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# OVERVIEW OF THE FISHERIES INDUSTRY

# IN RUSSIA

FLANDERS INVESTMENT & TRADE MARKET SURVEY

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OVERVIEW OF THE RUSSIAN  
FISHERIES INDUSTRY  
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December 2021

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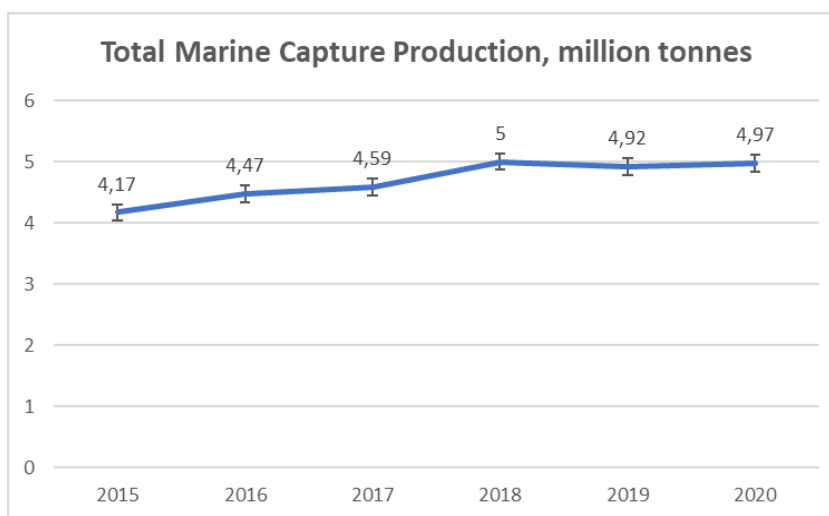
distribution. However, an obsolete fleet combined with an underdeveloped fishing infrastructure, administrative barriers and a lack of investment remain as the main constraints to sustainable development of the industry.

## 2. MARINE CAPTURE AND AQUACULTURE PRODUCTION

According to the Food and Agriculture Organization of the United Nations, the top seven capture producers are China, Indonesia, Peru, India, the Russian Federation, the USA and Viet Nam. They account for almost 50% of the global capture production. China remains the biggest fish producer accounting for 35% of the global fish production in 2020.

In 2020, Russia's total marine capture reached 4,97 million tonnes, an increase of 1,2% compared to the total capture in 2019. So annual marine catches have continued to be stable in recent years. Annual figures are depicted in Figure 1 below.

Figure 1: Russia's Total Marine Capture Production, million tonnes



Source: Rosrybolovstvo

According to the Russian Federal Fisheries Agency, Rosrybolovstvo, the total marine catch in the Far Eastern basin increased by 4,2% reaching 3,57 million tonnes. Pollock production grew by 6% reaching 1,83 million tonnes. Cod production totalled 171.900 tonnes, up 10%, while pacific herring production amounted to 410.000 tonnes, up 6,8%.





Traditionally, the Southern Federal District and the North-Western Federal District are top leaders in aquaculture production. In 2019, Southern Russia produced 70.200 tonnes, while North-West Russia produced 68.600 tonnes. North-West Russia reported a 38% increase in aquaculture production in 2019. Local farmers breed mainly Atlantic salmon and trout. The Murmansk region reported a 50% increase in aquaculture production reaching 33.800 tonnes. Karelian fish farmers managed to produce 22.300 tonnes in 2019, an increase of 21% compared to the previous year.

42 companies are active in fish farming in the Leningrad region. Fish farming is getting very popular in the region, and the local government tries to support farmers offering strong financial incentives. Favorable weather conditions and a great number of freshwater lakes attract investors to the region.

In 2019, local fish farmers produced 10.845 tonnes, an increase of 16,3% compared to the previous year. In 2020, local fish farmers continued to grow and produced 12.300 tonnes, an increase of 13,4% compared to 2019. Trout farming accounts for 98% of the total aquaculture production in the region. The table below shows aquaculture production in the Leningrad region over the period 2018-2020.

**Table 1: Aquaculture Production in the Leningrad Region, tonnes**

Year	Production
2018	9.323
2019	10.845
2020	12.300

Source: Committee of Agriculture and Fisheries of the Leningrad region

One of the largest Russian aquaculture producers is **Russian Aquaculture**. The company operates 6 fish farms in the Murmansk region, 3 farms in the Republic of Karelia and 2 smolt farms in Norway. Russian Aquaculture is growing and is going to build a smolt farm in the Leningrad region. The total investment will amount to RUB 500.000 (€ 5.717), and the farm will be capable of producing 2.000 tonnes per annum. Russian Aquaculture will partially meet the needs of local farmers in salmon smolt.

**Severnaya Midiya** will create the largest certified mussel farm in North-West Russia. The company has been growing and harvesting mussels since the 1970s. Nowadays it operates 18 mussel rafts on a territory of 250 ha using renewable energy. Severnaya Midiya is planning to increase annual production to 225 tonnes and build facilities to handle mussels. Mussel farming provides an enhanced habitat and adds to the overall health of the marine environment.

**Tuloma Salmon** is developing a chain of state-of-the-art farms located in different regions: a salmon farm in the Tula region, Central Russia, a salmon farm in the Khabarovsk region, the Russian Far East, and a farm









There is an ambitious plan to build new production facilities and create a fully integrated distribution hub in the Russian Far East. The Ministry for the Development of the Russian Far East has initiated a program to build a distribution hub in response to the Chinese lockdown of the fishing ports early this year. Traditionally, China imports a lot of Alaska pollock, Russia’s main export fish. Every year, China imports 700.000 tonnes of Russian pollock, handles it and exports the fish to lucrative overseas markets like the EU and the USA. But the long-established model of Russian pollock being processed in China has been broken by the pandemic. Due to the national lockdown in November 2020-January 2021, Russian fishing companies could not export regular catches and suffered enormous losses. Furthermore, China tries to slash wholesale prices for Russian pollock and increase its profit margin. The domestic demand for fish is very high due to ongoing COVID interruptions, extreme weather events in certain areas and labor shortages. New processing and distribution facilities in Russia should reduce its heavy dependence on the Chinese market. Many Russian fishermen are now looking for new export markets.

Besides, there are strategic plans to build fish processing facilities in the central part of Russia which is the main consumer market. The Central Federal District is the most densely populated area of Russia. This strategy will diversify seafood supply chains and reduce transportation costs for some market players. In general, companies, which focus on deep processing and creating added value, will generate more profits in the future since the demand for frozen seafood and fillet is growing faster than the supply.

**Fish Corporation** is a young organization managed by two big fishing companies - **Antey Group** and **North-West Fishing Consortium**. The corporation consolidates technical expertise and helps fishermen develop investment projects. The organization provides the following services: technology consulting, business model definition, overview of support measures and financial incentives and feasibility studies. The scope of their invest projects includes fishing ports in the Russian Far East (Petropavlovsk-Kamchatsky, Korsakov, Vladivostok), an integrated distribution hub in Vladivostok, a fish exchange in Vladivostok. The Exchange’s primary goal will be to offload and auction fresh seafood. The Exchange will be based on an electronic platform that will support sellers and buyers in bidding.

Most of fish processing takes place on board the ship, on fish catcher processors. Many Russian shipyards are now building trawlers, fish processors and crab catcher boats in partnership with foreign consultants. According to the Russian Fisheries Development Strategy 2030, Russia is to build 1640 vessels including trawlers, fish processors and crab boats. So Russia has been slowly improving its processing capacity and upgrading the fleet, and this upgrade process will continue in the nearest future.

## 4. SEAFOOD EXPORTS AND IMPORTS

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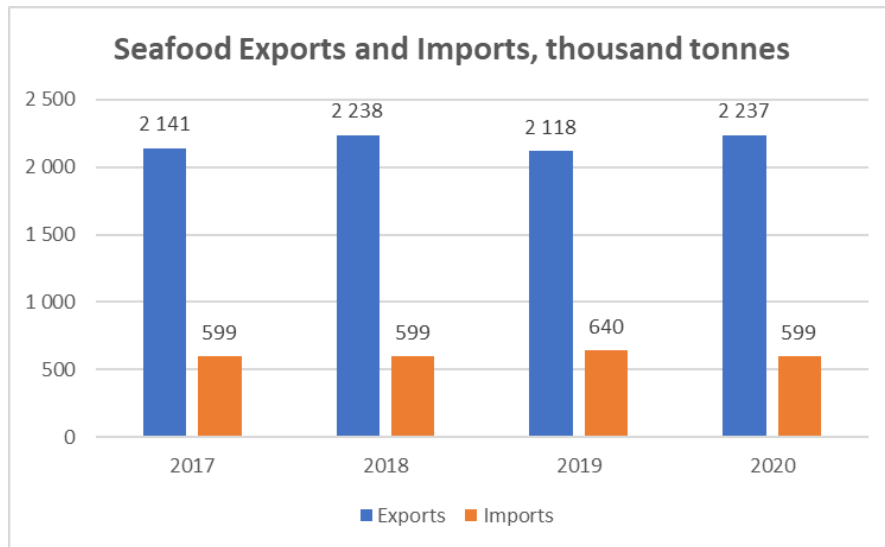
Russia is deeply integrated into the global fish market exporting 60% of the total capture. Russia is now trying to boost its fish exports and reduce imports. According to Rosstat, seafood exports increased by





The figure below reports Russia’s aggregate exports and imports over the last four years.

**Figure 4. Seafood Exports and Imports, thousand tonnes**



Source: Rosrybolovstvo

In general, the Russian fishing industry faced many challenges and uncertainties in 2020. Russia redirected some fish exports, improved local fish production and seafood supply chains disrupted due to the global pandemic.

## 5. PER CAPITA FISH CONSUMPTION

The Russian Ministry of Healthcare recommends to consume 22 kg of fish per capita. In 2014, Russia’s per capita fish consumption stood at 22,7 kg, but it has been gradually declining since then. Officially, per capita fish consumption stands at 19-20 kg, but it is much lower in reality. According to some fishing experts, per capita fish consumption stands at 14,5-15 kg in Russia. Low fish consumption results from rising fish prices and declining household incomes. For many households, fish is a very expensive product.

In April 2021, the Russian Fish Union and big retailers conducted a consumer survey at some retail chains. The findings of the survey are demonstrative of extremely low fish consumption among Russians. One out of ten consumers does not eat fish at all. One out of three can afford fish once a week. And one in two would like to eat more fish, but cannot afford it. According to the retailers and experts involved, the Russian fish market is trapped in a vicious circle: consumers buy little fish due to high cost and low quality; fish



producers do not invest much in fish processing and new product formats; fishermen boost the total capture and exports generating more business and profits.

Most of fish is consumed in the Russian Far East since fish is traditional in the local food diet. For example, per capita fish consumption in Chukotka reaches 60 kg per annum. In Moscow, per capita fish consumption reaches 28 kg on average. In Saint-Petersburg, per capita fish consumption stands at 18 kg. This figure is much lower in other regions.

All in all, low fish consumption snowballs many problems that have to be solved. All stakeholders have to unite efforts and develop an action plan to increase demand for fish, improve processing capacity and raise consumer awareness of fish quality and new formats. There is plenty of room for improvement in fish marketing and promotion.

## 6. THE STATUS OF THE FISHING FLEET AND INFRASTRUCTURE

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The Russian fishing fleet is old and fish processing technologies are, for the most part, worn-out and outdated. Most of the Russian fishing vessels are over 30 years old, manufactured in the 1970s and 1980s. According to the Russian fishing development strategy, half of the fleet is to be replaced over the next decade.

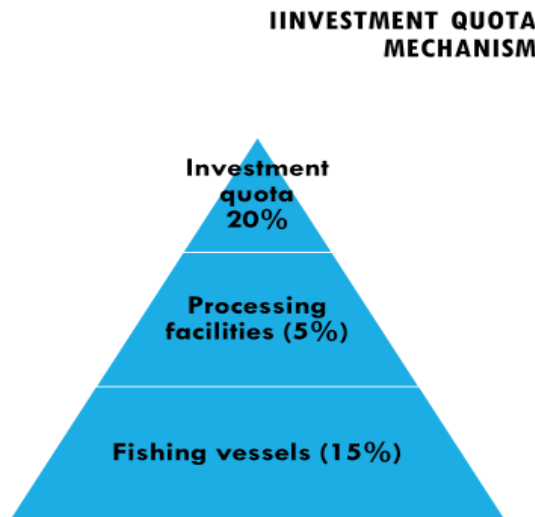
The Russian fishing development strategy was approved in 2017. It outlines sector priorities, growth drivers, government support and local programs to boost the fisheries sector. The main objectives of the strategy are:

- Upgrading the technology in fish processing and developing effective infrastructure in Russia
- Modernizing domestic shipyards
- Upgrading port infrastructure for ship services
- Developing aquaculture and mariculture
- Sustainability of fish stocks and developing fishery science
- Improving fishery management systems
- Strengthening the position of Russian fish and diversifying product formats.

The investment quota mechanism creates large opportunities for companies active in fishing and fishery technology. Investment quotas are granted to companies that build new fishing vessels or onshore processing plants. The mechanism suggests that if a fishing company builds a new fishing vessel in Russia,

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it will be given an extra fishing quota of 15%. If a company installs new processing equipment, 5% will be added to the fishing quota for certain fish stocks. See the diagram below.

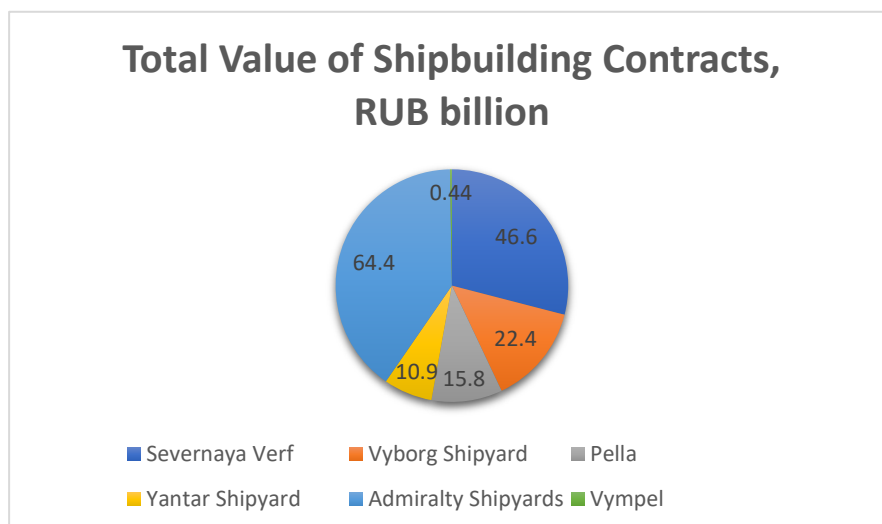


The first investment contracts were concluded in 2018. Russian shipyards have built and delivered 5 fishing vessels since then. Currently, 33 vessels are under construction at Russian shipyards; 19 out of 33 have been launched.

North-West Russia is a big shipbuilding center with 200 active players. The shipyards located in the region are to build 42 fishing vessels including trawlers, fish processors and crab catcher boats. The total investment is RUB 160,5 billion (€ 1,84 billion). See the total contract value breakdown below.



Figure 5. Total Value of Shipbuilding Contracts, RUB billion



Source: Rosrybolovstvo

**Severnaya Verf** takes the lead in this competition and is to build 14 fishing vessels during the contract period.

The Federal Fisheries Agency is now discussing an extension of the investment quota program with big market players. The topic has been widely discussed at the recent Eastern Economic Forum in Vladivostok. According to Rosrybolovstvo, the program will be extended for fishing companies from the Russian Far East. This region accounts for 70% of the total fish capture, but it is extremely short of processing and storage capacities. 50% of the new investment quotas will be allocated for fish processing plants; 10% of the new quotas will be allocated for new fishing vessels. Besides, Rosrybolovstvo is planning to make the program more effective and flexible to better meet the needs of fishing companies.

While Russia's strategy might place the country at the forefront of the global seafood industry, there is still a lot of work to be done. This is especially due to the fact that landing abroad is still more profitable than domestic landing and local production.



## 7. MAIN PROBLEMS IN THE RUSSIAN FISHERIES INDUSTRY

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Russia continues a complex modernization of the fisheries industry from improving resources management and eliminating administrative barriers to supporting local shipbuilding, fish production and distribution. Landing abroad and increased fish exports lead to stagnation of the Russian fish market and coastal processing. The local fish market is trapped in a vicious circle: consumers buy little fish due to high cost and low quality; fish producers do not invest much in fish processing and new products; fishermen boost the total capture and exports generating more business and profits.

The main problems of the industry include the following:

- Worn-out fishing fleet and port infrastructure
- Lack of fish processing capacity, both offshore and onshore
- A long transportation leg between fishing zones and the main consumer markets
- Lack of distribution and storage facilities
- Low investment activity
- Declining per capita fish consumption
- A small share of aquaculture in the total fish production
- Lack of feed manufacturing capacity.

## 8. OPPORTUNITIES FOR FLEMISH COMPANIES

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Flemish companies and producers can contribute to Russia's modernisation and advancement of the fisheries sector. There are good project opportunities in Russia. Fish farmers seek high-quality fish feed and aquaculture technologies; fish producers look for new technologies to process fish and diversify a product range; ship builders seek new solutions, engineering competences and components for shipbuilding. Sustainable fishing is also an important topic in Russia and is a key part of the global seafood agenda. Actions must be taken to rebuild depleted fish stocks, reduce the environmental footprint of fishing and aquaculture and ensure sustainability for fishing communities worldwide.

The Global Seafood Expo is the flagship event for the Russian fishing industry. This high-profile event is of a great importance to Saint Petersburg because North-West Russia is a huge shipbuilding and fishing centre. 400 exhibitors from 25 countries took part in the recent exhibition in September 2021. Besides regular participants like Iceland and Norway, there were new participating countries like Chile and Spain.

If you want to look into the opportunities to market has to offer visiting this exhibition is highly advisable.



## 9. SOURCES

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1. Food and Agriculture Organization of the United Nations (<http://www.fao.org/home/en>)
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3. The Russian Federal Fisheries Agency, Rosrybolovsto (<https://fish.gov.ru/>)
4. Agricultural portal 'Agroinvestor' ([www.argoinvestor.ru](http://www.argoinvestor.ru))
5. Fishery portal 'Aquaculture' (<http://aquacultura.org>)
6. Fishery portal 'Fish Portal' (<http://www.fishportal.ru/>)
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8. RBC Information and Marketing Agency ([www.rbc.ru](http://www.rbc.ru))
9. Institute for Agricultural Market Studies (<http://www.ikar.ru>)
10. Magazine 'Expert North-West Russia' (<http://expert.ru/>)
11. Newspaper 'Delovoy Petersburg' (<https://www.dp.ru/>)
12. Marine Magazine 'Vesti Morskogo Peterburga' (<http://www.morspb.ru/>)
13. Marine magazine 'Marine News' ([www.morvesti.ru/](http://www.morvesti.ru/))
14. AgriConsult, a consulting company focused on agriculture (<https://agricons.ru/>)
15. Global Fishery Forum and Seafood Expo Russia (<https://seafoodexporussia.com/>)

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