

Development plans for Ukrainian fisheries

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The Ukrainian fishing industry is on the verge of big changes, due to the government's recent adoption of a state programme, 'Of the development of fishing industry in Ukraine until 2016', reports Eugene Gerden.

The adoption of the new state program became an objective necessity, given the crisis which is currently observed in the Ukrainian fishing industry - which is partially rooted in the collapse of the Soviet Union.

The collapse of the USSR resulted in a sharp drop in production and processing of fish in the Ukraine, a country that has a 2775km coastline and more than one million hectares of inland water bodies.

Crisis

The current crisis in the industry is reflected by the fact that in 1990 the total volume of fish catch in the Ukraine was estimated at one million tons, while in the middle of 1990s the catch was estimated at 400,000 tons.

One of the reasons for this is the deterioration of the country's fishing fleet. This is despite the fact that the Ukraine had the second largest fishing fleet in the post-Soviet space (after Russia), comprised of approximately 600 marine and ocean vessels, as well as dozens of mother ships. However, today their technical condition remains poor.

A series of political and economic crises, which have been observed in the country over the last 20 years, have resulted in the majority of the country's fishing vessels becoming outdated, and in some cases even out of order.

A similar situation has been observed in the country's fish canning industry, where the majority of local fish-canning factories were closed.

However it is possible that the adoption of the long-awaited program and its implementation will help to solve some major problems in the industry and speed up its development.

Among the major targets of the programme are to increase the volume of fish and seafood catch up to 375,000 tons; the production of fish products up to 540,000 tons; canned fish up to 250 million standard cans; and fishmeal up to 33,000 tons. At the same time the average per capita consumption of fish and fish products in the country should reach 20kg per year by 2017.

As part of the programme there are also plans to release more than 37 million young valuable fish species into natural water bodies and to increase their commercial production up to 80,000 tons per year.

Restoration

The programme also involves restoration of more than 16 hectares of natural spawning grounds in the country's fishery waters, as well to increase the total length of reconstructed river stretches to 500km.

There are also plans to build and install at least 1,850 units of artificial spawning modules for the breeding of semi-migrating and sea fish.

It is planned that the implementation of the state program will take place in two phases. During the first stage, scheduled for this year, a number of measures aimed at developing domestic fish production and aquaculture are expected to be taken. At the same time there are also plans to create conditions for attracting investment in the industry and international technical assistance.

According to Victor Dronik, chairman of the State Agency of Fisheries of Ukraine, the development of aquaculture will significantly increase the volume of domestic fish production and reduce imports.

The second phase of the program, which is scheduled for implementation during 2014-2016, involves restoration of the national fishing fleet, through the modernisation of existing vessels and construction of new vessels, creating conditions for the increase of sales of fish and fishery products in the local market, as well as expansion, reconstruction, and technical re-equipment of marine fishing ports.

The total volume of investment in the implementation of the program is estimated at about UAH2.58bn (US\$322m), of which about 35% is expected to be provided from non-budgetary sources.

Competitiveness

One of the main goals of the program is to improve competitiveness of domestic fishermen in the local market and to help them to compete with subsidised imports from abroad.

According to Nikolai Shatalov, head of Kerch Fish Factory, one of the Ukraine's largest fish factories, at present domestic fishermen are withdrawn from the market by importers (many of which use the practice of dumping), which result in huge losses to domestic fishermen.

Victor Dronik, said, "Often Ukrainian fish remain uncompetitive, compared with imported. This is explained by the fact that fish and seafood, which are supplied from the EU states, China and other countries was grown and produced in these countries with the help of the state and is offered in Ukraine at very low prices. At the same time Ukrainian fishermen have not had such support over the past 20 years. In addition, there are a number of re-sellers who sell domestic fish at higher prices."

Mr Dronik also added that currently up to 65% of the country's water resources is used ineffectively. This is reflected by the fact that the average fish catch per hectare of river or pond is estimated at only 400kg, which is significantly lower the average global figures.

It is also planned that implementation of the program is expected to help reduce the number of intermediaries and re-sellers in the market and to speed up the development of specialised wholesale fish markets.

As part of the program, the government is also considering reducing the tax burden on domestic fishermen. At present all Ukrainian fishermen pay a 10% charge of the selling price of their fish and have, several times, appealed to the government, asking for it to be reduced.

In addition, the new programme should help to solve the problem of the high level of bureaucracy in the industry and in particular reduce the number of regulatory bodies - the current number of which is more than 30. There are also plans for the reduction of the number of fishery inspections and their incorporation into a single structure.

The program is expected to improve the situation in the Ukrainian fish processing and aquaculture industries, where a number of major new projects are expected to be implemented, the largest of which involve the construction of four fish processing plants in Mariupol, Sevastopol, Odessa and Kerch.

A group of Israeli investors has recently expressed an interest for the construction of a recirculating aquaculture system for the growing of sturgeon, which will be designed to produce five tons of black caviar and 100 tons of fish meat per year.

Fleet recovery

At the same time the implementation of the program should create conditions for the recovery of the Ukrainian fishing fleet. According to the official representative of State Fishery Committee of Ukraine, during the last few years the Ukrainian fishing fleet has been almost completely destroyed, as a result of lack of funding for its modernisation and 'sale for a song' of many fishing vessels under certain corruption schemes.

According to the Ukrainian State Fishery Committee, in 1999 the Ukrainian industrial oceanic fleet was comprised of 123 ships, and at present there are only six ships, which are wholly owned by the state. Due to lack of state support and the inability to complete modernisation, many Ukrainian ship owners are forced to sell their ships, including to foreigners.

The new program involves the construction of five fishing trawlers in the Ukraine before 2016 with the volume of investment totalling UAH600m (US\$75m).

The new ships are expected to be operated in the Black Sea region of the Ukraine, which currently accounts for almost 80% of the country's total catch, of which the share of Crimea is estimated at 67%, while the Odessa region 10%.

The majority of catch accounts for traditional species of the Azov and Black Seas, among which are small pelagic fish, such as anchovy, sprat and kilka.

In addition to fish production, the Black Sea region currently remains a centre of Ukrainian fish processing. This region at present accounts for up to 86% of the Ukrainian production of canned fish and 99% of fishmeal.

Meanwhile a significant part of the country's fish catch comes from its activities in foreign coastal waters, of which share in total fish catch is estimated at 63%.

In recent years, the Ukraine has lost its traditional fishing areas in the Atlantic, Pacific and Indian oceans, and, in addition to its own waters, focuses on the production of fish in the waters of neighbouring Russia.

In the case of consumption, almost 40% of fish sales in Ukraine are from herring and 10% from hake, while the share of capelin, anchovies and mackerel in total sales structure is estimated at 5% each.

Imports

Among the largest fish and seafood importers in the Ukraine are currently Norway, which supplies production in the sum of US\$98.6m, as well as Russia (US\$28.8m) and the US (US\$27.2m). Over 90% of imports account for fish which is not produced in the country's waters.

According to analysts of the Ukrainian Ministry of Agriculture, the volume of the country's fish and seafood market is currently estimated at \$1.5bn. At the same time, the share of the illegal fish market, which is formed by contraband supplies of fish and seafood to Ukraine, as well as production from illegal fish processing is estimated at about \$1bn. Currently the share of illegal imports in the total imports of fish and seafood to the country is about 25%.

According to market operators, the annual volume of production of canned fish in the country is currently in the range of 150-200 million standard cans. Among the most popular items are horse mackerel, sardine, herring, sprat, and mackerel.

Among the biggest producers of canned fish are the Crimean enterprises and in particular Sevastopol Interrybflot Corporation, which accounts for 44% of the market, Southern Manufacture Proliv, with a 12% market share, as well as the Trade House Favorit.