rights
- Conservation and sustainable fishery with diversion of fishing pressure beyond the Russian EEZ
- Achieving compliance of fishing capacity with fishing stocks
- Improvement of regulation of fishery and creation of conditions for fish landings in Russia.
- Development of inshore fishery as well as fresh water and marine culture.
- Creation of conditions for operation of the Russian fishing fleets in foreign EEZs, international convention areas and open waters of the World Ocean.
- Improvement of stocks policing and conservation to prevent and stop poaching and illegal exports
- Improvement of fishery research and educational system for the industry.
- Clear division of powers between the federal and the regional governments as regards stocks exploitation and policing
- Development of onshore infrastructure
- Working out support measures for domestic shipbuilding and fleet renewal, etc.

The approved development plan will be implemented in three phases.

2003-2005
The first phase will cover the years 2003-2005 when the government hopes to create conditions for overcoming the current crisis, transfer to market ways of managing the industry, formation of the necessary market infrastructure and completion of an efficient system of capture quota allocation.

During the period the priority lanes of activity will cover legislation for the government's management role, inventory of boats and onshore establishments, introduction of long-term, transparent quota allocation system and implementation of full-scale resource fees.

On the market side, conditions will be created to encourage landings of catches in the Russian ports towards processing at the domestic facilities. The government will assist with improvement of market mechanisms and development of competition on the home seafood market.

Bearing in mind the pending Russian accession to WTO, measures will be worked out to protect the domestic fishery products both on the home and foreign markets.
The state will also create conditions for return to distant grounds, the move to be beefed up with proper spotting and prospecting backup. The authorities will also make incentives for design and construction of highly efficient fishing vessels in Russia.
The list of main activities for the period will further include faster development of inshore fishery, improvement of policing, tougher measures against poachers and illegal enterprise.

As regards aquaculture, during the first phase measures will be worked out to encourage development of the sector on an industrial scale while optimising territorial location and specialization of the selection and breeding centres in terms of species.

2006-2010
The second phase will cover the years 2006-2010 when the government hopes to create conditions for sustainable extended reproduction in the fishery economy complex based on company internal funds and borrowed finance.

Apart from further advance along the lines of phase 1, a special focus will be made upon mutually profitable international co-operation in fishery and fish farming including greater involvement in international fishery organisations.

During phase 2, the government will work at improvement of credit facilities for fishing and processing companies taking into account the specific character of the industry.
Along with further state support for vessel construction inside the country, the authorities will seek reaching a balance between the stocks and the fleet capacity during the second phase of 2006-2010.

Another specific lane of advance will have to do with development of fish produce auctions and exchanges including the trade in options and futures.

Work will continue on improvement of infrastructure such as ports, shipbuilding and ship repair, etc.

Training of specialists for the industry will constitute one more important priority during stage 2.

2011-2020
The third phase will cover the years 2011-2020 when the government hopes to complete creation of conditions for sustainable development of Russia's fishery economy.

The division of functions between the state and the private enterprise will be finalized.

In particular, the government will keep such responsibilities as policing, regulation of fishery and stocks reproduction, monitoring of stock abundance in order to set TACs and education of specialists for the industry.

Meanwhile fish farming, development of new species and fishing areas, fleet modernization and development of new technologies will be carried out "on the basis of market mechanisms".

Legal backup

On the legal side, the implementation of the concept will require an integral set of legislative measures to be initiated by the government and passed by the nation's parliament.

First of all, Law on fishery and conservation of aquatic biological resources should be made to regulate the array of issues dealing with study, conservation, reproduction and exploitation of the stocks. The provisions governing quotas and fishing licenses, basic rights and obligations of resource users as well as powers of government agencies must also be fixed on the legislative level.

The Law will result into single interpretation and application of regulatory provisions in the sphere of research, conservation, reproduction and exploitation of the stocks.

The concept further provides for a system of legislative measures in order to encourage commercial-scale fish farming while outlining the need for tougher punishment for poaching and other violations.

Apart from the above, the government will make the following priority legislation with the regulatory acts to cover:

- Stricter control of salmon and sturgeon fishing companies during fishery, storage, traffic and export of the products including roe and caviar.
- Distribution of quotas for capture of bio-resources on the continental shelf and in the Russian EEZ.
- Inshore fishery.
- Distribution of fishing quotas in foreign EEZs and international convention areas.
- Export of products made from the bio-resources of the Russian EEZ and continental shelf beyond the limits thereof.

COMMENTS to the CONCEPT

The CONCEPT is a strategic program for the Russian fishing industry further development rather then a law. As it is said in preamble the CONCEPT "aims to determine the guidelines of the long term governmental policy in the field of fishery". The CONCEPT has no programme budgeting. Presumably the financing of certain sectors of fishing industry should be effected through separate specific programs.

In the first phase ending in 2005 the development of necessary legislation and the introduction of a long-term, transparent quota allocation system are probably the only two

goals which are more or less achieved. The Federal Law # 166-FZ on Fishing and Preservation of Aquatic Biological Resources was introduced in December 2004 endorsing the Russian Government's decision # 704 of November 20, 2003 regarding a new system of allocation of quota shares. However further steps for the transferability of quota shares have not been taken.

As to boosting of the nation's shipbuilding capacity and encouraging fishing companies to land catches at the domestic facilities, no visible efforts have been made. In general these two problems are very costly to solve, especially without centralized financing.

4. Fish Farming

4a. Russian aquaculture production in 1999-2003 in tonnes

	1999	2000	2001	2002	2003
Total aquaculture	**68 615**	**74 124**	**89 945**	**101 340**	**108 751**
Freshwater fish	61 165	65 448	80 532	89 500	95 122
Diadromous fish	6 918	8 160	9 094	11 510	13 120
Marine fish	7	7	0	0	0
Crustaceans	25	12	14	9	10
Molluscs	500	497	305	321	368
Aquatic animals	0	0	0	0	0
Aquatic plants	3 000	3 008	504	143	67
By species					
Common carp	33 325	34 210	42 293	46 714	45 776
Grass carp (White amur)	80	100	503	480	1050
Silver carp	20 720	24 100	31 501	31 020	32 832
Freshwater bream	8	18	20	80	80
Cyprinids	3 750	4700	4 703	8 250	12 934
Northern pike	2	4	8	7	5
Channel catfish	90	65	180	156	100
European perch	19	18	17	36	43
Pike perch	1	0	1	0	0
Freshwater fish	3 152	2 207	1 280	2 711	2 302
Sturgeon	1 570	2 050	1 800	2 100	2 208
Atlantic salmon	5	0	0	0	300
Trout	3 193	3 908	4 389	5 210	6 080
Chun (keta) salmon	0	0	4	0	2
Whitefish	2 150	2 200	2 901	4 200	4 530
Flatfish	3	3	0	0	0
Marine fish	4	4	0	0	0
Freshwater crustaceans	25	12	14	9	10
Mediterranean mussels	0	202	0	0	0
Sea mussels	500	98	143	280	34
Yesso scallop	0	197	162	41	334
Brown seaweed	N/A	N/A	N/A	N/A	140

Source: *FAO yearbook, Fishery Statistics, Aquaculture production 2003*

4b. Fish Farming Production in Russia in 2004

Latin names	Species	Tonnes
	Total Fish	**107580**
	Salmonidae	***7654***
	incl. chum salmon	1
	trout	7653
	Coregonidae	***4600***
coregonus albula	whitefish/vendace	58
coregonus lavaretus	white fish/houting	442
coregonus peled	coregonus peled, lat.	4100
	Cyprinidae	***60546***
	Carp	46200
Ctenopharyngodon idellus	Grass carp	1300
Ictalurus punctatus	Channel catfishP	116
Abramis brama	Bream	42
Carassius carassius	Crucian carp	11933
Esox licius	Pike	7
Perca fluviatilis	Perch	77
Rutilus rutilus	Roach	61
Mylopharyngodon piceus	Black amur	6
Tinca tinca	Tench	1
	Other	803
	Herbivorous	***32380***
	Silver carp	30860
	White amur	1520
	Acipenseridae	***2400***
	Bester sturgeon+hybrid	1218
	Sibirian sturgeon	850
	Russian sturgeon	143
Huso Huso	Beluga sturgeon	21
	Sevruga sturgeon	7
	Sterlet	161
	Crustacea	***18***
	crayfish + shrimps	18
	Shellfish	***468***
	Algae	***214***

Source*: Russian Federal Center of Fish Genetics and Selection*

4c. List of selected fish farms by Okrug (Administrative districts)

Name	BelgorodRybKhoz
Federal region	Central Federal Okrug
Address	5 Pugacheva Str., Belgorod 308000
Phone	(0722) 22 62 36
Name	Biserovsky Fish Farm
Federal region	Central Federal Okrug
Address	Staraya Kupava Settlemant, Noginsk district, Moscow region 142451
Phone	(095) 702-9031
Name	Central Production Station for Acclimatization and fish disease protection
Federal region	Central Federal Okrug
Address	18a Ermolayevsky Per., Moscow 123091,
Phone	(095) 209-0715
Fax	209-1647
Name	Chelnavsky State Fish Nursery
Federal region	Central Federal Okrug
Address	Khlebnikovo, Sosnovsky District, Tambov region, 393851
Phone	(07522) 3-02-10
Name	Fish Serebryannye Prudy Breeding Plant
Federal region	Central Federal Okrug
Address	Serebryanye Prudy settlement, Moscow region, 142940
Phone	(267) 2-15-82
Name	Ivanovsky Rybokombinat
Federal region	Central Federal Okrug
Address	33 Zhideleva Str., Ivanovo, Moscow region 153002
Phone	(0932) 32-86-22, 37-13-74
Name	Klinsky Rybkhoz
Federal region	Central Federal Okrug
Address	Vozdvizhenskoe settlement, Klin district, Moscow region
Phone	(224) 56-249, 56-190
Fax	58-159
Name	Lotoshinsky
Federal region	Central Federal Okrug
Address	Rybkhoz settlement, Lotoshino District, Moscow region
Phone	(09628)7-11-31; 7-11-47; 1-18-00; 7-11-36

Fax	1-18-00
Name	Mosrybkhoz
Federal region	Central Federal Okrug
Address	18a Ermolayevsky Per., Moscow 123091,
Phone	(095) 299-2387
Fax	299-7510
Name	Rosrybkhoz
Federal region	Central Federal Okrug
Address	18a Ermolayevsky Per., Moscow 123091,
Phone	(095)209-4158, 209-0038
Fax	209-0589
Name	Ryazanrybprom
Federal region	Central Federal Okrug
Address	39 Vysokovoltnaya Str., Ryazan
Phone	(0912) 76-95-86, 76-97-63, 76-96-42
Fax	98-64-38
Name	SelectCentre
Federal region	Central Federal Okrug
Address	P.O. Box 4, Rybnoe Village, Dmitrov District, Moscow region
Phone	(095) 587-2702
Name	Sharapovsky Rybopitomnik
Federal region	Central Federal Okrug
Address	Sharaponov village, Novooskolsky district, Belgorod region
Phone	(07233) 3-36-21
Name	Skhodnya Trout Farm
Federal region	Central Federal Okrug
Address	Khimki, Moscow region
Phone	(095) 571-7534
Name	SmolenskRybkhoz
Federal region	Central Federal Okrug
Address	6 Frunze Str., Smolensk, 214001
Phone	(08122) 2-36-83
Name	TulaRybkhoz
Federal region	Central Federal Okrug
Address	59 Lunacharskogo Str., Tula, 300002
Phone	(0872) 34-20-88, 34-20-66
Fax	34-20-66
Name	VolgorechenskRybKhoz

Federal region	Central Federal Okrug
Address	Volgorechensk, 156901Kostroma region
Phone	(09453) 3-2144

Name	Amursky rybokombinat
Federal region	Far East Federal Okrug
Address	75 Ostrovskogo Str., Blagovestchensk, Amur region
Phone	(4162) 44-22-82
Fax	44-15-78

Name	Northern Scientific Research Institute for Fishery
Federal region	North-West Federal region
Address	3 Varkausa Nab., Petrozavodsk, 185031
Phone	(8142) 78-32-85

Name	Gigante Pechenga Ltd.
Federal region	North-Western Federal Okrug
Address	Siva Centre, 92 Podgornaya Str., Murmansk
Phone	(8152) 47-65-43
Fax	45-78-62

Name	Kivach
Federal region	North-Western Federal region
Address	50-4 Gogalya Str. Petrozavodsk, 125235
Phone	(8142) 773087
Fax	763181

Name	Sortavalsky Fish Plant
Federal region	North-Western Federal region
Address	8 Promyshlennaya Str., Sortavala, 186790, Karelia Republic
Phone	(81430) 2-4260, (812) 140-5447
Fax	(81430) 4-2493, (812) 380-1640

Name	Khakassky Fish Plant
Federal region	Sibir Federal Okrug
Address	2 Mayakovskogo Str., Abakan, Khakassia Republic
Phone	(39022) 55502

Name	Novosibirskrybkhoz
Federal region	Sibir Federal Okrug
Address	P.O. Box 17292, Krasnoyarsk, 660097
Phone	(3832) 21-55-05, 21-66-80

Name	Privolye Fish Breeding Farm
Federal region	Sibir Federal Okrug
Address	Krasnozerskoe settlement, Novosibirsk region, 632920
Phone	(38357) 4-11-35

Name	Rybny Fish Breeding Plant
Federal region	Sibir Federal Okrug
Address	Okyabrskoe village, Kytmanovsky District, Altay Kray
Phone	(38590) 2-43-40, 2-23-30

Name	VostSibRybCentre
Federal region	Sibir Federal Okrug
Address	4 Khakhalova Str., Ulan-Ude, Buryatia Republic, 670034
Phone	(3012) 44-16-92, 44-19-31
Fax	44-21-16

Name	Zerkalny Fish Breeding Farm
Federal region	Sibir Federal Okrug
Address	21 Kominterna Str., Pavlovsk Settlement, Altay Kray, 659010
Phone	(38511) 2-04-76

Name	Adler Trout Breeding Plant
Federal region	South Federal Okrug
Address	45a Forelevaya Str., Kazachy Brod Village, Adler district, Krasnodar region 354590
Phone	(8622) 44-08-98

Name	Anapa Experimental Fish Plant
Federal region	South Federal Okrug
Address	Dgiginka Station, Anapa District, Krasnodar region, 353424
Phone	(8613) 7-61-52

Name	AstrakhanRybkhozAssociation
Federal region	South Federal Okrug
Address	30 Krasnaya Naberezhnaya, Astrakhan, 414000
Phone	(8512) 39-18-18

Name	Forelevoe Fish Breeding Farm
Federal region	South Federal Okrug
Address	Kislovodsk, Stavropol region, 357700
Phone	(86537) 4-31-09

Name	Goryachy Kluch Rish Breeding Farm
Federal region	South Federal Okrug
Address	117 Yaroslavskogo Str., Goryachy Kluch, Krasnodar region, 353272
Phone	(86159) 5-55-68

Name	Grachiki Rybkoz
Federal region	South Federal Okrug
Address	Potapov settlement, Volgodonskoy district, Rostov

	region
Phone	(86394) 7-26-13
Fax	(86394) 7-05-92
Name	Kabardino-Balkarsky Feesh Breeding Plant
Federal region	South Federal Okrug
Address	P.O. Box 292, Nalchik, Kabardino-Balkaria Republic, 360000
Phone	(86622) 6-03-98, 6-44-50
Name	Kalmrybkhoz
Federal region	South Federal Okrug
Address	1 Krupskoy Str., Elista, 358000
Phone	5-77-38
Name	KrasnodarRyba
Federal region	South Federal Okrug
Address	585 Golovatogo Str., Krasnodar, 350038
Phone	(8612) 59-42-76
Fax	5967-90
Name	RostovRybKom Association
Federal region	South Federal Okrug
Address	5 Beregovaya Str., Rostov-on-Don, 344008
Phone	(8632) 62-31-26, 62-31-46
Fax	62-36-37
Name	StavropolRybProm Association
Federal region	South Federal Okrug
Address	9 Morozova Str., Stavropol, 355017
Phone	(8652) 32-63-32, 32-03-67
Fax	32-63-52
Name	Stavropolsky Breeding Cooperative
Federal region	South Federal Okrug
Address	Tischenskoe village, Izobilnensky district, Stavropol region, 356105
Phone	(86545) 2-33-99
Fax	5-54-64
Name	Volgogradrybprom
Federal region	South Federal Okrug
Address	22 Rabochekresyanskaya Str., Volgograd, 400074
Phone	(8442) 44-88-09
Fax	44-06-94, 44-11-56, 44-81-87
Name	Vyselkovsky Rybkhoz
Federal region	South Federal Okrug
Address	Vyselki village, Krasnodar region 353130

Phone	(8617) 2-35-46
Name	Chelyabinskoe Fish Farming Company
Federal region	Ural Federal Okrug
Address	10 a Kozhzavodskaya Str., Chelyabinsk, 454087
Phone	(3512) 35-13-92
Fax	35-73-11
Name	Chesmensky Rybkhoz
Federal region	Ural Federal Okrug
Address	60 Sovetskaya Str., Chesma village 457220
Phone	(35169) 21394
Name	Gosrybcentre
Federal region	Ural Federal Okrug
Address	33 Odesskaya Str., Tyumen, 625023
Phone	(3452) 41-58-03, 41-58-14
Fax	41-58-04
Name	Kurganrybkhoz JSC
Federal region	Ural Federal Okrug
Address	46 Sibirskaya Str., Kurgan 640006
Phone	(3522) 53-66-04, 53-57-60
Name	Tyumenrybprom
Federal region	Ural Federal Okrug
Address	33 Odesskaya Str., Tyumen, 625023
Phone	(3452) 41-58-36
Fax	41-58-35
Name	Elovo Rybkhoz
Federal region	Volga Federal Okrug
Address	3 Parkovaya Str, Elovo Settlement, Perm region
Phone	(34296) 2-16-26
Name	Karaidelsky Rybkhoz
Federal region	Volga Federal Okrug
Address	Televyshka Str., Karaidel Village, Bashkartostan Republic 452360
Phone	2-13-54
Name	Karamyshevsky Fish Breeding Enterprise
Federal region	Volga Federal Okrug
Address	Karamyshevo village, Kozlovsky district, Chuvashia republic, 429432
Phone	(83534) 3-13-32
Name	Permrybkhoz
Federal region	Volga Federal Okrug

Address	20 Lunacharskogo Str., Perm 614000
Phone	(3422)12-62-53, 12-87-90
Name	SamaraRybkhoz Association
Federal region	Volga Federal Okrug
Address	130 Stepana Razina Str., Samara, 443099
Phone	(8462) 32-26-19
Fax	32-49-53
Name	SaratovRybkhoz Association
Federal region	Volga Federal Okrug
Address	2 Vodnaya Str., Engels, Saratov region
Phone	(84511) 6-37-07, 6-36-07
Name	Tatrybkhoz Association
Federal region	Volga Federal Okrug
Address	15/25 Pushkina Str., Kazan, Tatarstan republic, 420503
Phone	(8432) 92-45-97, 92-47-97

Source: *Rosrybkhoz and Rosstat*

5. The Fishing Fleet

5a. Description of fisheries in the Barents Sea by gears

Table 1.3.2.1 Description of fisheries by gears. The gears are abbreviated as: trawl roundfish (TR), trawl shrimp (TS), longline (LL), gillnet (GN), handline (HL), purse seine (PS), Danish seine (DS) and trawl pelagic (TP). The regulations are abbreviated as: Quota (Q), mesh size (MS), sorting grid (SG), minimum catching size (MCS), minimum landing size (MLS), maximum bycatch of undersized fish (MBU), maximum bycatch of non-target species (MBN), maximum as bycatch (MB), closure of areas (C), restrictions in season (RS), restrictions in area (RA), restriction in gear (RG), maximum bycatch per haul (MBH), as bycatch by maximum per boat at landing (MBL), number of effective fishing days (ED), number of vessels (EF), restriction in effort combined with quota and tonnage of the vessel (ER).

Species	Directed fishery by gear	Type of fishery	Landings in 2004 (tonnes)	As bycatch in fleet(s)	Location	Agreements and regulations
Capelin	PS, TP	seasonal	0	TR, TS	Northern coastal areas to south of 74°N	Bilateral agreement, Norway and Russia
Coastal cod	GN, LL, HL, DS	all year	32599	TS, PS, DS, TP	Norwegian coast line	Q, MS, MCS, MBU, MBN, C, RS, RA
Cod	TR, GN, LL, HL	all year	580000	TS, PS, TP, DS	North of 62°N, Barents Sea, Svalbard	Q, MS, SG, MCS, MBU, MBN, C, RS, RA
Wolffish[1]	LL	all year	21081	TR, (GN), (HL)	North of 62°N, Barents Sea, Svalbard	Q, MB
Haddock	TR, GN, LL, HL	all year	116293	TS, PS, TP, DS	North of 62°N, Barents Sea, Svalbard	Q, MS, SG, MCS, MBU, MBN, C, RS, RA
Saithe	PS, TR, GN	seasonal	161916	TS, LL, HL, DS, TP	Coastal areas north of 62°N, southern Barents Sea	Q, MS, SG, MCS, MBU, MBN, C, RS, RA
Greenland halibut[2]	LL, GN	Seasonal	18762	TR	deep shelf and at the continental slope	Q, MS, RS, RG, MBH, MBL
Sebastes mentella	No directed fishery	all year	4914	TR	deep shelf and at the continental slope	C, SG, MB
Sebastes marinus	GN, LL,HL	all year	7293	TR	Norwegian coast	SG, MB MCS, MBU, C
Shrimp	TS	all year	41800[3]		Spitsbergen, Barents Sea, Coastal	ED, EF, SG, C, MCS

[1]The directed fishery for wolffish is mainly Russian EEZ and in ICES area IIB, and the regulations are mainly restricted to this fishery
[2]The only directed fishery for Greenland halibut is by a limited Norwegian fleet, comprising vessels less than 28 m.
[3]The total catch in 2003.

Source: *Barents Sea Area Overview, ICES, 2005*

5b. The structure of vessels by target fishery and catching method

Group of vessels	Type of vessel	Type of seafood	Gear
(a) Far East Basin			
Capacity more than 5300 kW	BMRT type 'Sotrudnichestvo' pr. D-1305	Fish, squid	trawl
	Non-standard vessels	Fish, squid	trawl
Capacity 5000-5300 kW	BATM type 'Pulkovo Meridian' pr. 1288	Fish, squid	trawl
	KKRT type 'Antarctica'	Fish, squid	trawl
	non-standard vessels	Fish, squid	trawl
	RTMKS type 'Monsoon' pr. 488	Fish, squid	trawl
	RTMS type 'Horizon' pr. 1386	Fish, squid	trawl
Capacity 1500-5000 kW	BMRT type 'Ivan Bochkov' pr. B-408	Shrimps Fish and squid	trawl trawl
	BMRT type 'Kronstadt' pr. 394 AM	Shrimps Fish and squid	trawl trawl
	BMRT type 'Mayakovsky' pr. 394	Shrimps Fish and squid	trawl trawl
	BMRT type 'Pioneer of Latvia' pr. 394	Shrimps Fish and squid	trawl trawl
	BMRT type 'Prometheus'	Shrimps Fish and squid	trawl trawl
	non-standard vessels	Shrimps Fish and squid	trawl trawl
	RTM type 'Atlantic'	Shrimps Fish and squid	trawl trawl
	RTM type 'Tropic'	Shrimps Fish and squid	trawl trawl
	SRTM type 'Arius'	Shrimps Fish and squid	trawl trawl
	SRTM type 'Mys Korskova' pr. FVS 419	Shrimps Fish and squid	trawl trawl
	SRTM type 'Stercoder' pr. P-8830	Shrimps Fish and squid	trawl trawl
	TSM type 'Orlenok' pr. A333	Shrimps Fish and squid	trawl trawl
Capacity 300-1500 kW	non-standard vessels	Crabs Shrimps Fish Fish and squid Saury	Traps Traps, trawl Purse-seine Trawl, longline Special gear

	SDS pr. 13031, SDSU pr.13020, KLS type 'Golitsino' pr. 05026	Crabs Shrimps Fish Fish and squid Saury	Traps Traps, trawl Purse-seine Trawl, longline Special gear
	SRTM pr.502e, 502-em, 503	Crabs Shrimps Fish Fish and squid Saury	Traps Traps, trawl Purse-seine Trawl, longline Special gear
	STR pr. 420	Crabs Shrimps Fish Fish and squid Saury	Traps Traps, trawl Purse-seine Trawl, longline Special gear
	STR: pr. 503	Crabs Shrimps Fish Fish and squid Saury	Traps Traps, trawl Purse-seine Trawl, longline Special gear
	SYAM type 'Antiac', type 'Captain Kartashov'	Fish and squid	Long line
Capacity less than 300 kW	MRS	Crabs Shrimps Fish and squid	Traps Traps, trawl Purse-seine, trawl
	non-standard vessels	Crabs Shrimps Fish and squid	Traps Traps, trawl Purse-seine, trawl
	RS	Crabs Shrimps Fish and squid	Traps Traps, trawl Purse-seine, trawl
(b) North Basin			
Capacity more than 5000 kW	BMRT type 'Pulkovo Meridian' pr. 1288	Fish	Trawl, purse-seine
	BSTS type 'Murman-2'	Fish	Trawl, purse-seine
	Non-standard Vessels	Fish	Trawl, purse-seine
	RTMKS type 'Moonsund' pr. 488	Fish	Trawl, purse-seine

	RTMS type 'Horizon' pr. 1386	Fish	Trawl, purse-seine
Capacity 1500-5000 kW	BMRT type 'Ivan Bochkov' pr. B-408	Fish	Trawl, purse-seine
	BMRT type 'Kronstadt' pr. 394 AM	Fish	Trawl, purse-seine
	BMRT type 'Leskov'	Fish	Trawl, purse-seine
	BMRT type 'Pioneer of Latvia' pr. 394	Fish	Trawl, purse-seine
	BMRT type 'Ivan Shankov'	Fish	Trawl, purse-seine
	non-standard vessels	Fish	Trawl, purse-seine
	PST type 'Barents Sea' refrigerating	Fish	Trawl, purse-seine
	PST type 'Barents Sea' fresh fish	Fish	Trawl, purse-seine
	STM type 'Orlenok'	Fish	Trawl, purse-seine
Capacity 300-1500 kW	MKTR type 'Laukava'	Fish	Trawl
	MRTR type 'Girulay'	Fish	Trawl
	Non-standard vessels	Fish	Trawl, long liner
	SRTA type 'Alpinist'	Fish	Trawl, long liner
	SRTM	Fish	Trawl, long liner
	SRTR type 'Ocean'	Fish	Trawl
Capacity, less than 300 kW	MRTRB type 'Baltica'	Fish	Trawl
	Non-standard vessels	Fish	Trawl
	RS	Fish	Trawl
	SChS	Fish	Trawl

Source: *VNIERKH*

6. The Processing Industry

6a. Distribution of fish processing capacities by districts (Source: Rosstat)

	Capacity 01.01.2004	Capacity 01.01.2005	Average Capacity	Production	Use Rate, %	Share, %
Fish cans and preserves, '000 conv. cans						
Russian Federation	962709.7	970892.2	965413.2	481353.9	49.9	100.0
North-West Federal Okrug	340759.7	375937.0	369328.0	286650.9	77.6	38.3
Central Federal Okrug	436.0	514.7	514.7	231.2	44.9	0.1
Volga Federal Okrug	3212.0	4912.0	4909.2	3860.6	78.6	0.5
South Federal Okrug	277508.0	281096.3	281096.3	90460.0	32.2	29.1
Ural Federal Okrug	3575.0	3575.0	3575.0	1878.0	52.5	0.4
Siberian Federal Okrug	19200.0	19320.0	19310.0	11943.1	61.8	2.0
Far East Federal Okrug	318019.0	285537.2	286680.0	86330.1	30.1	29.7
of which fish preserves, '000 conv. Cans						
Russian Federation	99267.9	62372.4	62464.6	38444.2	61.5	100.0
North-West Federal Okrug	14814.0	15783.0	15878.0	7670.6	48.3	25.4
Central Federal Okrug	100.0	178.7	178.7	118.2	66.1	0.3
Volga Federal Okrug	3212.0	4912.0	4909.2	3860.6	78.6	7.9
South Federal Okrug	4548.0	816.8	816.8	60.2	7.4	1.3
Ural Federal Okrug	175.0	175.0	175.0	56.0	32.0	0.3
Siberian Federal Okrug	16700.0	16700.0	16700.0	11905.0	71.3	26.7
Far East Federal Okrug	59718.9	23806.9	23806.9	14773.6	62.1	38.1
Frozen herring, tonnes						
Russian Federation	277714.7	212253.2	207397.4	108945.1	52.5	100.0
North-West Federal Okrug	89314.0	65109.0	62428.0	30013.4	48.1	30.1
Ural Federal Okrug	300.0	300.0	300.0	-	-	0.1
Far East Federal Okrug	188100.7	146844.2	144669.4	78931.7	54.6	69.8
Frozen Fish (exl. herring), tonnes						
Russian Federation	2580872.4	2543892.4	2520317.5	1050471.8	41.7	100.0
North-West Federal Okrug	716836.5	760728.9	758891.4	404636.8	53.3	30.1
Central Federal Okrug	3723.7	3680.0	3680.0	2097.8	57.0	0.1
Volga Federal Okrug	370.0	370.0	370.0	36.0	9.7	0.0
South Federal Okrug	110410.0	111860.0	110772.0	15408.6	13.9	4.4
Ural Federal Okrug	13489.3	12181.5	12346.6	5278.9	42.8	0.5
Siberian Federal Okrug	2950.0	3300.0	3300.0	1618.8	49.1	0.1
Far East Federal Okrug	1733092.9	1651772.0	1630957.5	621394.9	38.1	64.7
Fish Fillet Frozen (without herring), tonnes						
Russian Federation	122964.9	106510.9	106567.0	37345.2	35.0	100.0

North-West Federal Okrug	48021.0	50478.4	50438.4	13918.8	27.6	47.3
Central Federal Okrug	-	0.0	0.0	-		0.0
South Federal Okrug	3169.0	4211.0	4311.0	1551.3	36.0	4.0
Ural Federal Okrug	6.8	2.4	2.6	2.6	100.0	0.0
Far East Federal Okrug	71768.1	51819.1	51815.0	21872.5	42.2	48.6
Smoked fish (without herring), dry-cured fish and balyk products, tonnes						
Russian Federation	71810.8	70464.1	70784.7	16803.4	23.7	100.0
North-West Federal Okrug	14678.5	13311.7	13686.7	3660.4	26.7	19.3
Central Federal Okrug	8243.1	11013.6	10846.0	4391.9	40.5	15.3
Volga Federal Okrug	9534.8	9028.8	9019.6	2046.5	22.7	12.7
South Federal Okrug	20062.0	19947.0	20151.2	1547.7	7.7	28.5
Ural Federal Okrug	3305.4	3547.0	3552.3	496.7	14.0	5.0
Siberian Federal Okrug	7334.0	7329.0	7323.0	3396.0	46.4	10.3
Far East Federal Okrug	8653.0	6287.0	6205.9	1264.2	20.4	8.8
of which smoked fish (excl. herring), tonnes						
Russian Federation	40245.7	39620.8	39995.0	9839.4	24.6	100.0
North-West Federal Okrug	6137.5	6140.8	6458.8	3204.1	49.6	16.1
Central Federal Okrug	6978.5	7398.8	7403.8	1910.1	25.8	18.5
Volga Federal Okrug	5736.8	5251.8	5244.3	1789.3	34.1	13.1
South Federal Okrug	11635.4	11614.4	11687.8	703.4	6.0	29.2
Ural Federal Okrug	2038.4	2226.0	2231.3	421.0	18.9	5.6
Siberian Federal Okrug	2643.0	2566.0	2566.0	1057.5	41.2	6.4
Far East Federal Okrug	5076.1	4423.0	4403.0	754.0	17.1	11.0
Fish roe, tonnes						
Russian Federation	61856.9	50985.1	50479.2	13322.1	26.4	100.0
North-West Federal Okrug	50.0	80.0	80.0	80.0	100.0	0.2
Central Federal Okrug	180.0	180.0	180.0	168.0	93.3	0.4
South Federal Okrug	394.8	443.8	450.4	123.0	27.3	0.9
Siberian Federal Okrug	10.0	53.0	53.0	50.0	94.3	0.1
Far East Federal Okrug	61222.1	50228.3	49715.8	12901.1	25.9	98.5
of which sturgeon roe tonnes						
Russian Federation	318.2	315.2	315.2	3.3	1.0	100.0
South Federal Okrug	297.2	299.2	299.2	2.3	0.8	94.9
Far East Federal Okrug	21.0	16.0	16.0	1.0	6.3	5.1
of which salmon roe, tonnes						
Russian Federation	36361.5	30148.3	30147.8	3289.4	10.9	100.0
North-West Federal Okrug	50.0	80.0	80.0	80.0	100.0	0.3
Central Federal Okrug	180.0	180.0	180.0	168.0	93.3	0.6
Siberian Federal Okrug	10.0	27.0	27.0	14.0	51.9	0.1
Far East Federal Okrug	36121.5	29861.3	29860.8	3027.4	10.1	99.0
Fish mill, tonnes						
Russian Federation	331356.0	340447.0	336914.3	47464.7	14.1	100.0

North-West Federal Okrug	62257.0	66802.0	64747.8	14418.3	22.3	19.2
South Federal Okrug	3886.0	3886.0	3886.0	152.0	3.9	1.2
Ural Federal Okrug	100.0	100.0	100.0	88.1	88.1	0.0
Far East Federal Okrug	265113.0	269659.0	268180.5	32806.3	12.2	79.6

Source: *Rosstat*

6b. Major fishing and processing companies in the Russian Far East

NAME	ADDRESS	TELEPHONE NO	DIRECTOR	COMMENT
FISHING COMPANIES				
PRIMORSKI REGION				
DALMOREPRODUCT	53, Pologaya str., Vladivostok, 690600	tel: (4232) 4021172, 402962,	Alexander M.Cherevik	Fleet: 26 units
NBAMR	5, Admiral Zakharov str., Nakhodka, Primorye territory, 692900	tel: (4236) 622810, 622801, 622500o	Anatoliy N. Kolesnichenko	Fleet: 45 units
PBTF	1-ya Portovaya str., Preobrazheniye settlement, Lazovskiy r-n, 692998	tel: (42377) 24215, 24364,	Arslan I.Visaidov	Fleet: 67 units
TURNIF	11/2 Svetlanskiy pereulok, Vladivostok, 690600	tel: (4232) 224371, 223378,	Alexander P. Ryabchenko	Fleet: 8 units
VOSTOK-1	42, Krasnogo Znameni, Vladivostok, 690105	tel: (4232) 256270,	chairman Valeriy H. Shegnagayev	Fleet: 18 units
INTRAROS	10, Zapadnaya str., Vladivostok, 690012,	tel: (4232) 401730, fax: (4232) 400920	Michael V. Startovich	Fleet: 3 units
DALRYBA	51, Svetlanskaya str., Vladivostok, 690600,	tel: (4232) 224640, 226449,	Vyacheslav Yu.Moskaltsov	Fleet: 9 units

ROLIZ	50a, Nekrasovskaya str., Vladivostok, 690014,	tel: (4232) 222906, 224419,	Pyotr S. Savchuk	Fleet: 6 units
MAGELLAN	690021, Vladivostok, Kalinina str., 204,	tel (4232) 300777, 438058,	Stanislav S.Katerberg	Fleet: 3 units
ISTOK-AB	4-B, Kalinina str., Vladivostok, 690035	tel: (4232) 491950, 491957,	Elena V. Polyakova	Fleet: 2 units
KHABAROVSK TERRITORY				
VOSTOKRYBPROM	1, Rostovskaya str., Sovetskaya Gavan, Khabarovsk territory, 682884	tel: (42138) 96756,	Konstantin V.Voloshenko	Fleet: 13 units
SOVGAVANRYBA	24, Leninskaya str., Sovetskaya Gavan, Khabarovsk territory, 682880	tel: (42138) 41019, 41062	Alpatov A.N.	Fleet: 2 units
50-LET OKTYABRYA	Datta settlement, Vaninskiy r-n, Khabarovsk territory, 682863	Tel: (42137) 54792	David Ya.Fuks chairman	Fleet: 6 units
RK LENIN	Verkhnyaya Ekon settlement, Komsomolskiy r-n, Khabarovsk, 682717,	tel: (4217128) 324, 395	Ivan S.Shubarin chairman	Fleet: 5 units
YANTAR	Suy.7, 39, Dzerzhinskogo str., Khabarovsk, 680000	tel: (4212) 318511	Evgeniy D.Kim	Fleet: 1 unit
OKEAN-PRIM	21, Pavlenko str., Khabarovsk, 680000, tel: (4232) 265730		Valentin I.Lyashkov	Fleet: 3 units

NORD-STRAIT (1)	9, Gamarnika str., Khabarovsk, 680000	tel: (4212) 220436	Alexander Yu.Kochnev	Fleet: 2 units
KAMCHATKA REGION				
AKROS	43, Elagina str., Petropavlovsk-Kamchatskiy, 683013,	tel: (41522) 43717	Valeriy B.Vorobiov	Fleet: 25 units
KAMCHATIMPEX	23, Atlasova str., Petropavlovsk-Kamchatskiy, 683032	tel: (41522) 111188	Evgueniy V.Skudayev	Fleet: 7 units
OKEANRYBFLOT	27, Leningradskaya str., Petropavlovsk-Kamchatskiy, 683003	tel: (41522) 112835	Boris A.Sorokin	Fleet: 19 units
KAMCHATRYBPROM	35, Leningradskaya str., Petropavlovsk-Kamchatskiy, 683024	tel: (41522) 125600, 112804	Viktor P.Potapenko	Fleet: 7 units
RK LENIN	40, Kosmonavtov str., Petropavlovsk-Kamchatskiy, 683005,	tel (41522) 238010, 238013	Vladimir Z.Drachev, chairman	Fleet: 27 units
PELAGIAL	38, Leninskaya str., Su.412, Petropavlovsk-Kamchatskiy, 683000	tel: (41522) 120626,	Gennadiy I.Bredikhin	Fleet: 2 units
KAMCHATKA	18a, Bochkareva str., Ust-Bolsheretsk settlement, Kamchatka region, 684100	tel: (Ust-Bolsheretsk) 267838	Vladimir S.Sorokin	Fleet: 4 units
KAMCHATTRALFLOT	3-15, Shkolnaya str., Milkovo settlement, Kamchatka region,	tel: (Milkovo) 112733,	Igor A.Shevchenko	Fleet: 2 units

	684300	134023		
STIL	51a, Lesnaya str., Ust-Kamchatsk settlement, Kamchatka Reg, 684400	tel: (Ust-Kamchatsk) 111116,	Nikolay N.Markov	Fleet: 1 unit
KAMLINE	23, Atlasova str., Petropavlovsk-Kamchatskiy, 683032	tel: (41522) 111286	Anatoliy N.Galdus	Fleet: 14 units
KAMMAG	35, Leningradskaya str., Su.206, Petropavlovsk-Kamchatskiy, 683003	tel (41522) 110655, 112421	Igor V.Firstov	Fleet: 4 units
SAKHALIN REGION				
ANTEY	2, Naberezhnaya str., Severo-Kurilsk, Sakhalin region, 694500	tel (4242) 723604, 7641753,	Viktor N.Chugunov	Fleet: 5 units
ZOLOTORYBNOYE	57, Nagornaya str., Korsakov, Sakhalin region, 694000	tel: (Korsakov) 551453, 551481	Boris D.Grinj	Fleet: 3 units
RK LENIN	98, Centralnaya str., Yablochnyi Settl. Kholmsk r-n, Sakhalin, 694630,	tel: (42433) 51395	chairman Yuriy P.Hahalov	Fleet: 7 units
RK SAKHALIN	18, Sovetskaya str., Nevelsk, 694740	tel: (42436) 785355, 785399	chairman Yakov V.Sednev	Fleet: 9 units
RK KIROV	4, Centralnaya str., Ozerskiy settlement, Korsakovskiy r-n, Sakhalin, 694002	tel: (42435) 96317, 21360, 96342	Gennadiy V.Kasimenko	Fleet: 14 units

OSTROVNOY	17, Sovetskaya str., Malokokurilsko-ye settlement, Korsakovskiy r-n, Sakhalin Reg, 694520,	tel: 741573 (South Kuriles),	Alexander M.Bobkov	Fleet: 8 units
EKARMA SAKHALIN	231-A, Komsomolskaya str., Yuzhno-Sakhalinsk, 693000	tel: (42425) 550555, 552600	Viktor A.Sushentsev	Fleet: 6 units
OSTROV SAKHALIN	1, Pogranichnaya str., Yuzhno-Sakhalinsk, 693000	tel: (4242) 551453, 551481	Valentin M.Burkov	Fleet: 3 units
PILENGA	1, Pogranichnaya str., Yuzhno-Sakhalinsk, 693000,	tel: (4242) 551453, 551481,	Boris D.Grinj	Fleet: 3 units
SEVERO-KURILSKAYA BAZA SEINERNOGO FLOTA	2, Naberezhnaya str., Severo-Kurilsk, Sakhalin region, 694550	tel: (42453) 21517, 42147б	Vasiliy A.Saprykin	Fleet: 15 units
SAKHALIN LEASINGFLOT	5, Leninskaya str., Holmsk, Sakhalin region 694620	tel: (Holmsk) 52095, 52295	Adrian M.German	Fleet: 13 units
KURILSKIY UNIVERSALNYI KOMPLEX	Kraternyi settl, Simushir island, Kurilskiy r-n, Sakhalin 693000	Tel: (42454) 466301, 466315,	Alexander M.Popov	Fleet: 4 units
VOLNA	86, Beregovaya str., Nevelsk, 694740	tel: (42423) 65245, 785219,	AlexanderP.Kasyanov	Fleet: 7 units
KOMPANIYA BINOM	7, Militseyskaya str., Yuzhno-Sakhalinsk, 693000	tel: (4242) 466301, 466315,	Alexander M.Popov	Fleet: 4 units
MAGADAN REGION				
RYBOPROMYSHLENNAYA	Magadan Sea commercial port,	tel: (41322) 32437,	Anatoliy I.Yartsev	Fleet: 1 unit

KOMPANIYA	685000			
MAGADANRYBA	Su.312, 11, Proletarskaya str., Magadan, 685000	tel: (41322) 20961, 20906	Nikolay F.Telenkov	Fleet: 3 units
VOSTOKTRANS	21/1, Parkovaya str., Magadan, 685000	tel: (41322) 76252, 76253,	Andris A.Ozols	Fleet: 2 units
TRALKOM	Su.343, 3, Lenin str., Magadan, 685000	tel: (41322) 31583,	Alexander V.Shevtsov	Fleet: 1 unit
OMAKHTONSKIY SHELF	Yanskiy settlement, Olskiy r-n, Magadan region, 685010	Tel: (41241) 77820, 77043, 77976	Tatyana N.Metelitsa	Fleet: 3 units
UST-OLSKIY RZ	3, Naberezhnaya str., Ola settlement, Olskiy r-n, Magadan region, 686010	tel: (41322) 21748, (41241) 25670, 31930	Timur V.Berchinskiy	Fleet: 2 units
MAG-SEA INTERNATIONAL	1, Portovaya str., Magadan, 685000	tel: (41322) 28090,	Alexander A.Belichenko	Fleet: 5 units
MAGADAN-NIIRO	51, Nagaevskaya str., Magadan, 685024	tel: (41322) 26413	Afanasyev N.N.	Fleet: 1 unit
KORYAK DISTRICT				
KORYAKRYBA	19, Sovetskaya str., Korf, Koryak AO, 684810	tel: (41532) 96520,	Vladimir T.Gonchar	Fleet: 31 units
KORYAKMOREPRODUCT	3, Levchenko str., Ivashka Settlem., Karaginskiy r-n, Koryak AO, 684703	tel: (8245+42385,	Anatoliy L.Loktionov	Fleet: 7 units
POLLUKS	40, Partizanskaya str., Tigil Settl, Tigilskiy r-n, Koryak	tel: (41543) 121189	Sergey A.Kuzhilko	Fleet: 10

	AO, 684600			units
SEVERO-VOSTOCHNAYA KOMPANIYA	Su.14, 47, Stroitelnaya str., Ossora settlement, Koryak AO, 684700	tel: (41322) 41329	Vladimir A.Kovalenko	Fleet: 4 units
IYANIN-KUTH	7, Morskaya str., Ust-Khairuzovo settlement, Tigilskiy r-n, Koryak AO, 684610	tel: (41537)		Fleet: 61 units
CHUKOTKA DISTRICT				
ALITET	Su.9, 3, Pervomayskaya str., Ugolnye Kopi settlement, Chukotka AO, 686721	tel: (4232) 496806,	Babushkin A.I.	Fleet: 1 unit
AYAN	Su.4, 28, Lenin str., Anadyr, Chukotka AO, 686710		President Lilia A.Belaya	Fleet: 2 units
TRALFLOT	Su.9, 3, Pervomayskaya str., Ugolnye Kopi settlement, Chukotka AO, 686721		Alexander A.Suslov	Fleet: 3 units
SABRE	18-30, Energetikov str., Anadyr, Chukotka AO, 689000	tel: (095) 2321248,	Sergey V.Elovskiy	Fleet: 4 units
PROCESSING COMPANIES				
PRIMORYE REGION				

ZAVOD DALRYBTECHCENTR	Kalinina str., 42, 690012 Vladivostok	Tel..(4232) 279595, fax (4232)277863 drtcentr@mail.primorye.ru www.drtc.ru	Director Alexey Bondarenko	Fish processing equipment and service
VLADIVOSTOK RK (FISH-PROCESSING COMPLEX)	1, Tatarskaya str., Vladivostok, 90600	tel: (4232) 311657,	Yuriy M.Loghinov	
ZVEZDA PEOBRAZHENIYA, RPK	1, Portovaya str., settlement Preobrazheniye, Lazovskiy r-n, Primorye territory	tel: (42377) 24585, 25311	Alexander Yu.Sukhodolov	Fleet: 5 units
BIF, LTD	6-a, Selskaya str., Vladivostok, 690087	tel: (4232) 300195, 300465	Alexey I.Nepryakhin	
DALPIKO-RYBSERVICE	42, Kalinina str., Vladivostok, 690012	tel: (4232) 279948,	Yuriy B.Dulov	
DVBF FAR EAST BASE OF FLEET FOR SEAFOOD FISHING AND PROCESSING, JSC	1, Nagornaya str., Zarubino settlement, Khasanskiy r-n, Primorye territory, 692763	tel: (942331) 41856,	Alexander B.Andreychenko	
KHABAROVSK				
KHABAROVSK PRODUCTION AND TRADE FISH COMPANY, JSC	17 Respublikanskaya str., Khabarovsk 680023,	tel: (4212)364509, 365403,	Larisa V.Pominova	
SAKHALIN REGION				
GIDROSTROY	11a, Zarechnaya str., Kurilsk, Sakhalin region, 694530	tel: (Kurilsk) 722218, 722937	Alexander G.Verkhovskiy	

RK DRUZHBA	Poronaysk, Sakhalin region, 694240,	tel: (42431) 50611,	Viktor S.Rutvin, chairman	
SENTURY	1-a, Martovskiy per., Yuzhno-Sakhalinsk, 693000,	tel (4242) 722220,	Chun Sik Chei	
RYBOKOMBINAT OSTROVNOY	17, Sovetskaya str., Malokurilskoye settlement, Sakhalin region, 694520,	tel: 742114, 742248,	Karapet M.Elbakyan	
KORSAKOV FISH AND CANNERY PLANT, LTD	46, Sverdlova str., Korsakov, Sakhalin region, 694020,	tel: (42435) 21929, 23429,	Michael A.Zaymentsev	
KAMCHATKA REGION				
OZERNOVSKIY RKZ N55	Krutogorovskiy settlt, Ust-Bolshe-retskiy r-n, Kamchatka Reg, 684110	tel: (8232) 24330, 24355	Sergey A.Barabanov	Fleet: 13 units
KAMCHATKA KOMBINAT PISCHEVYKH PRODUKTOV (FOOD FACTORY)	6, Abelya str., Petropavlovsk-Kamchatskiy, 684000	tel: (41522) 59710,	Tatyana E.Shevel	Fleet: 1 unit
OKTYABRSKIY RYBOKOMBINAT	71, Komsomolskaya str., Ust-Bolsheretsk, Kamchatka , 683000	tel: Ust-Bolsheretsk) 54200,	Alexander V.Evseyev	
BEREG COMPANY, LTD	1-a, Partizanskaya str., Nikolaevka settlement, Elizovskiy r-n, Kamchatka region, 684032	tel: (41531) 61853,	Valentina D.Kalachova	
VAYAN	Kamchatka fish-processing Co, 6, L.Chaikina str.,	tel: (41522) 76242,	Nikolay Yu.Lebedev	

	Petropavlovsk-Kamchatskiy, 683008			
KAMCHATIMPEX	23, Atlasova str., Petropavlovsk-Kamchatskiy, 683032,	tel: (41522) 110938, 111188,	Mikhail I.Malashenko	
KAMCHATRYBOPRODUCT LTD	3-a, Krasintsev str., Petropavlovsk-Kamchatskiy, 683000,	tel: (41522) 123050, 123816.	Pavel K.Massalin	
KAMCHATKA BIORESOURCES LTD	Su.17, 4/1, Volskogo str., Petropavlovsk-Kamchatskiy, 683000,	tel: (41522) 198751,	Vladimir A.Shcherbakov	
UTRF-CRAB	Su.315, 38, Leninskaya str., Petropavlovsk-Kamchatskiy, 683000,	tel: (41522) 112094, 112016	Valeriy I.Sologubov	
UST-KAMCHATRYBA	1, Komsomolskaya str., Ust-Kamchatsk settlement, Kamchatka region, 684400,	tel: (Ust-Kamchatsk) 111123,	Nikolay N.Panchenko	
MAGADAN REGION				
UST-OLSKIY RZ	3, Naberezhnaya str., Ola settlement, Olskiy r-n, Magadan region, 686010	tel: (41322) 21748, (41241) 25670, 31930	Timur V.Berchinskiy	Fleet: 2 units
DALRYBFLOTPRODUCT, BLDG.2, 2,	Marchekanskaya str., Magadan, 685027	tel: (41322) 36522,	Yuri A.Karpak	
UST-MAGADANSKIY FISH PLANT	25 Rybozavodskaya str.,	tel: (41322) 56601,	Ivan E.Kazanskiy	

	Magadan, 685003	97942		
ARZHAN LTD,	Bldg.2, 2, Gorky str., Magadan, 6859000	tel: (41322) 23395, 24722	Nikolay I.Pantazi	

Source: *Eurofish*

6c. Major fishing and processing companies in the North West

COMPANY NAME	STREET ADRESS	CITY	ZIP	PHONE	DESCRIPTION
ARKHANGELSK					
ARHANGEL'SAJA BAZA TRALOVOGO FLOTA	Leningradskij Prosp. 324	Arkhangelsk	163030	(8182) 628988	Fish & Seafood
BELOMORSKIJ RYBOKOMBINAT	Obvodnyj kanal 96	Arkhangelsk	163045	(8182) 242952	Fish & Seafood
GRUMANT FLEET	Nikol'skij Prosp. 15	Arkhangelsk	163020	(8182) 233170	Fish & Seafood
OPTRYBA TA	Oruzhejnoe shesse 11	Arkhangelsk	163045	(8182) 625708	Fish & Seafood
ARKHANGELSK FISH PLANT	Revoljucii 1 str. 10	Arkhangelsk	163030	(8182) 610409 (8182) 412585	Fish & Seafood
FLOYD TRADING COMPANY	Prosp. Lomonosova 84	Arkhangelsk	163000	(8182) 281022	Fish & Seafood
BOREAL SHIPPING	Prosp. Troickij 65	Arkhangelsk	163000	(8182) 652313	Transport & Forwarding
MARITIME AGENCY	Prosp. Lomonosova 81 of.18	Arkhangelsk	163000	(8182) 205084	Transport &

					Forwarding
SOJEKS-ARKHANGELSK	Prosp. Troickij 52927	Arkhangelsk	163000	(8182) 211158	Chamber of Trade & Industry
NENECKAYA INTERNATIONAL TRANSPORT & FORWARDING COMPANY	Prosp. Troickij 63	Arkhangelsk	163000	(8182) 215415	Transport & Forwarding
ABRIS	Prosp. Nikol'skij 37	Arkhangelsk	163013	(8182) 233180	Trade
ALKODO	Gagarina 46	Arkhangelsk	163045	(8182) 212610	Trade
AL'JANS	Prosp. Lenina 171	Onega	164840	(81839) 23357	Trade
ARNIS	Voskresenskaja 12	Arkhangelsk	163000	(8182) 652268	Trade
ARSENAL	Urickogo 46/5	Arkhangelsk	163060	(8182) 619613	Trade
ARKHANGELSK-REGION-A	Nab. Severnoj Dviny 86	Arkhangelsk	163000	(8182) 204256	Trade
BASKO	Lebedeva 14	Severodvinsk	164500	(81842) 13274	Trade
BRIG	Dybcina 14	Korjazhma	165651	(81850) 3414	Trade
BRIS	Lesnaja 17	Severodvinsk	164500	(81842) 68794	Trade
DGUP №113 (TRADE OFFICE OF THE NORTHERN FLEET)	K.Marksa 6/1	Severodvinsk	164500	(81842) 61683	Trade
TRADE AND COMMERCE ENTERPRIZE	Kananova 1/1	Oktjab'skij	165210	(81855) 51107	Trade
HOZTORG	Sh. Okruzhnoe 7/1	Arkhangelsk	163045	(8182) 625836	Trade

KARAVELLA	Prosp. Troickij 63	Arkhangelsk	163000	(8182) 654029	Trade
KOLOS	Pobedy 1	Troyma	165500	(81854) 31941	Trade
KORJAZHMA	Prosp. Lenina 25	Koryazhma	165651	(81850) 31174	Trade
ORBITA-SERVIS	Voskresenskaja 11	Arkhangelsk	163000	(8182) 209520	Trade
BOREL SHIPPING	Prosp. Troickij 65	Arkhangelsk	163000	(8182) 652313	Transport & Forwarding
MORSKOE AGENCY	Prosp. Lomonosova 81 of. 18	Arkhangelsk	163000	(8182) 205084	Transport & Forwarding
TANS-NAO	Prosp. Troickij 63	Arkhangelsk	163000	(8182) 215415	Transport & Forwarding
ARBIS-TRANS	Lovozerskaja 1A	Arkhangelsk	163035	(8181) 45110	
ARCTICKREJD	O. Moseev 5	Arkhangelsk	163020	(8182) 231802	Transport
ARHKONTORA	Komarova 12	Arkhangelsk	163020	(8182) 297885	Transport
ARHMORTJEK	Ch.-Luchinsogo 15A	Arkhangelsk	163061	(8182) 268601	Transport
BAKARICA	Lesozavodskaja 8	Arkhangelsk	163036	(8182) 450518	Transport
BELOMORTRANS	Timme 2A	Arkhangelsk	163007	(8182) 625372	Transport
BOREAL SHIPPING	K. Marksa 6	Arkhangelsk	163061	(8182) 493576	Transport
VINSON MENEDZHMENT	R. Ljuksinburg 5 of. 1902	Arkhangelsk	163061	(8182) 657085	Transport

DEL'TA-UTF	Serafimovicha 1	Arkhangelsk	163061	(8182) 655094	Transport
DORINFORMSERVIS	Pomorskaja 11/36	Arkhangelsk	163053	(8182) 430037	Transport
NORTHERN MARITIME AGENCY	Prosp. Lomanosova 58/1	Arkhangelsk	163061	(8182) 447569	Transport
ASKONA	Arkhangelskoe shosse 27	Severodvinsk	164500	(8182) 64940	Transport
MEZENSK SHIPPING COMPANY	Vodnikov 1	Leshukonskoe	164670	(8182) 31448	Transport
MURMANSK					
SCANDSEA INTERNATIONAL REP. OFFICE	Vorovskogo 5/23 of.601	Murmansk	183038	(8152) 458899	Fish & Seafood
ARGOTORG	Shmidta 37 ofju 1	Murmansk	183000	(8152) 454377	Fish & Seafood
AJSBERG-NORD	Prosp. Lenina 65	Murmansk	183038	(8152) 456488	Fish & Seafood
AJSFISH	Shevchenko 40	Murmansk	183000	(8152) 591318	Fish & Seafood
ALKION	Karla Marksa 19 of. 602	Murmansk	183000	(8152) 452946	Fish & Seafood
ANDROMEDA	Polyarnye Zori 22	Murmansk	183000	(8152) 441560	Fish & Seafood
ARAKS-SERVIS	Kapitana Egorova14 of. 404	Murmansk	183038	(8152) 455732	Fish & Seafood
ARARAT	Rybnyj Port	Murmansk	183038	(8152) 476635	Fish & Seafood
ARGUS	Prosp. Geroev-Severomorcev 7/2	Murmansk	183031	(8152) 454143	Fish & Seafood

ARCTIC NEMO	Sof'i Perovskoj 25/26	Murmansk	183000	(8152) 450818	Fish & Seafood
ARCTICRYBA	Domostoitel'naja 19	Murmansk	183000	(8152) 435169	Fish & Seafood
ARCTICSERVICE	Mira 23	Murmansk	183038	(8152) 428536	Fish & Seafood
ARCTIC FISH PROCESSING COMPANY	Domostoitel'naja 16	Murmansk	183000	(8152) 239364	Fish & Seafood
BVZ PKF	Radishheva 22 of. 14	Murmansk	183027	(8152) 232356	Fish & Seafood
BIONORD	Prosp. Lenina 104 of. 4	Murmansk	183012	(8152) 452781	Fish & Seafood
BRIZ RS	Tralovaja 14	Murmansk	183001	(8152) 287564	Fish & Seafood
BJELA	Shmidta 4 of. 1	Murmansk	183038	(8152) 237116	Fish & Seafood
BUREAU FOR BUSINESS COLLABORATION	Prosp. Lenina 53 of. 4	Murmansk	183038	(8152) 472978	Fish & Seafood
VARIANT	Shmidta 29/2 of. 4-5	Murmansk	183038	(8152) 476062	Fish & Seafood
VERHNETULOMSKIJ FISH PLANT	Tralovaja 32	Murmansk	183001	(8152) 287955	Fish & Seafood
VIRMA, OOO FORPOST	Poljarnoj pravdy 6	Murmansk	183025	(8152) 440712	Fish & Seafood
VISIR-NORD	Podgornaja 6	Murmansk	183001	(8152) 286627	Fish & Seafood
VNESHTRANSRYBSERVICE	Podgornaja 86 of. 123	Murmansk	183001	(8152) 287053	Fish & Seafood
GAMMA SERVICE	Prosp. Kirova 12, kv. 58	Murmansk	183000	(8152) 238392	Fish & Seafood
GANIMED	Podgornaja 75	Murmansk	183001	(8152) 287464	Fish & Seafood

GEMA-SERVIS	Knipovicha 23 of. 743	Murmansk	183025	(8152) 455536	Fish & Seafood
GIGANE-MURMANSK	Rybnyj port, Severnyj rajon	Murmansk	183001	(8152) 286755	Fish & Seafood
GIL'DONIJA R S	Shmidta 8 of. 4	Murmansk	183101	(8152) 287124	Fish & Seafood
GLOMMA	Poljarnye Zori 39 of. 12	Murmansk	183025	(8152) 474464	Fish & Seafood
GULFSTREAM FISH LTD	Tri Ruchja Str	Murmansk	183038	(8152) 281733	Fish & Seafood
DIORIT, OOO	Tralovaja 34	Murmansk	183001	(8152) 287595, 451088	Transport
DOGGER	Tralovaja 60	Murmansk	183001	(8152) 286835	Fish & Seafood
ZINIT-EKSPRES	Poljarnoj Pravdy 6	Murmansk	183025	(8152) 441643	
ZEFIR	Vorovskogo 5/23 of. 745	Murmansk	183038	(8152) 288703	Fish & Seafood
ZOLOTAJA RYBKA	Doiostroitel'naya 18	Murmansk	183000	(8152) 434259	Fish & Seafood
ILESKA	G. Zhurby 4 of. 10	Murmansk	183010	(8152) 235092	Fish & Seafood
IRBIS NORD SERVIS	S. Perovskoi 25/26 of.321	Murmansk	183038	(8152) 457896	Fish & Seafood
KARELRYBA PTF	Rybnyj port 20 prichal	Murmansk	183001	(8152) 287680	Fish & Seafood
KATRAN	Papanina 34/25 of. 1	Murmansk	183038	(8152) 421555	Fish & Seafood
KATRAN KOLA	Domostroitel'naya 6 sect №10	Murmansk	183000	(8152) 432778	Fish & Seafood
KATRAN TREJD	Prosp. G. Severomorcev 91	Murmansk	183000	(8152) 223410	Fish & Seafood

GRENDA COMPANY, OOO EKOLOGIJA RYBPRODUKT	Podgornaja 69	Murmansk	183001	(8152) 287727	Fish & Seafood
KOMPANIJA LKT	Frunze 39	Murmansk	183010	(8152) 250679	Fish & Seafood
LAKFISH	Podgornaya 82	Murmansk	183000	(8152) 450488	Fish & Seafood
LEKOM	Maklakova 3	Murmansk	183000	(8152) 277466	Fish & Seafood
LFN I K	Dostoevskogo 29	Murmansk	183000	(8152) 590400	Fish & Seafood
MAGNETIK	K Libknehta 270	Murmansk	183038	(8152) 420640	Fish & Seafood
MARKER	Podgornaya 864	Murmansk	183001	(8152) 286062	Fish & Seafood
MINNA-FISH	Portovyi pr-d,21	Murmansk	183038	(8152) 480650	Fish & Seafood
OOO SAMPA	Trasportnaja 5	Murmansk	183000	(8152) 224651	Fish & Seafood
MISTAL'-SERVIS	Papanina 34/25 of. 7	Murmansk	183012	(8152) 422832	Fish & Seafood
MORRESURPROEKT NPP	Tralovaja 60	Murmansk	183000	(8152) 286828	Fish & Seafood
MURENA	Rybnyi Port	Murmansk	183000	(8152) 286100	Fish & Seafood
MURMANKONTRAKTRYBA	Podgornaya 69	Murmansk	183001	(8152) 286765	Fish & Seafood
MURMANRYBSBYT	Rybnyi Port, Yuznhye Prich.	Murmansk	183001	(8152) 286812	Fish & Seafood
MURMANRYBFLOT-2	Per. Rusanova 8	Murmansk	183038	(8152) 437071	Fish & Seafood
MURMANSEL'D'-2	Poljarnye Zori 22	Murmansk	183025	(8152) 448006	Fish & Seafood

MURMANSKAJA KOMPANIJA-RYBOPRODUKCIJA	N. Plato 19 of. 48	Murmansk	183039	(8152) 440992	Fish & Seafood
MURMANSKAJA RYBNAJA GRUPPA	Podgornaja 82 of. 902	Murmansk	183000	(8152) 458677	Fish & Seafood
MURMANSKIJ GUBERNSKIJ FLOT	Shmidta 43	Murmask	183038	(8152) 288191	Fish & Seafood
MURMANSK FISH OIL PLANT	Rybnyj Port prichal 12	Murmansk	183001	(8152) 286086	Fish & Seafood
MURMASK FISH COMBINE	Rybnyj Port, 0\ja 696	Murmansk	183038	(8152) 287979	Fish & Seafood
MURMANSK FISH PLANT	Rybnyj port 1 r-on	Murmansk	183001	(8152) 286243	Fish & Seafood
MURMANSKTORGSNABSERVIS	Pogonaja 92 of. 201-203	Murmansk	183001	(8152) 287277	Fish & Seafood
NASHE DELO	Kominterna 15	Murmansk	183038	(8152) 450699	Fish & Seafood
NIKOL'SKIJ, FISHING CO-OP	Tralovaja 32	Murmansk	183001	(8152) 286508	Fish & Seafood
NOVOSEL'CEV IP	Podgornaja 82 of. 703	Murmansk	183001	(8152) 474651	Fish & Seafood
NORD BRIZ	Rybnyj port, Yuznhye Prichaly	Murmansk	183000	(8152) 287700	Fish & Seafood
NORD SKV	K. Libknehta 31 kv.4	Murmansk	183021	(8152) 422280	Fish & Seafood
NORD-VEST FK	Rogozerskaja 15	Murmansk	183039	(8152) 234453	Fish & Seafood
NORD-VEST	3-ij km, Production Section	Murmashi	184355	(8152) 74545	Fish & Seafood
NORD-KAP	Prosp. Kol'skij 27A of. 31	Murmansk	183032	(8152) 569288	Fish & Seafood
NORD-PORTO	Domostroitelnaja 7	Murmansk	183034	(8152) 436038	Fish & Seafood

NORDLINE	Prosp. Lenina 86 of. 26	Murmasnk	183038	(8152) 450315	Fish & Seafood
OVCHARENKO IP	Sverdlova 250 sekcija 4	Murmansk	183018	(8152) 436127	Fish & Seafood
OCHAG	K. Libknehta 27 of. 57	Murmansk	183038	(8152) 420642	Fish & Seafood
PARALEL'-M	Frunze 13	Murmansk	183010	(8152) 235425	Fish & Seafood
PIS'MAK IP	Sverdlova 15	Murmansk	183031	(8152) 388211	Fish & Seafood
PODOL'SKIJ IP	Podgornaja 69 of. 7	Murmansk	183001	(8152) 287788	Fish & Seafood
POLAR LINK PLUS	K. Orlikovoj 7	Murmansk	183000	(8152) 234020	Fish & Seafood
POLAR-FISH	Podgornaja92 zdanie Siva	Murmansk	183001	(8152) 287700	Fish & Seafood
POLYARIS	Rybnyj Port	Murmansk	183001	(8152) 458623	Fish & Seafood
POLJARNAJA RADUGA	Cheljuskincev 11	Murmansk	183000	(8152) 428485	Fish & Seafood
PORT VLADIMIR	Rybnyj Port	Murmansk	183001	(8152) 287858	Fish & Seafood
POSEJDON	Podgornaja 86 of. 424	Murmansk	183001	(8152) 287223	Fish & Seafood
PRIBREZHKA	Pribrezhnaja 15	Murmansk	183000	(8152) 287124	Fish & Seafood
PRIBREZHNYE PROMYSLY	Knipovicha 23 of. 811	Murmansk	183025	(8152) 451592	Fish & Seafood
REJFMAN	N. Plato 19 of. 48a	Murmansk	183039	(8152) 440993	Fish & Seafood
RELIT LTD	Volodarskogo 5/23 of. 646, 646a	Murmansk	183038	(8152) 477094	Fish & Seafood

RYBAK	Podgornaja 82	Mumansk	183001	(8152) 453917	Fish & Seafood
RYBAK SERVIS	Podgornaja 82 of. 701	Murmansk	183001	(8152) 451638	Fish & Seafood
RYBACHIJ	Volodarskogo 7 of. 140	Murmansk	183038	(8152) 452256	Fish & Seafood
RYBNAJA GAVAN'	K. Marksa 56	Murmansk	183071	(8152) 446170	Fish & Seafood
RYBNICA	Rybnyj port 1 distr, 1 prichal	Murmansk	183034	(8152) 286039	Fish & Seafood
RYBNYJ DVOR	Podgornaja 92 of. 226	Muromansk	183001	(8152) 286780	Fish & Seafood
RYBNYJ DOM	Knipovicha 23 of. 901	Murmansk	183025	(8152) 458321	Fish & Seafood
RYBNYJ SKLAD IP NIK	Sverdlova19 of. 1	Murmansk	183031	(8152) 435965	Fish & Seafood
RYBOPRODUKT	Vostochnaja ob'ezdnaya doroga 204	Murmansk	183000	(8152) 435102	Fish & Seafood
RYBOROMINVEST	Vorovskogo 5/23 of. 301	Murmansk	183038	(8152) 288774	Fish & Seafood
SAMPA	Transportnaja 5	Murmansk	183034	(8152) 224651	Fish & Seafood
SAMPO-NORD	Podgornaja 82 of. 404	Murmansk	183000	(8152) 286722	Fish & Seafood
SANTA-NORD	Rybnyj Port Yuznhye Prichaly, Protein, kab. 12	Murmansk	183038	(8152) 286944	Fish & Seafood
SEVER-TRANS	Prosp. Lenina53 of.5	Murmansk	183038	(8152) 472978	Fish & Seafood
SEVERNAJA PAL'MIRA MRKK	Rybnyj port 28 prichsal	Murmansk	183001	(8152) 2878770	Fish & Seafood
SEVERNAJA FISHING COMPANY	Cheljuskincev 18/20 of. 24	Murmansk	183038	(8152) 420055	Fish & Seafood

SEVERNYJ BEREG	Prosp. Lenina 85 of. 19	Murmansk	183038	(8152) 4521267	Fish & Seafood
SEVERNYJ STRELEC	S. Perovskoj 25/26 of. 308	Murmansk	183000	921 7254618	Fish & Seafood
SEVROS	Prosp. Lenina 104 of 4	Murmansk	183000	(8152) 452781	Fish & Seafood
SEVRYBPROM	Promyshlennaja 13	Murmansk	183000	(8152) 435721	Fish & Seafood
SEVRYBSERVIS TPK	Rybnyj port 39, 40 prichaly	Murmansk	183001	(8152) 286991	Fish & Seafood
SEGALL-NORD	Papanina 23 of. 24	Murmansk	183000	(8152) 457565	Fish & Seafood
SERVIS-NORD	Pr-d Flotskij 3 of. 103	Murmansk	183000	(8152) 422340	Fish & Seafood
SIPRODUKT	Cheljuskincev 17/24 of. 21	Murmansk	183038	(8152) 422666	Fish & Seafood
SKINEF	Prosp. Kol'skij 1100	Murmansk	183008	(8152) 249145	Fish & Seafood
STR	Prosp. Lenina 53 of. 4	Murmansk	183038	(8152) 472978	Fish & Seafood
SUSLOPAROVA IP	Samojlova 1 of. 2	Murmansk	183038	(8152) 459943	Fish & Seafood
SFEN	Prosp. Lenina 65	Murmansk	183036	(8152) 454268	Fish & Seafood
TAURON	Podgornaja 52	Murmansk	183001	(8152) 286653	Fish & Seafood
TRANSLANTIC-MURMANSK	Knipovicha 15 of. 2	Murmansk	183038	(8152) 452281	Fish & Seafood
TRONIKS	S. Perovskoj 17 of. 438	Murmansk	183038	(8152) 456265	Fish & Seafood
FETIDA	S. Perovskoj 17 of. 215	Murmansk	183000	(8152) 454653	Fish & Seafood
FRIZ-FISH	Vorovskogo 5/23	Murmansk	183038	(8152) 459832	Fish & Seafood

HRONI IP	Domostroitel'naja 18	Murmansk	183018	(8152) 432729	Fish & Seafood
CENTRE FOR NEW MARINE TECHNOLOGIES	Halturina 15	Murmansk	183031	(8152) 250696	Fish & Seafood
SHHEBNEV	Podgonaja 41 of. 9	Murmansk	183001	(8152) 286878	Fish & Seafood
EKSPANDER	Leningradskaja 29/5 of. 11	Murmansk	183038	(8152) 476292	Fish & Seafood
ERZI-NORD	Egorova 61	Murmansk	183038	(8152) 287915	Fish & Seafood
YUMOS	Prosp. Lenina 82 of. 1002	Murmask	183000	(8152) 459576	Fish & Seafood
YUNIFISH PTF	Rybnyj port 20-yj prichal	Murmansk	183001	(8152) 287680	Fish & Seafood
MODERN COMPANY	P. Zori 4 of. 13	Murmansk	183032	(8152) 565696	Chamber of Trade & Industry
MURMASKTORGTEHNIKA	O. Koshevogo 5	Murmansk	183045	(8152) 245214	Chamber of Trade & Industry
RA-SERVIS	Pischevikov 5	Murmansk	183000	(8152) 428004	Chamber of Trade & Industry
TORGMASH	Rybnyj pr-d 9	Murmansk	183012	(8152) 422206	Chamber of Trade & Industry
TORGOVOE OBORUDAVANIE	Bochkova 15	Murmansk	183000	(8152) 451715	Chamber of Trade & Industry
TORGOVYJ MIR	Prosp. Lenina 82 of.1049	Murmansk	183038	(8152) 477065	Chamber of Trade & Industry

ARCTICSNAB	K. Libknehta 3402	Murmansk	183038	(8152) 488735	Trade
GOLUBYE PROSTORY	Podgornaja 49	Murmansk	183001	(8152) 286863	Trade
INTERSFERA	Sverdlova 35	Murmansk	183000	(8152) 432906	Trade
KANDALAKSHASNABSBYT	Ob#ezdnaja 20	Kandalaksha	184040	(81533) 71088	Trade
SEVENOE MORE	K. Ponomareva 14	Murmansk	183042	(8152) 279352	Trade
VNESHTRANS-SERVICE	K. Marksa 25	Murmansk	183025	(8152) 440217	Transport & Forwarding
AGENT-SERVIS	Per. Vodoprovodnyj 9	Murmansk	183038	(8152) 4284000	Transport
AMKO	Tralovaja 12 A	Murmansk	183001	(8152) 286585	Transport
ARCTIC TANKER	K. Libknehta 27 A of. 44	Murmansk	183038	(8152) 420906	Transport
ARCTICRANSPORT	Portovyj pr-d 19	Murmansk	183000	(8152) 459875	Transport
LOCMAN MURMANA	Portovyj pr-d 21	Murmansk	183024	(8152) 480466	Transport
MURMANSK TRANSHOLODSERVIS	Portovyj pr-d 2	Murmansk	183024	(8152) 480651	Transport
MURMANSKAJA TUG & RESCUE COMPANY	Knipovicha 23 of. 220	Murmansk	183039	(8152) 458004	Transport
MURMANSK SEA TRADE PORT	Portovyj pr-d 19	Murmansk	183024	(8152) 480021	Transport
KANDALAKSHA SEA TRADE PORT	Belomorskaja 19	Kandalaksha	184040	(81533) 22163	Transport
MURMANSK TRAWLER FLEET	Shmidta St 43	Murmansk	183038	(8125) 28811	Fleet

FLOT-SERVIS	Severnaja zastava 18	Severomorsk	184600	(81537) 72923	Transport
PROSP. LESINKOV V.V.	Egorova 14	Murmansk	183038	(8152) 458577	Transport
REGION OOO	Olenigorsk a\ja 8	Olenegorsk	184530	(8152) 51188	Transport
STIKS-2000 OOO	K. Libknehta 46/4	Murmansk	183038	(8152) 428009	Transport
TRANSAGENTSTVO	Privokzal'noe shosse 6	Olenegorsk	184530	(8152) 58674	Transport
TRANSPORT & FORWARDING AGENCY	Sopchinskaja 6	Monchegorsk	184500	(8152) 73626	Transport
NJEVIFLOT OOO	Papanina 23 of. 23	Murmansk	183000	(8152) 459168	Fleet
POLAR CREWING OOO	Kil'dinskaja 23	Murmansk	183000	(8152) 265220	Fleet
PORTOVY FLOT OAO	Tralovaja 12	Murmansk	183000	(8152) 286166	Fleet
PREDPROSP. ATOMNOGO FLOTA	Murmansk-17	Murmansk	183017	(8152) 220598	Fleet
SEVRYBHOLODFLOT OAO	Rybnyj port	Murmansk	183001	(8152) 286105	Fleet
TRANSFLOT ZAO	K. Libknehta 48a	Murmansk	183000	(8152) 421843	Fleet
UDARNIK	Minkino Settl, Kola Distr.	Murmansk Region	184376	(8152) 488531	Fleet
ADRIA OOO	Sovetskaja 21	Murmansk	183000	(8152) 56272	Fish & Seafood
ARCTIC FISH PRODUCTS LTD	K. Maklakova 1	Murmansk	183034	(8152) 440920	Fish & Seafood
BIOS-ARCTIC OOO	Shmidta 6, of. 5	Murmansk	183000	(8152) 457385	Fish & Seafood

SAAMI OOO	Podgornaja 82	Murmansk	183000	(8152) 224651	Fish & Seafood

Source: *Eurofish*

6d. Companies members of Union of Fish Industrialists of the North

Area Code: 8125

NAME	CONTACT PERSON	TELEPHONE	FAX	ADDRESS
ICEBERG NORD, OOO	Kasatkin Vitali Petrovich	45 42 68		Murmansk, pr. Lenina, 65
ICEBERG PLUS, OOO	Pivvuev Nikita Valerievich	28 77 11	47 45 88	Murmansk, per Rusanova 8
ANDROMEDA, OOO	Zadvorny Yuri Vasilievich	23 05 44	23 05 53	Murmansk, Polyarnye Zori, 22
ANKLAV, OOO	Harlan Anatoli Adamovich	45 67 21	45 01 19	Murmansk, Knipovicha, 22, of 39
ARGO, OOO	Jurchuk Ivan Nikolaevich	47 66 32	47 65 59	Murmansk, Knipovicha, 23, 917
ARGO M, OOO	Taran Antonina Ivanovna	42 85 14	42 23 85	Murmansk, Flotsky proezd 3, of. 63
ARCTIC FISH PRODAKTS LTD,	Molchanov Vladimir Andreevich	27 72 94	27 49 96	Murmansk, Maklakova 1
ARCTICSERVIS, ZAO	Panin Aleksandr Vasilievich	42 85 37		Murmansk,

				Mira 23
ARCTICFLOT, OOO	Milanov Sergei Maratovich	47 24 85	47 35 37	Murmansk, Shmidta, 21, of 34
ARCTICHOLDING, ZAO	Tretiak Ivan Ivanovich	44 32 38		Murmansk, Pol. Zori, 28/13, of 14
BARENTSFISH, OOO	Malygina Nadezhda Vasilievna	45 20 07	45 77 95	Murmansk, Poliarnye Zori, 44
BARENTSFISH-MURMANSK, OOO	Malygina Nadezhda Vasilievna	45 20 07	45 77 95	Murmansk, Poliarnye Zori, 44
BIOS-ARCTIC, OOO	Boltikov Roman Vasilievich	45 04 81	45 29 81	Murmansk, Shmidta, 6, of 5
BIOS-SHELF, OOO	Musihin Sergei Vasilievich	28 61 20	28 65 26	Murmansk, Tralovaya, 6
VARIANT, ZAO RPF	Malygina Anna Alekseevna	47 63 04	47 60 62	Murmansk, Shmidta, 29/2, of 5
VEGA, ZAO NPP	Kudrin Boris Dmitrievich	47 48 27	47 35 79	Murmansk, Teatralny blvd, 9 1
GIGANTE MURMANSK, OOO	Kovalev Aleksandr Mihajlovich	28 77 56	28 68 72	Murmansk, MMRP, Severny prichal
GRUMANT, ZAO	Terehin Aleksej Vjacheslavovich	45 21 59	45 88 89	Murmansk, Papanina, 9, o 3
DEILAR, OOO	Guriianov Vladimir Gennadievich	47 32 05		Murmansk, pr. Lenina, 53, o 6

ZARYA, SPK RK	Zorenko Petr Olyanovich	44 78 22		Murmansk, Poliarnye Zori, 49/5
KANOPUS, OOO	Davydov Viktor Yurievich	28 77 11	47 45 88	Murmansk, per Rusanova, 8
KARELSKIE MOREPRODUKTY,	Kolish Ivan Stepanovich	27 07 38	27 06 82	Murmansk, Dekabristov, 26
KEDR PLUS, OOO	Kasatkin Vitali Petrovich	45 42 68	45 64 88	Murmansk, pr. Lenina, 65
KOMITET & C, OOO	Masalytin Vadim Vladimirovich	56 92 88	56 00 49	Murmansk, pr. Kolsky, 27a, of 31
ANTARES, OOO	Velichko Yuri Vladimirovich	47 43 61	47 24 54	Murmansk, per. Rusanova, 8
LKT COMPANY, OOO	Lvov Gennadi Vasilievich	25 06 79	23 02 97	Murmansk, Frunze 39
KORS, ZAO	Losev Andrei Gennadievich	42 23 73		Murmansk, Turistov, 49
KULONGA, SPK RK	Dzhandzhgava Irakli Robertovich			
LODFISH, ZAO	Shatashvili Gercel Rubenovich	24 66 60		Murmansk, Kildinskaja, 25
MARISK, ZAO SZMSK	Rashina Tatiana Fedorovna	47 21 95	47 31 63	Murmansk, pr. Lenina, 55, POB 651

MONCHEBANK, OAO	Bochman Alla Vasilievna	40 53 01	40 53 25	Murmansk, pr. Lenina, 14
MORSKOE SODRUZHESTVO, ZAO	25 12 37	45 29 81		Murmansk, Shmidta, 6, of 5
MURMANSKAJA FABRIKA ORUDIJ LOVA, OAO	Naumliuk Vladimir Grigorievich	28 64 62	28 72 32 f	Murmansk, Rybnyi Port, Yuzhnye Prichaly
MURMAN SEAFOOD, OOO	Hizhnyakov Vladimir Alekseevich	26 39 31	26 39 10	Murmansk, K.Marksa 28
MURMANSKTORGSNABSERVIS	Vansovich Irina Aleksandrovna	28 72 77		Murmansk, Podgornaja. 92, o201
MURMANSKY OCEANARIUM, OAO	Mihailiuk Aleksandr Leonidovich	31 35 42		Murmansk, Geroev Severomorcev 2
MURMANSKY TARNYJ KOMBINAT, OAO	Murcev Sergei Viktorinovich	477 331		Murmansk, Rybnyj Port
NEKTON, OOO	Tuzov Yuri Vasilievich	45 99 03	45 88 85	Murmansk, Tralovaja, 51
NEREJ, OOO	Svetlichny Anatoli Viktorovich	47 27 51	47 35 79	Murmansk, Teatralnyj b-r, 9, 1
NORD PILIGRIM, OOO	Tuzov Vladimir Vasilievich	45 99 03	45 88 85	Murmansk, Tralovaja, 51

NORD KAP, OOO	Masalytin Vadim Vladimirovich	56 92 88	56 00 49	Murmansk, pr. Kolsky, 27a, o 31
NORTVERDE, OAO	Vinogradov Sergei Borisovich	45 30 10	45 44 35	Murmansk, Profsojuzov, 17/12 51
PAVLOVSKY, SPK RK	Pavlov Aleksandr Leonidovich	44 30 96		Murmansk, Knipovicha, 34, o2
PERSEJ, OOO	Chumakov Aleksandr Kuzmich	22 01 46	27 77 00	Murmansk, P.Osipenko, 8a
PERSEJ, OOO NPK	Lebedev Aleksei Leonidovich	27 60 36		Murmansk, Maklakova, 2
POLUS NORD, OOO	Lizunov Sergei Aleksandrovich	28 66 41		Murmansk, Tralovaja, 12a of 506
PUTINA, OOO	Galushko Jakov Dmitrievich	62 62 30	62 62 23	Murmansk, pr. Lenina, 93
ROBINZON, OOO	Agapov Pavel Sergeevich	28 66 54	23 69 99	Murmansk, Podgornaja, 45
ROS-1, ZAO	Nesterov Roman Evgenievich	44 78 22		Murmansk, Poliarnye Zori, 49/5
RYBAK, OAO	Levin Dmitri Aleksandrovich	45 34 43	45 80 49	Murmansk, Podgornaja 82
RYBACHY, OOO	Rjaziev Igor Borisovich	53 96 67		Murmansk, G. Rybachego 16

RYBPROM 3, ZAO	Nikitin Vasili Fedorovich	45 08 02	45 29 81	Murmansk, S.Perovskoj, 16, of 9
SEVERNAJA RYBOLOVECKAJA COMPANIJA, OOO **(NORTHERN FISHING COMPANY)**	Kudashov Andrei Evgenievich	42 00 55	42 00 54	Murmansk, Cheljuskincev, 18/20 24
SEVKOMP, ZAO	Manankov Yuri Yurievich	42 62 27		Murmansk, Knipovicha, 44, of 62
SEVMIS, ZAO	Zubrilov Andrei Nikolaevich	28 60 93	28 60 49	Murmansk, Festivalnaja, 12
SEVROS, OOO	Mahotin Sergei Anatolievich	45 22 78	45 27 81	Murmansk, pr. Lenina, 104, of. 4
SEVRYBKOM-1, ZAO	Volkov Valeri Aleksandrovich	23 44 37	23 44 29	Murmansk, Knipovicha, 52
SEVRYBKOM-2, ZAO	Volkov Valeri Aleksandrovich	23 44 37	23 44 29	Murmansk, Knipovicha, 52
SEVRYBKOMFLOT, OOO	Nikitin Vasili Fedorovich	45 73 85	45 29 81	Murmansk, S.Perovskoj, 16, o9
SEVRYBPROEKT, OOO	Mihalchuk Petr Grigorievich	47 48 20		Murmansk, per. Rusanova, 8, o9
SEVRYBFLOT, OOO	Fadeev Nikolai Olegovich	45 74 74		Murmansk, Kominterna, 5
STEKAR, OOO NPP	Kartashova Valentina	31 35 42		Murmansk,

	Mihailovna			Severomorcev 2
STOMAR, OOO	Sturzu Vyacheslav Petrovich	28 95 86	28 95 82	Murmansk, Marksa, 28
SFEN, ZAO	Kasatkin Vitali Petrovich	45 64 88	45 42 68	Murmansk, pr. Lenina, 65
ERA-SERVIS, OOO	Beljaev Nikolaj Georgievich	45 13 58	28 66 33	Murmansk, K.Egorova, 6
ERZY-NORD, OOO	Amagov Alik Vahaevich	45 74 74		Murmansk, Kominterna, 5
FROSTER, OOO	Kuzmin Sergei Valentinovich	277 165		Murmansk, pr.Svyazi, 4, o 37
LORAN, OOO	Kraplya Mihail Mihailovich	45 61 27		

Source: *Union of Fish Industrialists of the North*

6e. Major fishing and processing companies in Kaliningrad

NAME	ADDRESS	TEL. / FAX
FISHING COMPANIES		
VESTRYBFLOT ZAO	236000, Kaliningrad, Komsomol'skaja 27a	tel. (0112) 219703

RYBFLOT FOR ZAO	236039, Kaliningrad, Suvorova 57	tel. (0112) 474678
MORSKAJA ZVEZDA OOO	236039, Kaliningrad, Suvorova 57	tel.(0112) 474772
PIONERSKAYA BAZA OKEANICHESKOGO RYBOLOVNOGO FLOTA	238590, Pionersky Settlem., Portovaja 1	tel. (01155) 21257
ATLANTRYBFLOT OAO	236000, Kaliningrad, D.Donskogo 5a	tel. (0112) 718008
ZAPADNYJ RUMB ZAO	236000, Kaliningrad, D.Donskogo 7, ofis 414	tel. (0112) 279645
ATLANTIK-LIDER	236040, Kaliningrad, Leninskij pr 13a, k3	tel. (0112) 434626
MARFISH OOO	238340, Svetly Settlem., Rybackaja 1a	tel. (01152) 22969
PROCESSING PLANTS:		
KALININGRADSKIE MOREPRODUKTY OOO	238340, Svetly Settlem., Druzhby 1	tel. (01152) 30554
LYODOVO SVETLY	238340, Svetly Settlem., Gagarina 51	tel. (0112) 538037; fax (01152) 31413
MAMONOVSKIJ RYBOKONSERVNYJ KOMBINAT OAO	238450, g. Mamonovo, Central'naja 5	tel. (0112) 467577 (01156) 60286
KALININGRADSKIJ RYBOKONSERVNYJ KOM'INAT	236023, Kaliningrad, Soldatskaja 7	tel. (0112) 213375
BALTRYBPROM OOO	238590, Pionersky Settlem., Portovaja 1	tel.(01155) 21241
BALTIKFISHINDUSTRIJA OOO	Svetly Settlem., Druzhby 1	tel. (01152) 21000
POSEJDON 2000	Svetly Settlem., Rybackaja 1	tel./fax (01152) 31534

		(01152) 21692
KATRAN	Kaliningrad, Pravaja nab.5	tel. (0112) 357454
KREON OOO	Svetly Settlem., Rybackaja 1	tel. (01152) 31902
VICHJUNAJ-RUS' OOO	Sovetsk, Majakovskogo 3b	tel/fax (01161) 36868 tel/fax (01161) 76868 tel. (01161) 35625 tel/fax (01161) 75625
RASKAT I KOM OOO	Kaliningrad, Gornaja 3	tel. (0112) 718060

Source: *Eurofish*

6f. Processors and traders in other areas than the main fishing regions

EX = Exporter, IM = Importer, PR = Processor, WH = Wholesaler

Company	Trade	Street	PC	City	Telephone	E-mail/webpage
Albatros Seafood Moscow	IM PR WH	Aparinky vil., Promzona, Kratinskiy s/o	142715	Moskovskaya oblast, Leninskiy r-n	+7 095 3993255/ 399 3390;	elena@albatrosseafood.ru www.albatrosseafood.ru
Argus	PR	Deguninskaya St. 1; building 2	127486	Moscow	+7 095 487 52 60	arp_2002@mailru.com
Arkhangelsk Base of Trawl Fleet	EX	Rozhdestvensky Blvd 9 off.211, 213	103045	Moscow	+7 095 929 4039	aobtf-dvina@mtu-net.ru; www.abtf.arh.ru
Arsintek Ltd.	IM WH	Otkrytoe st., 1/3		Moscow	+7 095 167 3405	info@arsintek.ru www.arsintek.ru
Boldinsky Fishery	EX	Sytova 4A	414029	Astrakhan	+7 8512 325576	brp@astranet.ru www.boldinsky.ru
C & C	IM WH	Vladenie 1	142715	Leninsky Distr, Moscow Region	+7 095 111 55 77; +7 095 111 34 11	sis@mail.compnet.ru
Cyros LLC	IM	Onezhskaya 8/10	125438	Moscow	+7 095 797 49 90	office@cyros-m.ru www.cyros.ru
Dais - II Ltd	EX PR	Aviatorov shosse 13a	400075	Volgograd	+7 8442 934218	dais2@rol.ru www.dais2.com
DEFA Trading Group	IM PR WH	Novoselkovskaja, 24	191014	St. Petersburg	+7 812 303 94 03; 327 35 28	defafish@home.ru www.fishtrading.spb.ru
Delsy	PR WH	Shcherbakova str.12	660003	Krasnoyarsk, Krasnoyarsky Kray	+7 3912 606 440;+7 095 505 19 05	delsy@delsy.ru www.delsy.ru
Derzhava-Shipping, ZAO	PR	Karla Marksa Pl. 33	414040	Astrakhan	+7 8512 252067 / 253816 / 253812	state@mail.astrakhan.ru
DOVOD ZAO, Ltd.	IM WH	Ryabinovaya Str 53, 5th floor	121471	Moscow	+7 095 443 2105, 095 446 4544	dovod@rol.ru www.dovod.no
East West Co Ltd	WH	Leninskiy prosp., off. 1203	119049	Moscow	+7 095 780 30 20; +7 095 237 7714	chingiz@atardo.com; olga@atardo.com; www.vostokzapad.ru
Emborg AO	IM WH	Stupinsky Proezd 1a	117546	Moscow	+7 095 728 4140	
EST, ZAO	PR WH	Kievsky Pr. 3	307170	Zheleznogorsk-5, Kursk Region	+7 07148 92002 / 91505 / 24657	est@kursknet.ru www.estcom.ru

Evromorprodukt	PR WH	Pod'ezdnoy per 19	190000	St. Petersburg	+7 812 324 46 26	emp@bcltele.com
FOR Group	EX PR WH	Nevsky Prospect. 20	191186	St. Petersburg	+7 812 346 8200/ 8234	for@for-group.ru www.for-group.ru
Fisheries Committee (Karelia)	IM EX PR	Varkaus nab. 3,	185650	Petrozavodsk, Karelia	+7 8142 772135	fishcom@karelia.ru
Gidrostroy	PR	Novo-Nikitinskaya Str 5	197349	St. Petersburg	+7 812 303 16 83	hydrostroy@rambler.ru www.hydrostroy. narod.ru
Greentrust Fish Company	PR EX WH	Zvezdny Boulevard, 19	129085	Moscow	+7 095 232 04 53	greentrust_company@mtu-net.ru www.greentrust.ru
Hladoprodukt Import-Export	IM PR WH	Priorova Str 24, bdg 2	125130	Moscow	+ 7 095 926 52 74	Info@fffood.ru; omv@aha.ru www.fffood.ru
Gulfish - Khomyakovsky Hladokombinat.Ltd	PR	M.Polyanka str., 5, office 3	119180	Moscow	+7 095 238 4018/ 238 3861	martynov@ru.ru www.gulfish.ru
GUP FAPK Yakutia	PR WH	Dzerzhinskogo 68	677000	Yakutsk	+7 4112 459152	faps@saha.ru
Icelandic Freezing Plants Corp	EX WH	Karmanitsky per. 9, off. 301	121002	Moscow	+7 095 937 16 11/ 937 16 19	rafik@icelandic.ru www.icelandic.ru
Interatlantic Breeze	IM PR WH	Antona Valeka Str. 15, office 514	620014	Ekaterinburg	+7 3432 658 398	breeze@etel.ru
Ice-Fish	WH	Malisheva str. 145-a	620049	Ekaterinburg	+7 343 217 63 52; +7 3432 658285	fish@epn.ru
Izobiliye TD (Skat LLC)	PR	Khimikov Str, no 26		St. Petersburg	+7 812 527 6192; 527 6137	seafood@cityline.spb.ru
Lamatin OAO	PR	Leninsky Ave, 37A	117334	Moscow	+7 095 967 9637/ 095 782 9786	maxmax@mailandnews.com
Lenrybflot	EX	Obukhovskoy Oborony av. 76a, of. 215, 216	192029	St. Petersburg	+7 812 973 1549	bt4you@yandex.ru; alex812@rol.ru
Linia 5	WH	Malaya Polianka 5	109180	Moscow	+7 095 238 3861	sirius-secretar@ru.ru www.polyanka.net/sirius

Marina	PR WH	Vneshnih Vod Str. 6, korp.2	141135	Moscow	+7 095 182 95 16/ 183 02 65	info@marinafish.ru www.marinafish.ru
Meridian Co	EX PR	Izhorskaya St. 7	127599	Moscow		a.volkov@mail.ru
Moscow Technological Centre	PR WH	Izhorskaya 7	125559	Moscow	+7 095 486 47 19 / 744 0394	botsman@botsman.ru www.botsman.ru
NordEast Company Ltd.	EX PR	Saltykovskaya 8	11673	Moscow	+7 095 700 60 10	go@tsr.ru www.redgold.ru
Norge Fish Company	IM	B. Pochtovaya str. Build 12,		Moscow	+7 095 267 9422/ 263 0389	norfish@online.ru
Norge Fish Ltd	IM WH	Vavilova ul. Dom 83, Room 8	117335	Moscow	+7 095 937 5731	info@norgefish.com www.norgefish.com
NORTON Company	PR	Korovinskoe Shosse 35, bldg 8	127412	Moscow	+7 095 783 6044 / 785 6527	info@norton.su www.norton.su
Ocean Product Holding Company	EX PR WH	Tosina Str 9-1	197374	St. Petersburg	+7 812 331 2210	orlov@oceanproduct.spb.ru
Orghim Ecology	EX PR WH	Elisarova Prospect 38a	193148	St. Petersburg	+7 812 325 11 95/ 325 3030	a.gr@orghim.ru www.orghim.ru
Osminog, ZAO	PR WH	Entuziastov Sh. 30	143900	Balashikha, Moscow Reg	+7 095 521 3480/ 529 3252; 529 34 57	osminogg@km.ru www.osminogg.ru
Ost-Areal Ltd	EX	Kamtshatskaya 6		Moscow	+7 095 4673881	srnd@mail.sitek.ru
Pischevik	PR WH	Ligovsky pr, 289	186006	St. Petersburg	+7 812 2986074	fishplant@pischevik.ru www.pischevik.ru
Poseidon and Co	EX PR WH	Svobody Str. 48, s.1	123364	Moscow	+7 095 497 0180/ 497 0198	IKataeva@poseidon-fish.ru www.Poseidon-fish.ru
Raptika Fish Processing Plant	EX PR WH	Kommunalny pereulok; 7	127572	Dubna; Moscow region	+7 095 926 41 42/46 83	ovchinnikov@prodko.ru www.raptika.com
ROK 1	PR WH	Elevatornaya ploschadka 16, Korp 7	198096	St. Petersburg	+7 812 1850489/ 183 91 74/ 183 3300	admin@rok1.spb.ru www.nwfish.ru
Russian Caviar JSC	PR	Avgustovskaya Str 5	414052	Astrakhan	+7 8512 259375/ 251601	rus@caviar.ru www.rus.caviar.ru

Russian Fish Company	PR WH	Nikoloyamskaya st 19 stor 1	109240	Moscow	+7 095 7880993/ 788 09 88	rs@russiansea.ru www.fishimport.ru; www.russiansea.ru
Severnaya Kompaniya	PR WH	Leningradskoe shosse 69	121099	Moscow	+7 095 2413704	ikrasale@mail.ru
Severny Mir	PR EX WH	Smolnaya Str 34A Lunacharskogo prosp.80	125493 194295	Moscow St. Petersburg	+7 095 906 8045;457 7637;457 0903 +7 812 559 73 91; +7 812 5598368	worldnord@degunino.net www.inforus.ru/severnymir severnymir@mail.ru
Sevmoreproduct Ltd	EX IM	Izhorskaya Str 7, Hladokombinat AO Meridian	127599	Moscow	+7 095 7924749	
Shalanda M, Ltd	EX PR	Admirala Makarova str, k.2, 23	125212	Moscow	+7 095 926 5277	logus@ru.ru
SP-Holod ZAO	PR WH EX	Malaya Polianka 5, Of. 3	109180	Moscow	+7 095 238 3861; 238 40 18	sirius-sales@mail.ru www.gulfish.ru
V.E.K.K.	IM	Eniseyskaya Ul 2	129344	Moscow	+7 095 1891930	ab9446@mail.sitek.ru
Vostokrybprom	PR	Khoroshevskoe shosse st. 32a	123007	Moscow	+7 095 789 36 16 / 789 39 10 / 789 30 11	office@vostokrybprom.ru www.vostokrybprom.ru

Source: *Eurofish*

6g. Hygienic requirements for safety and nutritional value of food

Product group	Indicator	Permitted level, not exceeding, mg/kg	Comments
1.3.1 Fish, live, fresh, chilled, frozen, fillet, minced, meat of sea mammals	**Toxic elements**		
	Lead	1.0	
		2.0	Tuna, swordfish, beluga-sturgeon
	Arsenic	1.0	Freshwater
		5.0	Sea-fish
	Cadmium	0.2	
	Mercury	0.3	Freshwater non-predatory
		0.6	Freshwater predatory
		0.5	Sea-fish
		1.0	Tuna, swordfish, beluga-sturgeon
	Histamine	100.0	Tuna, mackerel, salmon, herring
	Nitrosamines, NDMA and NDEA total	0.003	
	Pesticides		
	Hexachlorine-cyclohexan (α, β, γ isomers)	0.2	sea-fish, meat of sea animals
		0.03	Fresh water fish
	DDT and its metabolites	0.2	Sea fish
		0.3	Freshwater fish
		2.0	Sturgeon, salmon, herring
		0.2	Meat of sea-animals
	2.4-D acid, salt and esters thereof	not permitted	Freshwater
	Polychlorinated biphenyl	2.0	
	Radio-nuclides		
	Cesium-137	130	Bk/kg
	Stroncium-90	100	Bk/kg

Product group	Indicator	Permitted level, not exceeding, mg/kg	Comments
1.3.1 Fish, live, fresh, chilled,	**Toxic elements**		
	Lead	1.0	

frozen, fillet, minced, meat of sea mammals		2.0	Tuna, swordfish, beluga-sturgeon
	Arsenic	1.0	Freshwater
		5.0	Sea-fish
	Cadmium	0.2	
	Mercury	0.3	Freshwater non-predatory
		0.6	Freshwater predatory
		0.5	Sea-fish
		1.0	Tuna, swordfish, beluga-sturgeon
	Histamine	100.0	Tuna, mackerel, salmon, herring
	Nitrosamines, NDMA and NDEA total	0.003	
	Pesticides		
	Hexachlorine-cyclohexan (α, β, γ isomers)	0.2	sea-fish, meat of sea animals
		0.03	Fresh water fish
	DDT and its metabolites	0.2	Sea fish
		0.3	Freshwater fish
		2.0	Sturgeon, salmon, herring
		0.2	Meat of sea-animals
	2.4-D acid, salt and esters thereof	not permitted	Freshwater
	Polychlorinated biphenyl	2.0	
	Radio-nuclides		
	Cesium-137	130	Bk/kg
	Stroncium-90	100	Bk/kg

Microbiological indicators

	KOE/r, not more	Weigh of product in gr, in which not permitted			Comments
		Coliforms	S. aureus	Pathogenic, incl. salmonellas and L. monocytogenes	
1.3.1.1 Live and fresh fish	$5*10^4$	0.01	0.01	25	V. parahaemolyticus-not more than 100 KOE/r, for sea-fish
1.3.1.2 chilled and frozen fish	$1*10^5$	0.001	0.01	25	same
1.3.1.3 Chilled and frozen fish products					

Fish fillet	$1*10^5$	0.001	0.01	25	same; sulphite-reducing clostridia are not permitted in vacuum-packed products
Minced fish, including breaded products	$1*10^5$	0.001	0.01	25	same
Minced fish of special grade	$5*10^4$	0.01	0.1	25*	same; sulphite-reducing clostridia are not permitted in vacuum-packed products; *salmonella only

Source: *The Ministry of Health and the Nutrition Institute*

8. Trade

8a. Fish product brands

Greentrust
19 Zvezdny bulvar, 129085 Moscow
Ph: (095) 232-0453, 215-7213
E-mail: greentrust@greentrust.ru
TM.: Sailor

Fish Processing Plant 1
16/7 Elevatornaya Plostchadka, Ugolnaya Gavan, St. Petersburg
Ph.: (812) 183-3300
Fax.: (812) 183-3335
e-mail: admin@rok1.spb.ru
TM.: Fish Planet, ROK

Zolotoy Terem JSC
46 Varshavskoe Shosse, Moscow
Ph: 7 (095) 424 7343
Fax: 7 (095) 424 7343
e-mail: terem@zolotoy.ru
www: http://www.zolotoy.ru
TM.: Zolotoy Terem

Nord-West
15 Rogozerskaya Str., Murmansk, 183039
Ph.: 7 (8152) 458 642
Fax: 7 (8152) 477 891
e-mail: sales@nordwest-fc.ru
www.: http://www.nordwest-fc.ru/
TM.: Nord-West, Delicatessen of Northern Seas

Cyros
9 Tsiolkovskogo Str., St. Petersburg
Ph.: 7 (812) 325 1818
Fax: 7 (812) 325 1818
e-mail: info@cyros.ru
www: http://www.cyros.ru
TM. : Krugly God

Agama Trade
19 Zvezdny Boulvard
Ph.: 7 (095) 217 2936
Fax: 7 (095) 216 9556
e-mail: info@agama.com.ru
TM.: Bukhta Isobilia

Two Captains
9 3rd Rabochy per., Galitsino village, Moscow region 143040
Ph.: 7 (095) 933 4323

Fax: 7 (095) 933 4323
e-mail: galatea@kapbochka.ru
TM.: Two Captains, Captain barrel, Ajko Princess

Marina Ltd.
Ogudnevo Settlement, Moscow region
Ph.: 7 (095) 795 5942
Fax: 7 (095) 188 6607
e-mail: info@marinafish.ru
www. http://www.marinafish.ru/
TM.: Marina

Ledovo
10 Stchelkovskoe Shosse, Moscow region, 141100,
Ph.: 7 (095) 702 6155
Fax: 7 (095) 702 6154
e-mail: forall@ledovo.ru
TM.: Salmon, Snezhana

North World
80 Lunacharskogo Prospect, 195274 St. Petersburg
Ph: 7 (812) 559 7381
Fax: 7 (812) 559 7381
e-mail: mail@sevmir.ru
TM.: North World

Russian Fish World
Kurilovo Village, Moscow region
Ph: (095) 730-2639, 363-4099
Fax: (095) 730-2639, 363-4099
e-mail: rusfish@yandex.ru
www:http://www.rusfishworld.ru
TM: Russian Fish World

Russian Sea
19 Nikoloyamskaya Str., 142403 Moscow
Ph: 7 (095) 915 2575, 788 0988
Fax: 7 (095) 785 1069
TM. Russian Sea, Bochkovaya Seld

Tunaycha
16 Kommunistichesky Prospect, Yuzhnosakhalinsk 693000
Ph: 7 (4242) 422 661, (095) 796 5665
Fax: 7 (095) 250 6715
e-mail: tunaycha@aero-com.ru
www: http://www.tunaycha.com
TM: Tunaycha

Raptika 17 Perevedenovsky Per., 107082 Moscow Ph: 7 (095) 926-47-83 e-mail: raptika@raptika.ru www: http://www.raptika.ru TM.: Raptika	

8b. The ten top retail investors

(Source: FAO Industry Profile – Russia)

Ramstore of the Ramenka chair was the first supermarket format launched in the Russian market in 1997. This Turkish chain now operates six hypermarkets and seventeen supermarkets in Moscow, including supermarkets in Nizhniy Novgorod, Kazan and Krasnoyarsk. The Ramenka chain also plans to open new stores in St.Petersburg, Rostov-on Don, and Novosibirsk. The turnover in 2004 was US$ 560 million and it is expected to reach US$ 970 million by year 2007.

German retailer **Metro Group,** the largest foreign investor in Russia**,** introduced a new **"**Cash & Carry format" which is still underdeveloped in the country. Metro operates six outlets in Moscow and two in St. Petersburg. The company has recently opened another six stores in Kazan, Yaroslavl, Volgograd, Samara, Rostov on Don and Krasnodar. Metro remains the only foreign chain using this marketing strategy in Russia. Total sales in 2004 were over US$ 1 billion.

The French retail network **Auchan** owns three hypermarkets in Moscow and three in the Moscow region, and with its comparatively low prices and wide range of products, has become the major competitor for domestic retail chains and open markets. According to Auchan's management, prices in domestic retail chains have fallen by 10-15% since it started operating. In 2004 Auchan had estimated sales of US$ 260 million, 56 % above the 2003 level.

The **Spar** supermarket chain operates four stores in Moscow, three in the Moscow region and another three in Nizhniy Novgorod. The company has an expansion strategy to open at least eight additional supermarkets in the Moscow region.

Pyaterochka of the Agrotorg Group is the largest Russian food retailer in terms of sales. It opened the first store in 1999. From the beginning this chain has targeted the rapidly emerging middle class as well as low-income customers. It has positioned itself as a discount food retailer offering competitive prices, a well-chosen range of quality products and convenient store locations in residential areas. The development of the chain had been incredibly rapid. In the first five years, the Agrotorg Group opened 425 stores in Moscow, St. Petersburg and other regions. In the opinion of foreign and Russian experts, Pyaterochka's development and growth have surpassed comparable parameters of a lot of foreign networks. The company opens 3-4 new stores monthly and turnover for the last two and a half years has increased by more than 800%. The total sales for 2004 were US$ 1.6 billion.

Magnit, originally from Stavropol**,** is the largest retail network in the market in terms of numbers of retail outlets and stores. The company operates 1019 stores in Russian regions with US$ 997 million being the turnover in 2004. Magnit is planning to open other 2,500 stores by the year 2008.

Perekryostok is another domestic retail leader with 100 stores in Moscow and another 40 in St.Petersburg, Samara, Togliatti, Volgograd, Nizhniy Novgorod, Lipetsk, Voronezh and Rostov-on Don. The chain is considering further expansion to Krasnodar, Kazan, Ufa, Saratov, Penza and Tumen. Perekryostok, which is supported by the Alfa Group and Templeton reported total sales of US$ 750 million in 2004. The entire chain had estimated sales of more than one billion in 2005. The company initiated "private label" production selling a wide range of goods under their own brands.

Seventh Continent Group opened its first three stores in Moscow in 1994. The stores positions were chosen in the exclusive historical center of Moscow: Lubjanka Street, Arbat and Ohotny Rjad square. The target clients of the company were upper –middle class customers who required extra high quality and service. The group continued its strategy and focus until 1998, and after the crisis in the Russian economical system, the second stage of Seventh Continent's development started. Growing competition forced the company to change its philosophy to a strategy of developing supermarket chains. Seventh Continent now operates 88 stores in Moscow using three different strategies:

"7th Continent – five stars" (luxury supermarkets)

"7th Continent – Universam"

"7th Continent – five steps"(close to customers)

Using a multi-marketing strategy allows the company to satisfy the different needs of its customers, each in an efficient manner while preserving product quality and customer service. The company estimated sales of US$ 615 million in 2004 versus US$ 420 million the year before.

Kopeika is another large discount chain established in 2002 by Felma Group. In contrast with other retail networks operating in the cities with a population of more than one million, the company chose to address the middle-size cities in Central Russia. As of 2003 the company had 52 discount outlets, and a turnover was US$ 265 million. Kopeika is now planning to invest US$ 140 million in expansion of trade centers with its economical supermarkets in 15 regions: Kaluga, Voskresenks, Vladimir, Brjansk, Noginsk, Voskresensk, Rjazan, Tula, Yaroslavl and Smolensk.

Paterson's first supermarket was opened in Moscow in 1998 and by the end of 2004 the chain had 45 outlets located in Russia's two main cities as well as in other large regions. The company's growth plan for 2004-2005 includes 30 new outlets both in Russia and neighboring countries. Due to the expansion in the regions the company's turnover increased by 60% from US$ 150 million in 2003 to US$ 250 million in 2004.

Despite the aggressive competition and rapid expansion of both foreign and local chains, the Russian retail market is still far from saturated. Even in Moscow there is only 65 sq. meters of shop floor per 1,000 customers, compared to the EU average of 140 sq meters per 1,000 inhabitants. Throughout other parts of Russia this figure is even lower, averaging some 35 sq. meters.

9. Investments

9a. Three Articles by Sergei Mashkarenko

7 MISTAKES TO AVOID WHEN ENTERING A CONTRACT WITH RUSSIAN FISHING COMPANY

by Sergei Mashkarenko

The words “entering a contract” means different things to different people. For many people this means only putting signatures under something that was agreed between the partners. However such approach proves to be dangerous in relations with Russian fishing companies. Here are costly mistakes to avoid.

MISTAKE #1: The contract indicates not complete or not exact name of the Russian fishing company. This may happen for example if the contract is drafted on the basis of the information indicated on the letterhead of the Russian fishing company or announced by the company during negotiations. At first sight this issue seems to be a pure formality, but in case of a dispute it might become a serious problem.

During any arbitration it should be established who will be the due respondent. And here is a trap. Russian fishing company may argue that actually the party to the contract is another fishing company with similar name and such company should step into as a respondent. No surprise that the alleged debtor will have no assets to satisfy the claim, while the real debtor might have them. Russian fishing company might also argue that the contract should be treated as not concluded because it can’t be found out who was the Russian party to the contract.

The situation might be even more complicated with other factors. During the past years it became an often practice in Russian fishing industry to incorporate several companies with absolutely identical names. This was normally done in two ways: either incorporating companies with identical names in different places or incorporating them at one place, but in different legal forms (i.e. one company might be registered as a limited liability company and another might be registered as a joint stock company, but the name will be one and the same). Sometimes there are two fishing companies with one and the same name, but under one matter I came across four fishing companies with absolutely identical names.

One might think that the name of the person who signed the contract on behalf of Russian fishing company will help to prove which company was actually the party to the contract. However, it might be the case that one and the same man will be the CEO for both companies with identical names.

The safe way to avoid the above situation is to check whether the name and address of the Russian fishing company are indicated correctly as well as to indicate the so-called "main state registration number" of the company. Since 1 July 2002 the United State Register of Legal Entities was established in Russia (the "Register"). Each company has its unique main state registration number granted by the Register. Correct indication of the main state registration number of the Russian fishing company in the contract should prevent potential debates about identity of the Russian party.

MISTAKE #2: Foreign company does not check whether Russian fishing company actually owns its vessels. During negotiations prior entering a contract Russian fishing company might present itself as a shipowner of certain fishing vessels. Russian company can even show you a letter or "certificate" from the Harbour Master confirming this.

On the basis of this information the foreign company normally assumes that Russian fishing company owns its vessels and thus in case of a dispute it can get satisfaction from their value. Is that correct? No! According to the Merchant Seagoing Code of Russia the legal term "shipowner" means that the company only has the right to operate the vessel on some legal ground such as trust management, bareboat charter, time charter, etc. It does not obligatory mean that the company has the title of ownership for the fishing vessel.

This mistake might cause a situation that took place a number of years ago with one foreign company that granted the loan to the Russian fishing company. When the loan was not repaid in due time the foreign company tried to collect the money from the debtor. Only by that time it was found out that the vessels of the Russian shipowner were bareboat-charted and not owned. Before the claim was submitted the bareboat-charter agreement expired and the vessels were returned to the owner. Russian debtor had no other assets to satisfy the claim and went bankrupt.

There is a special form for the Certificate of Ownership confirming that the fishing company actually has the title of ownership for the vessel. Obtaining a copy of this Certificate from the Russian fishing company can be the first step. However, things may change from the date when Certificate was issued. So in order to avoid mistake

described above it is necessary to obtain a “fresh” Extract from the State Shipping Register confirming that the company has the title of ownership for the vessel.

MISTAKE #3: Foreign company does not check whether the deal will constitute a “major” transaction for the Russian company. A deal (including loan, credit, pledge, etc.) can be classified as a “major” transaction if transaction is connected with an acquisition, disposal or a possible disposal of assets being more than 25 per cent of the value of a company’s balance sheet assets. As one might notice nearly any deal that burdens the company with obligations can result in possible disposal of its assets.

As a general rule entering into a “major” transaction is subject to obtaining of the corporate decision approving such deal. Requirements about “major” transaction apply both to Russian limited liability companies and joint stock companies. Non-compliance with this requirement may result in a Russian company or its shareholder successfully arguing the validity of the “major” transaction in court. That’s why it is so important to check whether the transaction will be a “major” one, whether the corporate decision was made and whether the corporate decision was made by the authorized corporate authority depending from the case.

MISTAKE #4: Foreign company does not check whether the deal will constitute an “interested” transaction for the Russian company. This is important when more than one Russian company participates in the deal. For example, if the goods are sold to one Russian fishing company and another Russian company steps into the deal as a guarantor that the purchase price will be paid to the foreign company.

As a general rule if the member of the Board of Directors or the General Director or the member of the Management Board or the shareholder having more than 20 per cent of shares is interested in the transaction, than the deal can’t be entered without the corporate approval. As well as in the previous case non-compliance with the requirement to obtain corporate approval may result in a Russian company or its shareholder successfully arguing the validity of the transaction in court.

MISTAKE #5: Foreign company does not check whether any decisions or approvals are required depending from the nature of transaction and from the type of contracting party. For example, many Russian companies active in the field of fishing business are established in the form of Fishing Collective Farms (Kolhoz) being an agricultural co-operative organizations.

Before entering into any deal with a Russian Fishing Collective Farm one should keep in mind that according to the Federal Law No.193-FZ of 08 December 1995 “On Agricultural Co-operative Organizations” a Chairman of Fishing Collective Farm is not allowed to sign any contract without obtaining corporate decision. The authority of corporate body to make decision for entering into particular contract will depend from the amount of transaction.

If amount of transaction is less than 10 per cent of joint assets of the Fishing Collective Farm, not taking into account the value of its land plots and main assets (e.g. vessel), than it is necessary to obtain Decision of the Management Board for making transaction. If amount of transaction is between 10 and 15 per cent, than Decision of the Supervisory Board should be made. Transaction with the amount ranging between 15 and 20 per cent requires Joint Decision of Management Board and Supervisory Board or Decision of the General Meeting of Fishing Collective Farm Participants. Any transaction being more than 20 per cent of assets or connected with the sale-purchase of land plots or main assets shall be entered on the basis of the Decision of the General Meeting of Fishing Collective Farm Participants. Non-compliance with these requirements may result in invalidity of the transaction.

MISTAKE #6: Foreign company does not check who has authority to sign contracts on behalf of Russian fishing company. Failing to do this can also result in potential dispute about the validity of the contract. As a general rule a contract can be signed by the CEO of the company or by the person acting on the basis of a Power of Attorney issued by the CEO. The owner of the company (100 per cent shareholder) does not have authority to sign contracts unless he appointed himself as CEO.

The CEO in Russian fishing companies can bear a title “Director” or “General Director” or “President”. It often happens that Russian fishing company simultaneously employs Director and General Director or General Director and President. For the sake of validity of transaction it is important to check who has authority to enter the deal on behalf of Russian fishing company.

It should be also noted that the CEO in Russian fishing companies is normally elected or appointed for the certain period of time, e.g. for 1 year or for a longer period. So, before entering a contract it is always necessary to check if the authority of the CEO expired or not.

MISTAKE #7: The contract is not countersigned by the Chief Account of the Russian fishing company. It often happens in practice that contracts are signed only by the

General Director of Russian fishing company. However, in case of a dispute the Russian fishing company might claim that such contract is invalid.

There is a requirement in the Federal Law No. 129-FZ of 21 November 1996 “On book-keeping” (the “Law on Book-Keeping”) that for control purposes all financial obligations of a Russian entity must be countersigned by the Chief Accountant. It is important to make sure that Chief Accountant signed the contract because of the sanction for violation. According to the Law on Book-Keeping failure to obtain the signature of the Chief Accountant under the contract is capable of invalidating the transaction.

HOW TO CHECK WHO IS THE REAL OWNER OF A RUSSIAN FISHING VESSEL

by Sergei Mashkarenko

Quite often there comes a necessity to find out who actually owns some Russian fishing vessel. Normally this is done either before entering a contract or in case of a conflict before arresting the vessel. Public opinion of a local fishermen community is of a little help in this issue.

It’s not a rare case when the vessel is recognized by public opinion as owned by some company while actually such company only has the right to operate the vessel on some legal ground. The situation is complicated with the tricky provision of the Russian Merchant Seagoing Code that gives a title of “shipowner” to any company that has a legal right to operate the vessel no matter whether the company is the real owner or not. The vessel can be operated on the basis of bareboat charter, time charter, trust management, etc. and still an operator will bear a title of “shipowner”. The real owner might be unknown company without a fishing licence as no licence is needed to own a fishing vessel in Russia.

The only source to obtain information about the real owner of a Russian fishing vessel is the State Shipping Register of the Russian Federation (the “Shipping Register”). Despite of opinion existing between some foreigners the Shipping Register is not located in Moscow. The Shipping Register is kept by sixteen Harbour Masters in the Russian fish sea ports. Each of them runs the Shipping Register regarding the fishing vessels registered in his port.

So in order to check who is the real owner of a Russian fishing vessel it is necessary to submit a written Request to the Harbour Master of the corresponding fish sea port where the vessel is registered. The Harbour Master should issue Extract from the State Shipping Register with the requested information.

It is worth pointing that in reply to Requests some Harbour Masters are willing to grant Letters or Certificates with the information in question. These documents can serve for the information purpose, but can be not enough in case legal actions are necessary. This is because the Merchant Seagoing Code mentions only about an Extract as a document confirming information from the Shipping Register. So it is always necessary to make sure whether the document obtained from the Harbour Master is an Extract from the State Shipping Register or something else.

In each Russian fish sea port there are two top authorities: the Harbour Master and the Head of the State Administration of the fish sea port. Sometimes Extracts from the State Shipping Register are signed by the Head of the State Administration. However, only the Harbour Master has authority to sign an Extract. Sometimes one and the same man holds both positions. In this case it is necessary to make sure that the man acts as a Harbour Master and indicates the title “Harbour Master” rather than the title “Head of the State Administration”.

RUSSIAN FISHERIES: WHO RULES THE INDUSTRY?

by Sergei Mashkarenko

The spring and summer of the year 2004 witnessed fundamental changes in the system of Russian authorities in charge for fisheries industry. For more than five years the sector was ruled by the powerful State Committee of the Russian Federation on Fishing. On 9 March 2004 it was gone. It was gone together with an idea that one and the same authority can set the rules for industry and enforce them at the same time. Since then it was decided to separate these functions between different authorities and never to mix them. Actually this was the nerve of reform undertaken by President Putin. Though the approach became clear in March it took spring and summer to launch the new system. During this period the Government of Russia issued a number of Resolutions that provided detailed regulation about the new fishery authorities.

Ministry of Agriculture

The key role in the new system of fishery authorities belongs to the Ministry of Agriculture. The Ministry is in charge for developing state policy and legal regulation regarding catch and preservation of water biological resources, activities of fishing vessels as well as activities in fish sea ports. It has authority to issue legal acts providing rules for the fisheries industry and has authority to prepare draft laws and Presidential acts in the field of fishery.

One might recall that something similar already happened in the year 1997 when the powers to rule the fisheries industry were granted to the Ministry of Agriculture and Provisions. However, the major difference from events of the year 1997 lies in the field of distribution of powers. In 1997 the Ministry of Agriculture had the right to set the rules for the fisheries industry and to enforce them at the same time. In other words the functions of the “head” and of the “arms” were concentrated with one authority. In the new system the Ministry of Agriculture got only function of the “head” and doesn’t have the function of the “arms”, i.e. it can’t enforce the rules that it created.

The Minister of Agriculture is Mr. Aleksey Vasiljevich Gordeev. He was born on 28 February 1955, married and has a son and a daughter. Mr. Gordeev never worked in the fisheries industry. He graduated from Moscow Institute of Railway Transport Engineers and later on got education as economist. For many years he worked in the soviet agricultural sector. Mr. Gordeev came to the Government in 1997 and was employed as the Head of Economic Department. He quickly made his way and in 1998 became the First Deputy of the Minister of Agriculture and Provisions. Shortly after that in August 1999 he became the Minister of Agriculture himself. From that time and up to date he runs the Ministry of Agriculture.

Inside of the Ministry of Agriculture there are eight departments. One of them is the Fisheries Industry Policy Department. Though this Department is an internal subdivision of the Ministry of Agriculture its role is important. The Fisheries Industry Policy Department participates in preparation of all documents in the field of fisheries coming from the Ministry of Agriculture. For example, activities of the Department include preparation of draft procedure for turnover of shares in the total amount of quotas that were earlier fixed to Russian fishing companies as well as preparation of draft rules and instructions regulating fishery and operation of fishing vessels.

From the creation of the Fisheries Industry Policy Department it was managed by its Director Mr. Vladimir Fedorovich Korelsky. Unlike Mr. Gordeev he worked most of his life in the fisheries industry. Moreover for many years he ruled the industry first as the

Chairman of the Committee of Fisheries Industry (1991-1992) and then as the Chairman of the Committee of the Russian Federation on Fishing (1992-1996). However, in spring 2005 Mr. Korelsky left his position of the Director of Fisheries Industry Policy Department in order to become the Vice-Governor of Kamchatka. Mr. Korelsky was replaced by his deputy Mr. Anatoly Nikolaevich Makoedov. He was born on 6 September 1958 and has experience in fishery. Mr. Makoedov graduated from biological faculty of Perm State University and worked in various scientific research organizations. He also worked for several years as the Deputy Chairman of the State Committee on Fishing.

Federal Agency on Fishing

Though the name of the Federal Agency on Fishing sounds similar to the name of the State Committee on Fishing the role of the new authority is far not the same. The Federal Agency on Fishing (the "Fishing Agency") is under the control and supervision of the Ministry of Agriculture. Mr. Gordeev has authority to give instructions to the Fishing Agency and to control how his instructions are carried out. He also has the right to cancel decisions of the Fishing Agency in case they will contradict to the federal laws.

The Fishing Agency has no authority to issue legal acts providing rules for the whole industry, but has the power to issue individual legal acts, i.e. acts addressed to particular companies. It is in charge for keeping of the United Register of Users of Water Biological Resources, of the Register of the Fishing Plots for Coastal Fishery and of the State Cadastre of Water Biological Resources.

Among activities of the Fishing Agency are:
annual distribution of fishing quotas for foreign countries in accordance with international treaties of Russia;
annual determination of fishing quotas for Russian companies in accordance with shares in the total amount of quotas fixed to them;
entering contracts with Russian companies about fixing shares in the total amount of quotas.

It is important to note that the Fishing Agency will carry out annual distribution of fishing quotas granted to Russia in the exclusive economic zones of foreign countries and in the areas subject to international treaties when it will not be possible to distribute such quotas in accordance with shares of the Russian companies in the total amount of quotas. Fishing Agency is also in charge for organization of auctions for distribution of shares in the total amount of quotas for catch of water biological resources newly allowed for fishery and for catch in the newly developing fishery areas.

The Head of the Fishing Agency is Mr. Stanislav Valentinovich Ilyasov. He was born on 24 July 1953, married and has two sons and two daughters. Mr. Ilyasov is the newcomer in the fisheries industry. He graduated from Leningrad Electrotechnical Institute as a telecommunication engineer. Most part of his career he worked in the soviet and lately in Russian electric energy sector. It should be noted that during the years 2001-2002 Mr. Ilyasov was the Chairman of the Government of Chechen Republic. Before his appointment as the Head of the Fishing Agency in March 2004 Mr. Ilyasov was active as the Chairman of the Government Commission for rehabilitation of social sphere and economy of Chechen Republic.

Federal Service on Veterinary and Phytosanitary Supervision

The spring of the year 2005 was marked by the growth of power of the Federal Service on Veterinary and Phytosanitary Supervision (the "Veterinary Supervision Service") in the fishing industry. The Government Resolution of 23 March 2005 No.155 (the "Resolution No.155") appointed the state body in charge for licensing of activity on acceptance and transportation of catches of water biological resources, including fish, as well as other water animals and plants, carried out at sea. Previously this function belonged to the State Committee on Fishing. However the Resolution No.155 named the Veterinary Supervision Service and not the Fishing Agency as a licensing authority.

Another Government Resolution of 20 May 2005 No. 317 provided that the Veterinary Supervision Service shall carry out state control in the field of fishery and preservation of water biological resources, shall be temporary in charge for preparation, issuing and registration of Permits for Fishery (Catch) of Water Biological Resources as well as for making changes to such Permits. It shall also have the right to hold up the effect of Permits and annul them prematurely.

The Veterinary Supervision Service as well as the Fishing Agency is under the control and supervision of the Ministry of Agriculture. The Head of the Veterinary Supervision Service is Sergei Alekseevich Dankvert. He was born on 22 August 1955 and graduated from the Moscow Institute of Agricultural Engineers. During his career he worked on various positions in agricultural industry, but was not involved into fishery. In the years 2000 – 2004 he was employed as the First Deputy of the Minister of Agriculture.

Commission on Fisheries Industry Issues

The full name of this authority is the Commission of the Government of the Russian Federation on Agricultural and Fisheries Industry Issues. It was established in order to co-ordinate activities of the federal authorities in the field of fishery and agriculture. It is

important to note that decisions of the Commission have obligatory power for all federal authorities represented in it.

One of the main tasks of the Commission is to prepare proposals in order to reach major targets indicated in the Conception for development of Russian fisheries industry until the year 2020. Among other issues Commission will deal with proposals for development of international cooperation and performance of the international treaties of Russia in the field of fisheries industry and seagoing.

The Chairman of the Commission is the Minister of Agriculture Mr.Gordeev. The list with the names of the members of the Commission was approved by the Government of Russia on the 26 July 2004 and included Mr. Ilyasov, Mr.Korelsky as well as Mr. Blazhko (Chairman of the Management Board of the Union of Fishing Collective Farms of Russia), Mr. Glushenko (Chairman of Association "State-cooperative association of fisheries industry"), Mr.Zilanov (Head of the Provisions, Fisheries and Agricultural Industry Department of Murmansk oblast) and Mr. Osadchij (Chairman of the Committee on Fishing of Kaliningrad oblast Administration). Certain changes were made to the list since that time. For example, as Mr. Korelsky left his position of the Director of the Fisheries Industry Policy Department he was excluded from the Commission and replaced by Mr. Makoedov.

Plans for the work of Commission are approved by Mr.Gordeev as the Chairman of the Commission. It should be noted that a session of the Commission has the right to make decisions if more than 50 per cent of the members are present. Decisions are made by the majority of votes of the members present on the session and reflected in the Protocols signed by the Chairman of the Commission.

******

These articles are intended merely to highlight issues and not to be comprehensive, nor to provide legal advice. Should you have any questions or comments, I'm always happy to hear from you. You can reach me as follows:

E-mail: sergei@mashkarenko.ru
Internet: www.mashkarenko.ru
Tel/Fax: (7-812) 774 59 50
Mobile: (7-812) 915 34 21
Mail: 11-1-363 Turku Street, St.Petersburg, 192071, Russia

9b. Company profiles

Murmansk

TMT Ltd.

Murmansk, Fishing Port
Tel/fax +7 8152 477147

Mikhail Zaigraev - director

This is a company with Portuguese shareholder:
- 51% Russian side
- 49% Portuguese

The company is placed in the fishing harbour.

TMT has got a belt freezer 9 m long (temp. minus 37-40 deg.C) only for crab sticks (crab sticks are produced by their company PROTEIN).
Other equipment:
- baader 184
- baader 187
- baader 51 for skinning
- plate contact freezer for interleaved cod fillets in blocks.

IQF freezer for cod fillets – next year.

They haven't got own vessels. They buy fresh raw material from 6 suppliers.

Main products:
- salted cod (klippfish)
- cod fillets and h/g
- haddock fillets and h/g
- saithe, plaice, catfish for local market.

They have been using cod 1,7 kg + for salting before, now they use 1 kg+.

Cod and haddock interleaved have been exported to UK and France.

Good are shipped by containers on basis of DDP.
From Murmansk to St.Petersburg by truck and from St.Petersburg to Hamburg, Bremerhaven, Rotterdam by container vessel.
Cost : EUR 4000

TMT employs 60 people (2 shifts).
PROTEIN (crab sticks) – 120 people.

They have a plan to build a new production hall with 5 production lines and new coldstore.

JSC „NORD WEST F.C.“
15, Rogozerskaya Str.
Murmansk, 183039 Russia
Valeri Zimnitski
Dmitri Zimnitski

Nord West is an owner of 3 vessels: 2 small 25 m long and 1 bigger vessel 53 m long.
Catching method : trawl , long line
40 coastal vessels from Murmansk region supply Nord West with fresh raw material.
Coastal (in-shore) catches take place in 12,5 miles zone.

This year in-shore TAC (total allowed catch) for the whole Kola region (including Murmansk, Arkhangelsk, etc.) is 25.000 tons i.e. 20.000 tons of cod and 5.000 tons of haddock.
In-shore TAC only for Murmansk is 11.000 tons (haddock 1/5 of this volume).
Nord West's coastal quota is 6% of TAC.
Off-shore TAC for cod in Russian zone is 186.000 tons this year.
System quota changed in Russia. The quotas have been divided among the companies on historical basis. The companies catching the biggest volumes of fish in the past received the biggest quota .
There are about 200 users of quota in the whole region.
100% of fish from in-shore quotas have to be landed in Russia (Murmansk and other harbours).
Majority vessels catching off-shore do not land fish in Russia.

The vessels catch the following species:
cod
haddock
saithe
red fish (sebastes mentella and marinus)
catfish (3 species but mainly spotted catfish)
plaice and other flatfish (95% plaice and 5% of dab, american plaice, lemon sole)
black halibut
lumpfish
skate

Cod h/g - breakdown of sizes:
- 2,5 kg + 22%
- 1-2,5 kg 57%

- 0,5-1 kg 18%
- less 0,5 kg 3%

Average size cod h/g: 1,8-1,9 kg

Nord West vessels grade the raw material on board. The raw material from other suppliers has to be graded in the factory.

Processing:
20 tons of finish product per day.
10-15 tons of cod finish products per day.
2700 tons of finish product cod + haddock per year

Freezing equipment has been unchanged since our last visit:
belt spiral freezer
3 contact freezers

Coldstore for 100 tons (- 30 deg.C)
Filleting line: baader 200, 252, 184 and baader 52 for skinning

They use widely liquid ice (temp. minus 2,5-3,0 deg.C) .

Main export to USA and Canada (own office in Canada).
Main buyers in USA:
Hidden Bay
Nord Fresh
Gordon

There is no export of fresh cod fillets from Murmansk now, because Russian veterinary requires that fish not only is free from nemathodes but also free from the eggs of nemathodes.

Nord West is interested in export of fresh fish. Companies from Boulogne and Grimsby have been already asking them for fresh cod, haddock, and saithe products.
Nord West has been investigating the possibility of transportation of fresh fish by plane, but this research is not finished yet.

They employed, as a first company in Murmansk, the group of Chinese workers from Kharbin. They arrived in Murmansk on May 16th.

Small net of own fish shops.

NORD PORTO
Domostroitelnaia, 7,
183034 Murmansk, Russia
tel +7 8152 436035
fax +7 8152 436038

Alexander Kramik – general director
Yuri Artemev – director

Company with Portuguese shareholder.

Equipment:
baader 188
plate contact freezers
coldstore (-20 deg.C)

The raw material is delivered to the factory by trucks. It is maximum 2-3 days old.

The volume of raw material processed in reality is smaller than maximum production possibilities, because they are limited with their financial situation.

They can process 3000-5000 tons of cod raw material per year.
Main products:
salted cod (klippfish), production of klippfish depends on supply of raw material and can amount to 1000-2000 tons per year
frozen fish h/g in blocks
cod fillets skin-on interleaved, they started production in December 2004 and they can produce 2-3 tons of fillets per day

The proportion of klippfish to the other products is as follows:
20-25% klippfish
75-80% of frozen products including h/g and fillets interleaved.

Cod fillets are produced from the fish 800gram-1,5 kg.
Fish 1,5 kg + is used for klippfish
Cod h/g smaller than 800 gram is frozen in blocks and send to China via companies in Holland and England. Last year they sent to China about 1000 tons of small cod h/g.

Fillets skin-on interleaved are sold to England, Norway.
Klippfish to Portugal, Spain.
Nearly all production is exported.

2 shifts, 30 people per shift.

They receive only small quantity of red fish, catfish (mainly blue, jelly catfish) and other by-catch . They freeze it and sell to domestic market.

They plan to buy equipment for IQF freezing.

GULFSTREAM FISH
Triruchja, 183038, Murmansk, Russia
Tel. +7 8152 479271
Fax +7 8152 479271

Alexander Dvinin – sales director

Company placed in the village Tri Ruchja on the Western bank of Kola fjord.

The land (including the pier with crane) was bought 1,5 year ago.
Factory was founded in May 2004.
First salted cod (klippfish) in January 2005.
Production of cod fillets shatter-packed in blocks 7,5 kg started a few weeks ago.

Equipment:
baader 187
baader 188
baader 51
5 plate contact freezers (1 operating)

They plan to buy equipment to freeze products IQF, but they don't know yet what to choose.
They have been thinking about belt tunnel freezer straight or spiral or eventually equipment using CO2. This will be done not earlier than next year because they don't have enough money for such investment .

Coldstore for 1000 tons (temp. –18-20 deg.C).

They haven't got own vessels. They buy fresh raw material from local ship owners operating at coastal zone. The vessels supplying them catch by trawling method and long lines.

About 200 vessels operate in coastal zone.

Catches for different fish species in coastal zone are seasonal:
cod mainly in May-June-part of July
saithe – summer
haddock – autumn (September, October)

This year is not normal – a lot of small haddock appeared in April and May. Cod has been delayed.

They plan to buy fresh saithe from Norway.

All cod 2 kg+ they use for salting .

Coastal haddock is soft. To solve this problem they use liquid ice to make the fish more firm.

Catfish, skate : they have only very small volume (by-catch).

Flatfish – mainly plaice . They sell small volumes locally for drying.

Worker's salary – average EUR 250 per month.

They use bank credits. Interest rate: 15-17% per annum.

FISHING INDUSTRY UNION OF THE NORTH
Egorova street,6

Murmansk, Russia, 183038
Tel/fax +7 8152 476728, +7 8152 476675
e-mail: souzrps@an.ru

Genady Stepakhno

An organization established in 1992 after collapsing of huge Murmansk organization "Sevryba".

The organization associates 87 companies from Murmansk (52 companies are involved directly in fishery). Practically all fishing companies despite Murmansk Trawl Fleet are the members of Fishing Industry Union of the North.

The companies have in total:
90 ocean trawlers
9 small coastal vessels
11 transport vessels

7200 workers

The companies from this organization catch 23% of total catch in Northern-west region (43% of total catch in Murmansk region).

Total catch of fish in 2004 - 225.000 tons (including 138.000 tons of pelagic species and 87.000 tons of bottom species).

Catches by species (selected species) in 2004

cod	51.369 tons
haddock	15.895 tons
saithe	2.337 tons
catfish	6.021 tons
plaice (flatfish)	1.791 tons
black halibut	3.096 tons
red fish	5.509 tons
atlantic herring	20.846 tons
blue whiting	102.102 tons
mackerel	6.322 tons
capelin	-
skate	3.609 tons
shrimps	249 tons

Fish production (mainly h/g and frozen in blocks) in 2004 - 142.000 tons
Export – 44.000 tons
Domestic market – 98.000 tons

The members of this organization are listed in annex 5d

FCF "UDARNIK"
Minkino village, Murmansk region, Russia

Tel +7 8152 488531
Fax +7 81553 45416

Andrei Roman – deputy director

The company is placed in the village Minkino on the other side of Kola fjord.

They have 6 vessels (4 freezer vessels + 2 vessels for chilled fish)
Coldstore for 1000 tons.
Own pier with crane.
Belt freezer and plate contact freezers.

They found a local investor ready to involve own money in the factory. The factory building will be reconstructed according to HACCP rules to obtain EU veterinary export number.
The works already started. They hope to finish all works in few months.

The task is to produce salted cod, IQF fish fillets, h/g fish in blocks for domestic market.

Factory expected to start production not earlier than in beginning of 2006.

SEVROS
BIO NORD
SPECTR PLUS LTD
Lenin Avenue 104,
183038, Murmansk Russia
tel/fax +7 8152 476622
+7 8152 626228

Alexander Vysheslavtsev
Sergey Makhotin

The group of fishing companies working together.

Sevros - 8 vessels:
5 catching vessels
2 transport vessels
1 service vessel

Bio Nord – 2 fishing vessels
Spectr Plus – 1 vessel

Quota: 2054 tons (cod + haddock + by-catch).

They bought the land and pier on the other side of Kola fjord and they plan to build a processing factory. They face a shortage of money but they have good access to the bank credits.
They plan to start the production in April next year.

In the meantime they are going to use the facilities of company GIGANTE having belt freezer, grading machine, 3 contact freezers.

PORT VLADIMIR
Murmansk, Fishing Harbour
Tel/fax +7 8152 451981

Boris Akulin

Good standard processing company placed in Murmansk fishing harbour.
Portuguese shareholder.

Equipment:
belt tunnel freezer.
plate contact freezer
baader 200
baader 51

Production:
140-200 tons of cod fillets per month including skin-on, skinless, PBI, PBO fillets
about 200 tons per month of small frozen cod h/g to China
60 tons of salted cod (klippfish) per month to Portugal

Production capacity is not utilized in 100% for the time being. It is possible to increase the
monthly production as follows:
600 tons of frozen small fish h/g
260-270 tons of fillets
100-120 tons of salted fish
300 tons of minced cod (dark colour)

The only basis of delivery accepted by them is “ex works”.
They recommended to contact the following companies organizing transport by containers:
Barents Expedition
Samskip

Payment: they require the payment after loading the container (or truck) however before dispatch of container from Murmansk.

Export of fillets to France, Germany, England,
Klippfish to Portugal.
They have some contact in Iceland.
Small cod h/g to China (export directly and indirectly via European companies).

They haven’t got own vessel. They buy fresh raw material from local coastal fishing companies.

JSC ARCTICSERVICE
23, Mira Str.,

183036 Murmansk, Russia
tel. +7 8152 262297
fax +7 8152 428537

Alexei Zhitnikov – general manager

Arcticservice is a part of big Russian company "Tunaycha" from Sakhalin.
Tunaycha deals with king crabs (about 1300 tons per year) , salmon, red caviar, american hake, shrimps, scallops, fish cans. Distribution in main Russian centers is organized by their Moscow company Tunaycha-M.

Arcticservice has got more than 1000 tons of cod quota in Barents Sea.

They are the owners of 5 vessels:
1 for cod and haddock, 60 m long with processing equipment on board (h/g and contact horizontal freezing). Norwegian equipment installed a few weeks ago.
3 vessel for crabs
1 transport vessel

The vessels have the Russian flag but stay in Norway.

Cod and haddock is exported to Norway, Denmark and England. Cod is reexported to China later on.

Crabs are exported to America and Japan (legs and meat in blocks)

The company has also small factory in the village Ura-Guba at the coast (military area, special permission is required to visit to this place). They have a canning production in this factory.

Kaliningrad

RYBFLOT-FOR
Suvorova 57
Kaliningrad, 236039 Russia
Tel/fax +7 0112 474678

Guenady Baibakov – vice director
baibakov@forklg.koenig.su

The company was established in 1961 under the name of "Zaprybkholodflot". This was a state company owning the fleet of big ocean trawlers.
"Zaprybkholodflot" was reorganized two years ago and divided into two independent private fishing companies: "Rybflot-FOR" and "Morskoi Rynok".

Rybflot-FOR operates on the Atlantic. They have got 10 big vessels longer than 100 m .
Catching method : trawling.
Eight vessels operate in the North Atlantic and two vessels in Africa (Marocco).
The vessels are 18-20 years old.

Processing on board: only freezing of whole round fish or headed and gutted fish.
No production of fillets.

They catch in total about 90.000 tons of fish per year.
Production on board: about 70.000-75.000 tons of frozen fish and about 1.000 tons of fish meal.
Horizontal freezing in 10 kg blocks.

Main species of caught fish:
herring
mackerel
blue whiting
redfish

Two vessels working in Marocco waters catch mainly for horse mackerel and mackerel.

The vessels have a break for repairs in the winter.

The majority fish (about 90%) is delivered to Russia.

The unloading take place party in St. Petersburg and partly in Kaliningrad. The discharge in St.Petersburg is much easier than in Kaliningrad. The procedure is more simple and fish can be easy distribute from St.Petersburg to the other areas of Russia . In case of Kaliningrad the situation is more complicated because the goods have to pass Lithuania or Byelorussia to be delivered for example to Moscow.

The unloading possibilities of St.Petersburg harbour are also bigger than Kaliningrad harbour.
600 tons per day can be unloaded in St.Petersburg and only 200 tons per day in Kaliningrad.

Some volume of fish is also exported:
4.000-5.000 tons of blue whiting to Nigeria
700-800 tons of redfish to Japan.

The results in year 2004:
90.500 tons – total catch
73.400 tons – fish frozen in blocks
tons – fish meal

Production by species:
16.300 tons – blue whiting
11.400 tons – mackerel (5.800 tons in the Northern Atlantic + 5.600 ton in Marocco waters)
11.300 tons – horse mackerel
11.100 tons – herring
5.500 tons – redfish
other species.

Financing sources:
profit from the sales of their production
short term (3-4 months) bank credits (interests up to 20% per annum)

Investments:
They have limited financial possibilities but if they were able to do it, they would try to exchange their old fleet into a new one or at least younger one. A new vessel is expensive and costs about 25 million dollars, therefore they could accept also 10 years old vessels.
They think also about buying and installing the filleting lines “baader 225” for smaller size fish on board of their vessels.

POSEIDON 2000
1 Rybatskaia str, Svetly
Russia
Tel.fax +701152 31534
+ 701152 21692
E-mail:kvytkovsky@baltnet.ru

Vladimir Rogov – deputy director

Small factory producing fish cans and preserves established in year 2000.

EU veterinary export number: E 20.

Production capacity : 15.000 cans per day

The raw material mainly from the Baltic sea:
cod liver
cod roe
cod
flounder
Baltic herring (preserves)

The raw material from the Atlantic Ocean:
squids
tuna
mackerel (seldom)

Import of raw material from Iceland, Spain, Estonia (pike-perch roe), Poland
Small volumes.

Before the sales mainly in Russia (Moscow, Ural area – Yekaterinburg, Tchelabinsk).
Now 70% to Ukraine and the rest to Russian market, but this can change again in few months.

The export to Germany – herring preserves. Small volume but quite big variety (15 assortments).

Payment terms: in the beginning they require 100% pre-payment. They can discuss the other payment methods only after a certain period of cooperation.

Investments:
The company has different plans to expand the activity by installing the filleting line or smoking equipment but they have to be very careful. They are placed in the harbour 50 m from the quay. There is a rumour, that Russian oil company Lukoil plans to build the oil terminal also in Svetly fishing harbour. It means, that the future of fishing companies in this area is not clear.

MARFISH CO. LTD
1, Druzhby str., Svetly
238340 Russia
tel/fax +701152 22969
tel. +70115230059

Nikolay Nechay – sales manager

Fishing company established in 1992.

The fleet:
2 vessels in Africa waters (Namibia); method of catches – long line . The vessels are 50 m long.
6 vessels on the Baltic including 5 catching by trawl method and 1 with gill-nets. Length of vessels 27 m.

The vessels are 20-30 years old.

Catches on the Baltic sea:
cod 260 tons
flounder 166 tons
sprats 2150 tons
Baltic herring 640 tons
Baltic turbot (by-catch)

100% of fish from the Baltic sea is sold on Russian market (mainly in Kaliningrad region).
The fish is sold in fresh condition in Kaliningrad region (the raw material for local fish processors). The sales to the other areas of Russia in frozen condition(flounder, herring.
No export to EU.
They use ice for cod and flounder.
The boxes with sprats and Baltic herring are without ice.
They buy the ice locally in the company Kaliningrad Seafoods.

Catches in Namibia (Russian flag, fishing quota of the company registered in Namibia)
hake
tuna
marlin
swordfish

They employ 120 workers.

The crew on the vessel: 6-27 fishermen depend on the size of the vessel.

LEDOVO SVETLY
51 Gagarina str., Svetly
238340 Russia
tel +70112 538037
fax +701152 31413

Mr. Vladimir Petrovskiy – Sales director
vpetrovsky@mail.ru

EU veterinary export number: 69H.

The Ledovo Group was established in November 1994 by Mrs. Nadezhda Kopytina (president of Ledovo Group). The group consists of 6 processing and trading companies .
There are 2 producers:
Ledovo PK placed in the village Dolgoiye Ledovo in Moscow region
Ledovo Svetly in Kaliningrad region.

Ledovo Svetly is a modern factory (they passed positively audit from Auchan) . The production is placed in the building and area belonging before to company Stanislaw (bankruptcy). They are the neighbours of Lukoil terminal in Svetly.

The raw material:
pilled shrimps (pandalus borealis) from Canada (by containers)
crayfish from China
mussels from Denmark
octopus.

The raw material is bought straight from producers, mainly by containers.

Two kind of finished products:
individually quick frozen shrimps, crayfish, mussels, octopus packed into plastic bags,
preserves in jars with special marinade (shelf life – 6 months)

Production is fully computerized.
50 workers.
3 shifts
20 tons of ready product per day .

Freezing: 1 tunnel belt freezer in Svetly and 2 in Moscow.

Cold storage: 2000 ton in Svetly and 1500 tons in Moscow.

Packaging: good quality, printed and colorful plastic bags (200 gram, 500 gram, 1000 gram) and plastic boxes (385 gram). The packing material is produced in Russia. There are more and more producers – very often the branches of famous European companies.

According to Mr. Petrovskiy Ledovo covers 90% of domestic market demand for these products. This kind of products is bought by 8% of Russian population.

Sales only to domestic market: Moscow, Omsk, Novosibirsk. Also to Ukraine, Byelorussia, Kazakhstan (former Soviet republics are treated by them also as domestic market).
80-90% of production is delivered to Moscow. Distribution is organized by Ledovo Moscow
sales office.
The main bulk of production is sold to big supermarkets like for example Auchan on basis of long term contracts (tender system).
Supermarkets sell very often preserves under own label.
Wholesale companies are not able to finance such expensive product.

St.Petersburg market is a smaller market than Moscow one. Recently Ledovo established an office with regional sales manager to works directly with supermarket nets in St.Petersburg to increase the sales in this area.

Big competition on the Russian market.

They do not spend too much money for advertisement.

No export to Western Europe because they haven't found reliable partners so far.

Transport:
The products are transported by trucks (they do not use rail transport) .
It is more expensive than by train but more convenient because they do not need to keep too much product on stock. The rail transport in Russia is executed by so called "sections" (three wagons). The producer can not load only one wagon. It has to load minimum one "section" i.e. three wagons.
They do not use the ferry from Kaliningrad to St.Petersburg.
Transport from Kaliningrad to Moscow only by trucks via Lithuania and Byelorussia (1200 km).
They use local transport companies.
Transport to Moscow costs US$ 1650,-.

According to Interfax, the Ledovo group plans to invest 70 million EUR in Kaliningrad region. They want to set up "a business park" containing 10-12 companies involved in the production of foodstuffs.

KATRAN LTD.
Pravaia Naberezhnaia Str., 5
Kaliningrad, 236005 Russia
Tel/fax +70112 357454
E-mail: bertus@mail.ru

Alexander Berestovoi – Director

This is a small export/import company established in 2000.
Two shareholders.
EU authorization export number: 82H.

They have the building with the room 250 m² for sorting and grading of fish and small chilling room (0°C).

The main activity of this company is the export of fresh fish like:
pike-perch
eel
perch
Baltic cod
Baltic turbot

The main directions of this export:
Germany
Estonia
Poland

The volume of exported fish:
cod and pike-perch – about 600 tons per year
eel – 50 tons per year
other species – small quantity

The ice is produced by themselves.

The terms of delivery: Ex works Kaliningrad.

The payment conditions: pre-payment.

They have been developing the company step by step in order not to take too much credits from the bank (the cheapest interests 15-17% per annum).

This is also the reason, that they have been dealing mainly with fresh-water fish till now. They are still financially too weak in order to compete for cod with such big players like for example Kaliningrad Seafoods.

Next cod season they would like to increase the export of fresh Baltic cod head-on, gutted.

They look for the investors/partners ready to finance the equipment necessary to process and freeze the fish (cod, pike-perch and other species) and finance the purchase of raw material.
It is necessary also to teach the workers (filleters) how to make a good product.

KALININGRAD SEAFOODS
(KALININGRADSKIE MOREPRODUKTY)
238340, Kaliningrad Region,
Svetly, Druzhba str. 1
Tel/fax +701152 22663
+701152 30808

Yuri Vasser – director

The company was established in 1999.

EU veterinary export number: 01D.

It is the biggest cod processor in Kaliningrad Region.

They have built a new, nice and big factory this year in order to meet all EU veterinary requirements regarding fish processing. This factory will produce mainly for export.
The old factory will be producing only for domestic market.

Equipment:
Baader 208

Baader 417
NORFO cutting machine (production of salmon portions)
Spiral belt freezer (+/- 400 kg per hour)
Straight belt freezer (+/- 1000 kg per hour)
Blast freezers
Plate contact freezers
Processing line for breaded fish fingers

Coldstore for 1000 tons.

The work in 3 shifts.

Processing capacity for export: 20 tons of fish raw material per day, 5000-6000 tons of fresh and frozen raw material during the year (10 months).

The main species processed by this company for export:
Cod 80%
Pike-perch 15%
Flounder, turbot, perch 5%.

Export of individually quick frozen fillets of cod, pike-perch ,turbot, salmon portions to Belgium, Denmark, Germany, Holland and France – 2000-2500 tons .

Despite of export the factory can process additional 5000 tons of fish for domestic market:
Fish fingers (4-5 tons per day)
Flounder
Baltic herring
Pike-perch
Fresh-water fish
Cod blocks (worse or bad quality cod)
Minced fish

In majority cases it is whole round fish frozen in 10 kg blocks.

They sell to the following places in Russia:
Kaliningrad region
Moscow
St.Petersburg
Nizhny Novgorod
Voronezh
Kursk
Samara.

Basis of deliveries: ex works Svetly.

Transport by trucks.

ATLANTRYBFLOT Joint-Stock Company
D.Donskogo Str.,5a

Kaliningrad, 236000 Russia
Tel.+70112 718008, + 70112 718010
Fax +70112 718007, + 70112 718008

Sergey Kanavin – General Director
kanavin@atlantrybflot.com

Atlantrybflot was established in 1958. Now it is private joint-stock company .

They have 11 vessels including 10 fishing trawling vessels and 1 transport vessel.
The vessels are 25 years old.
The equipment on the vessels is different – new, modern and old.

Catching area: the Atlantic Ocean (North Atlantic with the Barents Sea and Marocco, Mauritania).

The main species caught by the vessels:
cod (the Barents Sea)
haddock
herring
mackerel
blue whiting
redfish

The catches in year 2004 – 40.000 tons of fish.

Production on board of the vessels:
freezing of whole round fish in 10 kg blocks
freezing of headed and gutted fish in 10 kg blocks.

The production is discharged from processing vessels into transport vessel on the sea.
Transport vessels delivers fish to the harbours.

The 90% of the production is sold in Russian domestic market.
Fish is delivered mainly to St.Petersburg , less to Kaliningrad.

The production is sold to domestic market through their own wholesale company in St.Petersburg (20 workers) and Kaliningrad (2 workers).

Main sales markets:
Moscow
Ural (Tchelabinsk)
Nizhny Novgorod

Investments:
They plan to buy a new vessel to catch for sprats on the Baltic Sea (leasing).
They would also like to exchange the old vessels into new vessels.

Tula, Moscow region

HOMYAKOVSKY HLADOKOMBINAT JSC
Factory: Tula, village Homyakowo
Office: 119180 Moscow, Malaya Polyanka, 5, off.3
Tel/fax +7 095 2383861

Igor Lushnikov – commercial director

Company established 1,5 year ago.

They decided to build factory in Tula to be closer to consumers' market.

Because the pelagic fish market was satiated they decided to concentrate on white fish.

Modern, big, very clean factory in Tula.
Belt tunnel freezer (time of freezing 15-18 min. cod fillets)
Baader 176 (flat fish – plaice)
Badder 200, 427, 52, 51

Coldstore in Tula:
5000 tons for raw material
500 tons for ready product

Coldstore in Moscow: 500 tons

Raw material:
Fresh from Murmansk
Fresh frozen on board of the vessels
Frozen from Far East - 10-12 train sections (4 vagons = 180 tons each section)

Raw material from Murmansk is delivered by trucks.
Raw material from Far East by train.

Production:
Export 50%
Domestic market 50%

They started 1,5 year ago and they have been increasing the production gradually.
The production capacity of the factory should be achieved in July (next month):
750 tons of raw material per month

Main fish products produced for export:
Frozen cod fillets, cod loins, cod portion
Frozen plaice fillets
Frozen pike-perch fillets

Products are exported to:
Germany (mainly)

Holland
Belgium
France

Domestic market
They deliver fish products regularly to 12-15 shop-nets, but also to wholesalers.
Biggest buyer: METRO buying mainly frozen alaskan pollock headed. XX deliveries 15 different assortments under the brand name of “ARA” and “METRO QUALITY”.