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Ukraine

Post: Kiev

Fish Imports Rebounded

Report Categories:

Fishery Products

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Report Highlights:

In 2017, exports of U.S. fish and seafood into Ukraine increased by almost 42 percent with an optimistic outlook for 2018. Ukrainian consumption continues to recover after prolonged crisis that followed political and economic turmoil from 2013 to 2015. Ukraine also diversified imports from the U.S. with Alaskan Pollock becoming the third most important import product after traditional hake and salmon roe. Imports of Pollock almost tripled in 2017. High value added products have good sales potential in the future, despite low sales volumes currently.

Executive Summary

The United States remained the third largest supplier of seafood to Ukraine in 2017, after Norway and Iceland. U.S. fishermen were able to meet demand for traditional seafood consumed in Ukraine. Hake, salmon, Pollock, and salmon roe are very well known to Ukrainian consumers since the Soviet era. Demand for these products was established when these products were sourced from the Far East and Northern Russia. In recent years U.S. suppliers have built loyal consumers by offering excellent price / quality ratios. Since 2016, imports of seafood products from Russia became legally impossible due to sanctions introduced by the Ukrainian government.

In 2017, Ukraine imported U.S. fish and seafood products totaling nearly USD 59 million. This falls short of the record-high USD 105 million archived in 2013, but it is 42 percent growth over 2016. Consumer demand in Ukraine is recovering with stabilization of the macroeconomic situation. Incomes are likely to grow in 2018 as well, leading to additional sales. The composition of U.S. exports changed in 2016-17 with Alaskan Pollock becoming the third largest export product. It is also one of the traditional products for which Ukrainians have a developed taste/demand.

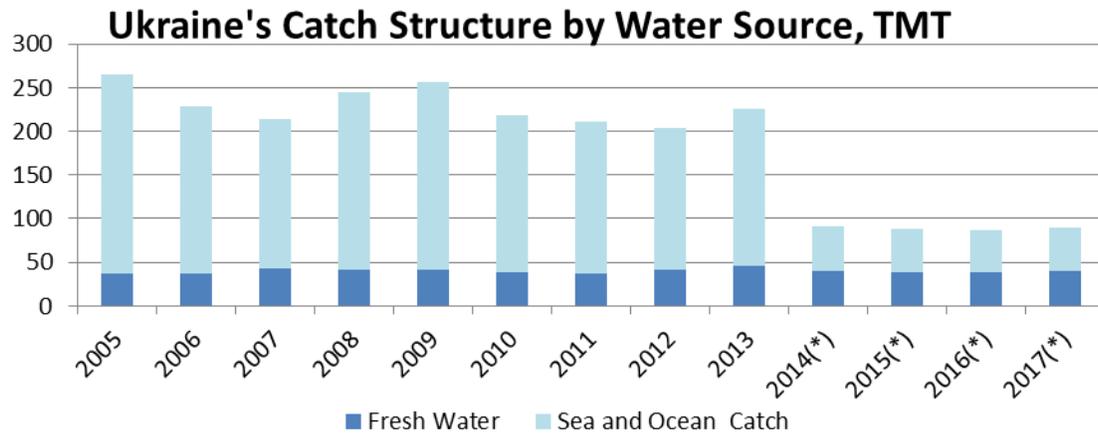
U.S. fish and salmon roe find their consumers predominately in the lower and mainstream market segments. Exports of premium seafood (such as crabs, flatfish, black cod and live lobsters) remained flat. These products target the top market segment which remained relatively small, but stable in recent years. Significant market growth in the upper-medium and top segments is unlikely.

Although direct competition with U.S. products is limited, Northern European countries supply significant quantities of traditional products like herring, mackerel, sprats (canned) and farmed salmon and trout. Pickled herring remains to be the most popular and most affordable traditional product.

This report concentrates on the 2017-18 market situation changes and new trade statistics. More information is provided in our more comprehensive [2017 Fish and Seafood GAIN Report](#).

Domestic Seafood Catch

Ukraine's domestic seafood and freshwater catch in 2017 remained limited and not able to satisfy domestic demand. However, it is relying on domestic water sources, thus it is stable and is responsible for over one third of the total catch. Over the last two decades Ukraine's domestic open sea catch was shrinking. A lot of vessel owners preferred to sell their products overseas, as domestic demand for expensive fish dropped. By the 2000s, the catch became limited mainly to the Black and Azov Seas exclusive economic zones, with the majority of Ukraine's fleet based in Crimean ports. The number of commercially important catch shrunk to just a few local species. As Ukraine lost control over the Crimean Peninsula in 2014, the country's catch and supplies dropped even further. Imports from other countries remain the only way to provide sufficient seafood supplies to Ukrainian consumers.

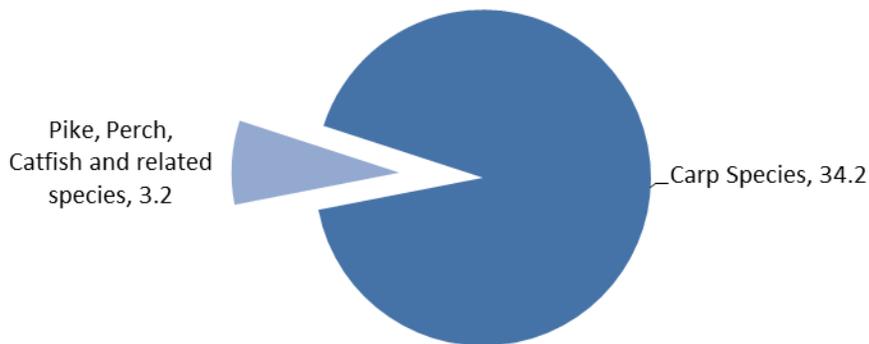


* - Without Crimea

Source: State Statistics Service of Ukraine

Different carp species are responsible for the vast majority of supplies. Small quantities of pike and perch are placed in the upper market segment and are even exported. Low-cost industrial carp production in small ponds and lakes is rather popular. Carp is a traditional fish species sold live/fresh for household consumption and local restaurants. Similar to other Ukrainian freshwater species it has very limited processing use.

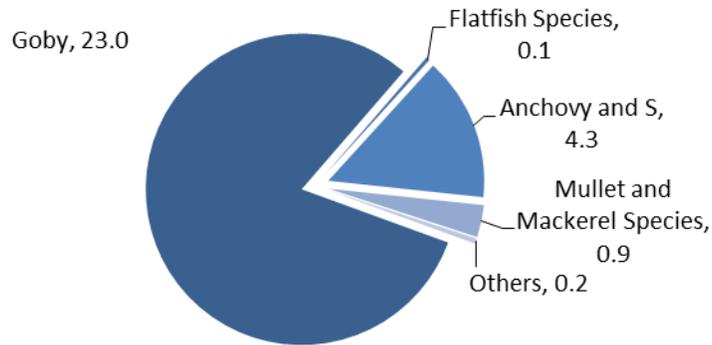
Ukraine Fresh Water Catch by Species, 1000 MT



Source: State Statistics Service of Ukraine

Goby, sprats, and anchovy species are abundant in shallow waters of the Black and Azov Seas. They constitute the vast majority of Ukraine's seafood catch. These small species are rarely sold on the retail market. Almost the entire catch is processed into canned, dried, or pickled in brine traditional products. Domestic species occupy the lowest market segment.

Ukraine Sea and Ocean Catch by Species, TMT

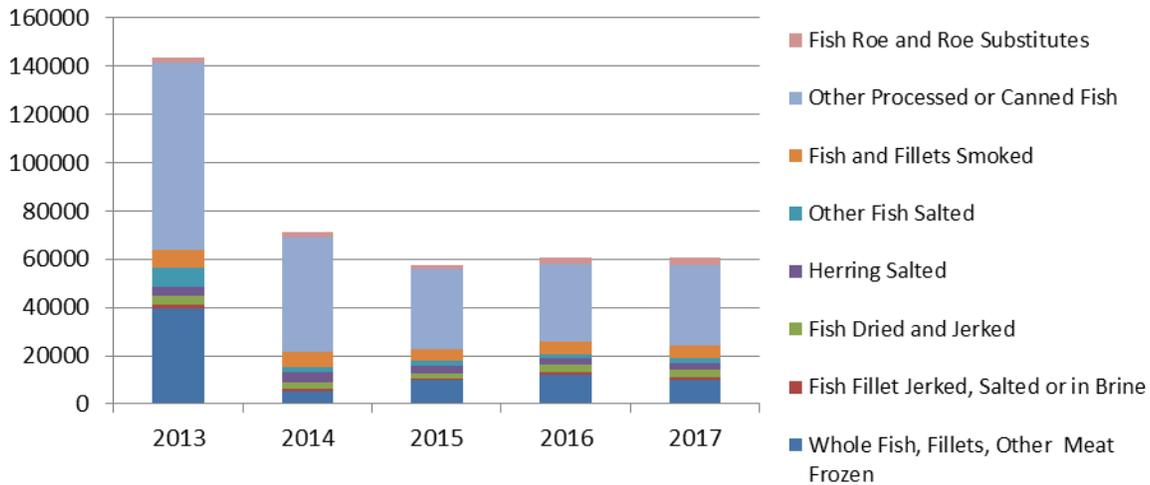


Source: State Statistics Service of Ukraine

Processing

Traditionally, a significant share of lower-quality fish is processed in Ukraine. This includes almost all domestic sea catch and many imported species. Canning is popular for sprat-like fish, goby, sardines, mackerel and sardinella. Pickling is popular for imported herring, salmon, and domestic sprats.

Processed Fish Production in Ukraine, MT



Source: State Statistics Service of Ukraine

Traditionally processed dried, salted, and smoked seafood products are used as a snack food, or served with beer. Canned fish is used in households as a quick snack. It is also popular among campers, hunters, fishermen, and as part of military rations.

2018 Developments

Although canned food is one of the traditional products offered Ukrainian processors for institutional and home use, only a few “traditional” species such as sprats, sardines, or mackerel were considered to be suitable for canning and demanded by Ukrainian consumers. In 2018, the first large-scale attempt to can silver hake was spotted on the Ukrainian market. Previously, hake was considered unsuitable for canning because of meat texture. One of the Ukrainian canneries managed to develop a technology that keeps fish chunks together after high-temperature processing. Supermarkets in Ukraine’s capital, Kyiv, put canned hake on their shelves at attractive promotional prices in the spring of 2018. It is not clear whether or not canned hake will become a commercial success. The cannery managed to develop a higher quality hake product compared to most traditional canned fish products. Many canneries procure fish processing leftovers offering lower-quality products in hopes that affordable prices will make their product more attractive lower income consumers.



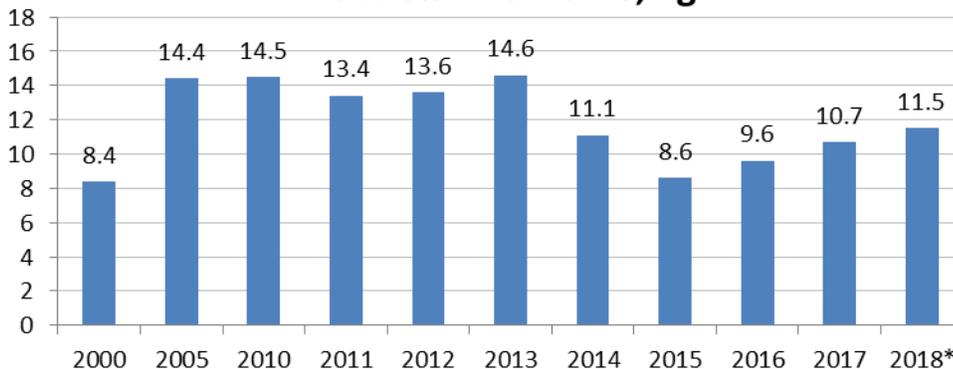
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Consumption

Ukraine’s population exceeds 42 million as of January 2018. Per capita fish consumption in 2017 was only half of the world average. According to the Food and Agriculture Organization (FAO) in 2014 average seafood consumption exceeded 20 kg, but this number includes nations that rely on seafood as one of the major proteins. According to the FAO, Ukraine belongs to a group of countries with average fish consumption (4-6 grams of fish protein per capita per day).

Although seafood consumption was quickly recovering in 2017, it remained below “traditional” levels of 13-14 kg per person. The trend for consumption growth is expected to continue into 2018 and beyond. Ukraine is expected to reach its pre-crisis consumption level around 2020.

Per Capita Consumption of Fish and Fishery Products in Ukraine, kg

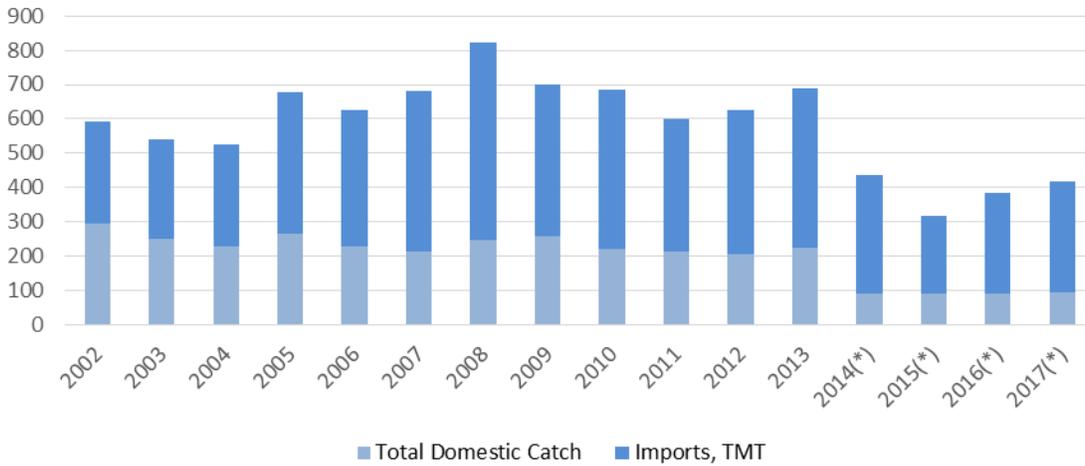


Source: State Statistics Service of Ukraine, *FAS/Kyiv forecast

Cheap carp species, traditional pickled herring, mackerel and hake are responsible for two thirds of consumption. Other fish including different cod species, Pollock, and flatfish are familiar to consumers and have

some sales potential, but remained too expensive for current income level. The premium market segment is small, but rather stable.

Ukraine's Seafood Consumption, TMT



Source: State Statistics Service of Ukraine, World trade Atlas

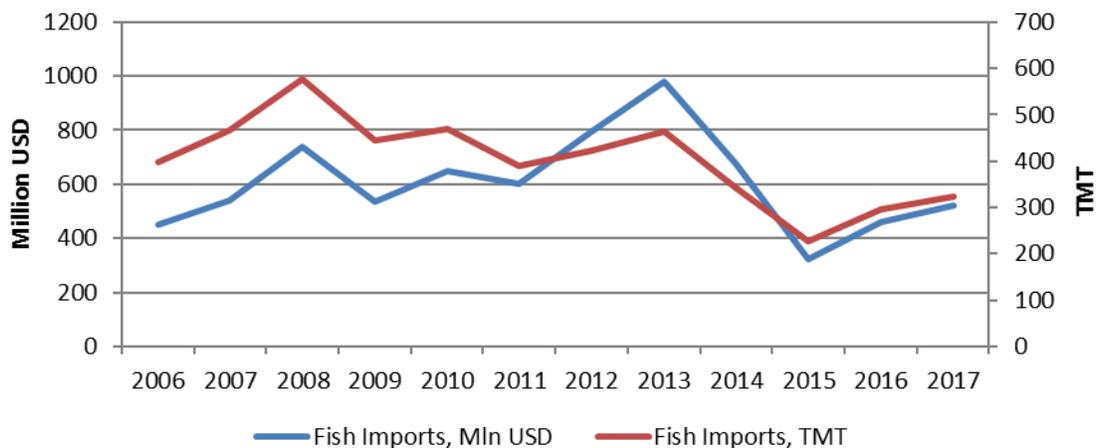
Ukrainian consumers remain loyal to a limited number of fish species and are slow to change their preferences. Prices for seafood and competing proteins will remain the major market shaping factors in 2018. Mass-market species exported from the U.S. compete mostly with cheap domestic poultry. During the 2014-2016 economic slowdown poultry became the major protein taking over 50 percent of protein sources in the diet.

Fish consumption in Ukraine remains seasonable with a notable trade drop during summer months. In Ukraine, fish consumption is counter-cyclical to red meat consumption. Emergence of modern supermarket chains in the last ten years stabilized seasonality of sales and increased safety and quality requirement for frozen/chilled and processed products. The role of open-air markets diminished but remains strong mainly in the domestic fresh-water catch segment.

Imports

Fish imports are highly dependent on disposable incomes and the economic slow-downs of 2008-09 and 2014-15 undermined imports significantly. Currency devaluations accompanied both economic downturns with long-term impacts on trade. Trade drops were abrupt and painful for both importers and exporters while trade recoveries have been slow and dependent on income recovery of the general population.

Ukraine's Fish Imports



Source: Global Trade Atlas

Norway and Iceland are the long-term leaders of seafood supplies to Ukraine. Although herring, salmon and mackerel constitute the majority of sales, other categories such as non-salmon fish roes, trout, coal fish and halibut play an important role.

Top 10 Suppliers of Fish to Ukraine in 2015-17

	Partner Country	2015		2016		2017	
		Mln. USD	Quantity, TMT	Mln. USD	Quantity, TMT	Mln. USD	Quantity, TMT
	World	322	227	459	295	521	324
1	Norway	110	61	127	64	145	68
2	Iceland	30	22	62	48	72	56
3	United States	35	18	42	19	59	32
4	China	10	4	20	8	25	9
5	Spain	12	9	14	9	22	15
6	Canada	13	9	33	23	21	13
7	Argentina	3	1	20	12	15	7
8	Vietnam	9	5	14	9	15	8
9	Estonia	17	38	13	31	13	33
10	United Kingdom	6	5	14	11	13	9
	Other not Listed	76	57	99	61	121	73

Source: Global Trade Atlas

The majority of imported species include herring, hake, mackerel and salmon, comprising over 50 percent of the Ukrainian market. Inexpensive herring, hake and mackerel can be considered traditional and positioned in lower and middle market segments.

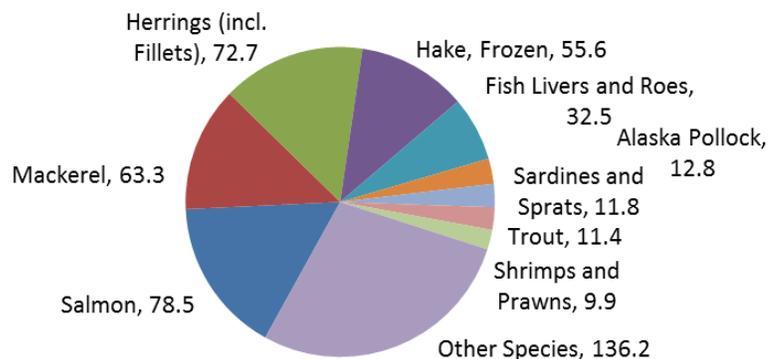
Import of Fish and Seafood to Ukraine

HS Code	Description	2015		2016		2017	
		Mln. USD	Quantity, TMT	Mln. USD	Quantity, TMT	Mln. USD	Quantity, TMT
	All Fish Products	322	227	459	295	521	324
030214	Atlantic Salmon Fresh Or Chilled	35	7	35	5	68	9
030354	Mackerel, Frozen	32	22	54	39	63	43
030351	Herrings, Frozen	61	77	71	81	62	84
030366	Hake, Frozen	33	23	64	47	56	40
030389	Fish, Frozen, Nesoi	26	25	30	26	36	33
030390	Fish Livers And Roes, Frozen	8	1	15	2	17	2
160432	Caviar Substitutes Prepared From Fish Eggs	8	1	14	2	16	2
030367	Alaska Pollock, Frozen	2	1	5	4	13	10
030353	Sardines, Sardinella, Brisling Or Sprats, Frozen	13	16	10	13	12	15
030211	Trout (Salmo Trutta, Etc) Fresh, Chilled, Nesoi	14	3	25	4	11	2
030486	Herring Fillets, Frozen	8	4	12	7	11	7
030313	Atlantic Salmon And Danube Salmon, Frozen	6	6	8	9	10	9
030617	Shrimps And Prawns, Frozen, Nesoi	3	0	6	1	10	1
160420	Fish, Prepared Or Preserved, Nesoi	5	4	7	5	9	5
	Other Fish and Seafood	69	37	103	53	127	60

Source: Global Trade Atlas

Quickly growing imports of Alaskan Pollock contributed to the existing mass-market segment. Atlantic salmon (both chilled HS030214 and frozen HS030313) is predominately of Norwegian origin and constitutes the upper market segment. Supplies of wild pacific salmon from the U.S. are limited and remain close to 1 TMT. Price competition with farmed Norwegian salmon is severe as the market remains price-sensitive paying little attention to quality differences.

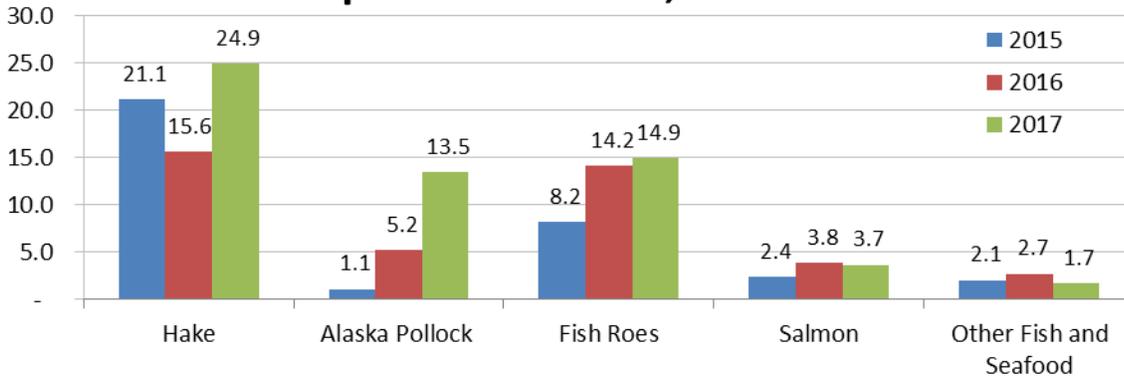
Ukraine's Fish Imports in 2017, Million USD



Source: Global Trade Atlas

In 2017, the United States retained its position as the third largest seafood exporter to Ukraine after Norway and Iceland. The United States does not face strong competition from Northern Europe due to different species. However, American companies have developed markets for traditional fish species that compete with Canadian exports. Due to strong competitor from the United States, Canada cut exports in 2017 significantly.

U.S. Exports to Ukraine, Million USD



Source: Global Trade Atlas

Historically, U.S. exports relied on two major products: hake and salmon roe, with other seafood playing a minor role. However, affordable prices and abundant supplies resulted in quick growth of Alaskan Pollack exports, establishing another important export group. This is important for long-term diversification of U.S. exports as Pollack remains one of the major industrial catch fish in the Northern Pacific.

Exports

Exports of fish from Ukraine are limited. The majority of sales is fileted fish and canned products with export markets in the EU and neighboring countries. Fish filets and canned food are the major export commodities.

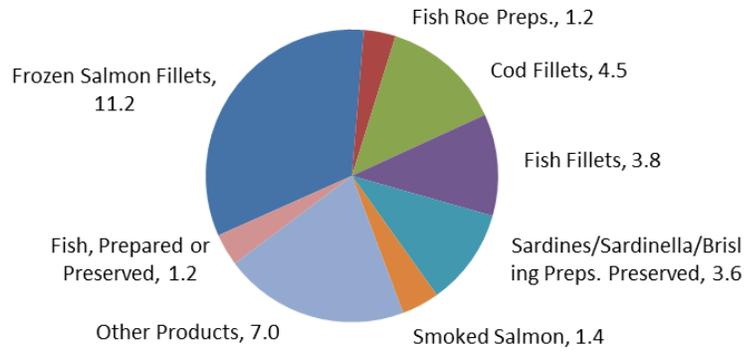
Seafood Exports from Ukraine

Partner Country	2015		2016		2017	
	USD	Quantity	USD	Quantity	USD	Quantity
World	17.7	8688	21.9	8266	34.0	10462
Germany	4.7	1097	4.1	1067	7.3	1086
Denmark	0.9	216	3.1	857	6.3	1320
France	2.0	457	0.5	120	3.7	349
Moldova	1.5	671	1.8	1097	3.0	1651
Israel	0.1	102	0.4	121	2.4	316
Georgia	0.9	706	0.8	660	1.4	858
Poland	0.2	24	0	2	1.4	131
Belarus	1.2	217	4.8	1103	1.3	834
Azerbaijan	0.1	56	0.1	105	1.2	514
Russia	2.1	2427	0	0	0	0

Other Countries	4.1	0	6.3	0	6.1	n/a
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Source: Global Trade Atlas

Fish and Fish Products Exports in 2017, Mln USD



Source: Global Trade Atlas

Restrained by the low-income domestic market, Ukrainian processors will try to export elsewhere. One of the largest Ukrainian processors took part in the 2018 Boston Seafood Show in an attempt to develop sales to the U.S. market. Ukraine's exports of processed fish to the U.S. are likely to be limited by niche markets such as immigrant stores and ethnic food.