

2014 timelines, Russia's import ban redraws seafood trade lines

It takes something fairly major to change the pattern of world trade, but in August 2014 we saw just such an event.

In response to sanctions levelled against Russia over alleged links to the shooting down of Malaysia Airlines flight 17 over Ukraine, president Vladimir Putin introduced a ban on food imports from the European Union, the US, Norway, Canada and Australia.

The ban, [announced and enforced from Aug. 7](#), covered custom codes for fresh fish, frozen fish, crustaceans and molluscs. The initial plan was for them to remain in place for a year, or until the sanctions against Russia are lifted.

As of Dec. 29 they remain in place. Food prices are up to 25% higher than they were in January, and are expected to continue rising. Russia continues trade talks with countries like Ecuador, Peru, South Africa and [most recently Iran](#), in a bid to keep supplies coming in, [even as it plans for self-sufficiency](#).

August

On the first day of the ban, which *Undercurrent News* in the world to report, [sources warned Russia's own processors would suffer a big impact from the ban](#), which did not exclude imports of processed seafood products.

A senior Russian seafood CEO, not wanting to be quoted by name because of the sensitive nature of the situation and anti-western sentiment in Russia, said the sanctions were “put together in a day” and are actually damaging to domestic business.

Immediately after the ban's announcement the share prices of all the major Norwegian salmon sellers dived by up to 10%, with Russia previously having been an important market for fresh salmon.

It [quickly became clear that Russia could look to Chile](#) to replace at least some of the salmon volumes no longer coming from Norway, though how Norway would replace Russia as a market was more open to debate. Some US buyers looked to Norway as their Chilean product instead went to Russia, [though Norwegian prices were still rather high for their tastes](#).

Sources [suggested Chile began raising its salmon prices as soon as the ban was announced](#)— soon Russian buyers were joining with salmon sellers to trial air freight of salmon to cut short the delay of shipping.

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That trade shift seemed even more definite as [US salmon processors saw the potential of more demand](#) should it begin importing less-processed Norwegian salmon, and more value-added Chilean fish was diverted to Russia.

The Norwegian Seafood Council, meanwhile, [pooled nearly NOK 60 million](#) (\$9.7m) that it planned to use in additional investments to help salmon and trout exporters deal with the impact of Russia's food import ban on countries including Norway.

Norway Royal Salmon, for example, suggested it and the country as a whole would turn its focus to boosting sales in [new and existing markets including Asia and France](#). As it turned out recently though, [France was anything but a strong market for Norwegian salmon in 2014](#).

When [Russia confirmed Greenland and the Faroe Islands would be exempt](#) from the import ban, Bakkafrost salmon and Greenlandic coldwater shrimp became some of the in-demand goods for Russia buyers. As in Chile, *Undercurrent* heard [reports of Faroese salmon rocketing in price](#).

Later in the year Bakkafrost would reveal its [sales to Eastern Europe had surged to a quarter of its total sales and a third of fresh sales](#).

It emerged that Belarus would not be joining the trade block, meaning seafood imported and processed there could still find a strong market in Russia, with [Santa Bremor one firm which could potentially benefit](#).

In a bid to help the country's seafood sectors hardest hit by Russia's ban, the [Norwegian government agreed to temporarily increase limits on salmon and trout biomass by 6% and 20%](#) respectively, until March 31, 2015.

While Russia's traditional trading partners found themselves frozen out, a number of emerging players spotted an opportunity. [Bangladesh, for one, aimed to take advantage and supply farmed shrimp](#).

September

A month on, [and trout and herring were most affected as Norway's seafood exports to Russia tumbled 82% year-on-year](#). Salmon proved more resilient, with overall exports still rising 3%.

Naturally, politics took center stage at Norway's annual pelagics summit in September. "Stock market analysts [who] believe this conflict will be over by February have a heavy weight of historical empiricism against them," thundered Hans-Wilhelm Steinfeld as he addressed the audience in Bergen.

The Norwegian Seafood Council found itself [unable to explain figures showing 100 metric tons of fresh salmon made their way to Russia in week 35 of 2014](#), but suggested they could be a reporting error, rather than gap in border shutdown.

Prices for Russian [cod and pollock continued to firm](#) as more fish went into the domestic market, with sources in the whitefish sector saying the impact of Vladimir Putin's ban on imports continuing would be dramatic.

"Processing Russian raw material for the Russian market actually seems to be a good business to be in at the moment"

And Turkey's seabass and bream sellers told *Undercurrent* they [expected prices to firm up as sales to Russia jumped in the wake of the ban](#). While imports from alternative sources increased, Russia also brought back an old [Soviet-era quality mark](#) for its domestic produce, designed to increase trust and popularity of home-grown products.

An oyster bar replaced French seafood imports with local meat options, and the ban apparently [spurred a wave of patriotism](#).

Speaking at the Humber Seafood Summit, Alexey Pchelintsev said [Russia aims to have only 20% of fish consumption coming from imports by 2020](#), compared to 53% at the current level.

On the coldwater shrimp front, [prices rocketed by 15- 18% in September](#), with Greenland the only producer able to send directly into Russia.

October

In October, Russian Sea Group reported [the sale of the first 245t of Atlantic salmon harvested from its own farms](#). Another 4,000t were planned for second half of the year harvests, with its budding aquaculture division hoped to be at the forefront of Russian self-sufficiency.

Iran and Bangladesh [talked themselves up as future suppliers of Russia's seafood](#), the former claiming it could provide 60% of demand.

Russia's ban on pelagic imports was threatening to harm Scottish businesses. The European Fish Council decided to allow fishermen to [bank up to 25% of this year's mackerel quota to mitigate the impact of Russian trade sanctions](#), where normally they are allowed to roll over just 10%.

The measure was mainly intended to offer relief to UK fishermen, which had warned Russia's ban would see them lose market access for 20% of their mackerel.

"Salmon is becoming like king crab in retail at this currency rate. The middle class may just say farewell goodbye to our reality"

Toward the end of the month, the plummeting ruble began to combine with the impact of the food ban [to really hurt Russian importers](#).

Kaliningrad-based salmon importer and processor Tehnolat [entered bankruptcy proceedings on Oct. 29](#), the first known major casualty of the difficulties the ban brought. It was suspected the group, which relies heavily on imports of fresh Norwegian salmon and sells under the brand "Salmon House", would have had high debts with Norwegian suppliers. It was believed to have sourced from Leroy Seafood Group and Norwell, among others.

When it was officially declared bankrupt in November, [it was with debts of over \\$30m](#).

November

While Belarus reportedly was working with Russian authorities to [ensure all the products sent to the latter were properly processed](#), Peru [became the latest country to be courted by Russia in order to fill some of the market demand](#) – Putin himself gave voice to the hope that the two countries could double bilateral trade in the coming years.

[Indonesian and Russian authorities](#) also agreed to expand their bilateral trade, to \$5bn within next two years, from the \$3bn reached in 2013, while Russia handed the right to trade to [12 South African firms as well](#).

News continued in a similar vein: Russian authorities were in [Chile to inspect processing plants](#), while [Vietnam appealed to Russia to allow more imports](#) – only firms with pre-existing contracts could sell there, meaning just 64 of the 102 enterprises meeting Russian food safety standards.

In terms of trade, [Russia's trout imports continued to slump through October](#), while the spectacular increase in Chilean and Faroese salmon exports to Russia kept up alongside emerging volumes from Iceland.

Chilean exports more than doubled from September to October, marking a 376% increase year-on-year, while Faroese exports rose by another 29% from September — or a near five-fold increase when compared to October last year

December

One firm coping relatively well with the ban situation was A. Espersen, [whose Russian processing operation was proving successful](#). “Processing Russian raw material for the Russian market actually seems to be a good business to be in at the moment,” Klaus Nielsen, CEO of Espersen, told *Undercurrent*.

After tumbling by 57% in September, [Russia’s herring imports recovered in October](#) as strong volumes from Iceland and the Faroes helped fill the gap from Norway.

Russia imported just under 16,000t of herring in October, still a 9.35% drop year-on-year compared to the same time last year, but a near tripling when compared to September.

Russia’s mackerel imports were down by 25% year-on-year in October, and by 16.6% year-on-year for the first ten months of the year. However, this downward trend had started before the Aug. 7 ban, and does appear to be linked to it.

This was according to a new series of reports sold by *Undercurrent* on Russian trade – [you can see the full range here](#).

As for hake, despite strong increases from new exporters, mainly in China and Ecuador, [Russia’s import volumes were down by 52% in October](#).

Now, as we near the end of the year, [Nordea Bank has downgraded Bakkafrøst shares and lowered their earnings forecasts](#), based on expected lower Russian demand for salmon from the Faroe Islands because of higher import prices.

[Anxiety is running high among Russian seafood importers](#) over consumers’ ability to spend in January, and businesses’ ability to keep trading amid a collapsing ruble and soaring interest rates.

The plummeting currency has sent importers’ costs measured in ruble value jumping by 30-35% in the past two weeks alone. Importers have bumped up their selling prices in return. “Now you have to sell, let’s say, 1t at RUB 400 instead of 5t at RUB 250 like it used to be,” said one buyer, referring to salmon.

In the coming year, everything will hinge on the consumer. “The big question everyone is asking is of course what happens after the new year,” Borge Prytz Larsen, sales director at the fresh salmon importer Severnaya, told *Undercurrent*. “The first quarter is for many the big question mark.”

Supermarkets’ prices have not soared much yet, which the first source attributed to “some inertia” at play. However, he argued, the market is bound to shrink, and people will switch to cheaper alternatives as prices rise.

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Source : <http://www.undercurrentnews.com/2014/12/29/2014-timelines-russias-import-ban-redraws-seafood-trade-lines/>