

## **THE ALASKA POLLOCK FISHERY IN PACIFIC RUSSIA**

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This presentation will discuss various aspects of Russian Alaska pollock, such as:

- Its place in the global wild fish supply
- TAC, quota & catch
- Pollock consumption in Russia
- Russian pollock distribution by markets
- H&G market development in 2011
- Progress in the work of certification for sustainability

### **Figure 1 Alaska pollock consumption by markets**

The figure, where consumption has been converted back to round weight, indicates that pollock is a very significant species in the global market. Russian pollock, in fact, constitutes more than 25% of the total wild whitefish resources. Supply of pollock increased significantly in 2011 but the markets were not affected as negatively as expected early this year due to increasing demand in new markets.

The EU continues to be the largest consumer and the US market seems very stable. The Russian market has been under much price pressure and has also been affected by supply of other species such as salmon. This was very significant in 2009 but the situation is improving. The Asian market includes South Korea, which consumes chiefly WR pollock but also products such as pollock chunks, dried fish and fillets. The new African market is growing rapidly and the market in Brazil shows an increasing demand.

### **Figure 2 TAC and catch**

TAC for Russian pollock is defined by the Federal Fishing Agency (FFA) on an annual basis. Company shares until 2018 are known and company quotas are therefore easily calculated. The Russian fleet hasn't fished the full quota in recent years. This is chiefly due to poor harvesting conditions in the Bering Sea, and especially small fish size.

All product must go through custom clearance in Russian ports and all product sold to the EU must have an IUU certificate issued by the FFA.

In 2011, the quota is expected to be fished more or less fully, due to more efficient fleet management. All the industrial quota in the Okhotsk sea will be fished in 2011 (the remaining TAC of 31,000 MT is still unfished). In 2012, the TAC is expected to be close to 1,745,000 MT - to be announced in December.

### **Figure 3 Russian TAC vs catch**

Historically, Russian pollock catches have been 85 - 90% of the TAC. The industrial quota is always lower than the total TAC because a quantity is allocated for scientific needs and for sale to foreigners according to Government agreements and coastal quotas. Last year, Russia did not reach the industrial quota target but this year's fishing is likely to be close to the TAC.

### **Figure 4 Russian Domestic Alaska pollock market**

Consumption of single frozen fillet in Russia is increasing and will reach approx. 5,000 MT this year. Last year, a price increase for double frozen fillet from China was expected, and, in fact, the prices nearly doubled. This created more demand for domestic single frozen fillet

products, chiefly IQF fillets. Furthermore, fillet prices have decreased on the world market in 2011 and the ruble was strong in first half of this year.

The H&G market in Russia is stable from year to year. 2009 was an exception, due to huge catches of salmon that caused a drop in pollock consumption. H&G consumption is expected to increase this year because of a strong move in the Russian market toward better quality product and also due to new strict regulations for glazing and quality of imported fillet products. It is expected that more H&G raw material will be used in Russia for processing domestically.

#### **Figure 5 Russian pollock distribution by market**

This year, we estimate that consumption of H&G in Russia will reach 230,000 MT finished weight. Export of twice frozen fillet to the EU is likely to be lower than last year and a lot lower than before the economic crisis due to the small price difference between double and single frozen products. Single frozen fillet products from Russia are not in demand in the US market.

WR pollock is supplied to Korea as an alternative market to China. Double frozen products of Russian origin are also exported from China to Korea. Total consumption in the Korean market, based on round weight, is estimated at 300 - 400,000 MT.

Presently, there is a growing demand for pollock in Africa. Most Russian companies produce mainly WR in the “B” season. We can expect 160,000 MT production for the African market this year if harvesting conditions permit. The market in Brazil is also growing fast but the product is supplied from China.

H&G pollock will continue to be the main product from Russia for several years and Russia will catch and sell - regardless of changes in demand in the EU and US markets.

#### **Figure 6 H&G market developments in 2011**

This slide illustrates that expectations of market trends do not always match actual situations. In 2011, we expected a significant price decrease for H&G due to higher TACs for both US and Russia and we expected a price drop for sea frozen fillet products. However, the scenario turned out to be different: There was a large price decrease in spring as usual but the expected price decrease in summer did not take place, due to poor harvesting conditions, increased WR production for Africa, growing demand in Brazil, and the fact that Chinese processors had to keep labour on until the salmon season.

Expectations are for continued demand in Africa and Brazil. We hope that demand will be stable enough to keep prices at a reasonable level with a slight decrease in Oct/Nov. and an increase in December.

#### **Alaska pollock sustainability development**

In May, the Roundtable for Russian Sustainable Fisheries Development took place in Moscow. The FFA explained how the Russian Fisheries Management operates and industry, in the presence of foreign business people, took many questions relating to sustainability management. Another roundtable on the “Environmental and Legal Aspects of Sustainable Fishing” was held during the International Fishery Congress in Vladivostok in September. It may also be noted that the Pollock Catchers Association (PCA) has signed a training

programme with international NGOs intended for fishermen. The Russian Government is proving very supportive in the MSC process and participates in all PCA activities.

#### **Figure 7 MSC update**

The whole MSC process is driven by the PCA. The FFA, Federal Secret Service, all other Governmental organizations and scientific institutes are deeply involved in the certification process this year. Experts, invited by the certification body, visited Vladivostok in June - July, all required documentation was submitted and now the process is at the stage where the Certification Body has to provide a confidential draft report. Official information has been posted on the MSC website and it is expected that full certification will be in place soon.

#### **Figure 8 Alaska pollock outlook**

The following are my thoughts on what we can expect in future.

The future of Russian Alaska pollock in the market is linked to MSC certification, as evidenced by the huge pressure we faced for several years since we didn't have this logo. The MSC logo has become a tool for gambling on the market without any recognition that such pressure can have a very negative influence on the market and businesses. This pressure is aimed at the fishing sector, processing sector and the retail business and has nothing to do with consumers.

Our business has many reasons for getting a headache - Crisis in the world, quota jumps, quality issues, sustainability of resources - they are all real issues but some years ago we got a new one, which was just a label. All businesses aim to satisfy consumer needs and wants. That is a fundamental axiom for any business. This fundamental is the concern of all businesses, but there is one exception - the NGOs. Why? Because NGOs make money on a process rather than on customer satisfaction. And I did not and still do not think that any label could be a tool to achieve a target for "customer satisfaction".

If somebody doubts that Russia will be able to demonstrate its responsible approach to our national resources, I can assure you that we did it for 60 years at least, we do it today and we will be able to prove it every day at all levels from fishing companies to government in the future. If NGOs are willing to make their money on a process, then we have to fight. Not perfect ideas like sustainability, but against inappropriate behavior models and with simple and reasonable targets of eliminating barriers for quality.