

Russian invasion of Ukraine: Implications for the UK Seafood Supply Chain

Version 2.1: 1 March 2022 (* indicates an update)

This short paper provides an initial overview of the potential implication of global food-related trade sanctions against Russia, on the UK seafood supply chain. Specifically the paper provides an overview of global whitefish supply, Russia's contribution to that supply, the UK's reliance on Russian raw material, and the direct implications to business from possible trade sanctions and inevitable trade disruption.

The detail in this paper has been informed by discussions with key seafood processing businesses across the UK.

Seafood Trade and Production

- Global estimates of whitefish production for 2022 is approx. 7 million tonnes with Alaskan pollock accounting for almost 50% of this. See Annex 1
- *Russia accounts for over 40% (likely to be nearer 45% following the reduction in the US pollock TAC) of global whitefish production. It is the primary producer of Alaskan pollock (almost 60% share following US TAC reduction) and produces over 30% of the global Atlantic cod supply and 25% of haddock. See Annex 1.
- Russian product has traditionally been exported to China for processing. While in recent years there has been significant Russian investment in at-sea and on-shore processing capability, and we expect this trade to decline in future years, it is currently still significant.
- The UK is heavily reliant on imported whitefish. In 2020 the UK imported 432,000 tonnes with a value of almost £800m. This compares to domestic landings of cod and haddock of 47,200 tonnes in 2020. See Annex 2
- Direct imports from Russia accounted for 48,000 tonnes but given the trade relationship between Russia and China, and the complexity of the global supply chain, a considerable proportion of Chinese whitefish imports (143,000 tonnes) will also be of Russian origin. It is also likely that some Norwegian, Polish and German imports will include Russian product.
- The global whitefish supply chain has been under significant pressure in recent years due to Covid disruption (global impact) and EU Exit (UK impact). More recently there have been constraints on production in parts of China as some of the seafood processing hubs (Zhuanghe, Dalian) were put into lockdown in December and are only now reopening. Ongoing transport logistic issues have constrained the shipping of product.¹ It is unlikely that companies have significant stores on hand beyond 4 – 6 weeks.

¹ <https://www.intrafish.com/fisheries/alaska-pollock-quota-could-see-big-reduction-next-year-further-bad-news-for-an-already-tight-supply/2-1-1109505>

- *The volume of wider raw material available is also under pressure. The US Alaska pollock stock has seen a 31% reduction in 2022 from 1.6m tonnes to 1.1m tonnes.² Businesses would likely have looked to Russia to maintain pollock supplies – this is potentially no longer an option. In addition significant volumes of US pollock are committed to the Japanese surimi market and government procurement contracts, so only a small proportion of total US landings of Alaskan pollock will be available in product forms that could be a direct substitute for Russian pollock.
- Further the loss of MSC certification to Norwegian cod and haddock stocks will impact how easily product from these fisheries can act as a substitute.
- *In terms of exports – there has been limited trade to Russia following the trade ban in 2014. However, there is a sizeable pelagic trade with the Ukraine; in 2020 the UK exported £25m worth of pelagic product. There are also some exports to salmon. Following discussions with the pelagic processors we understand that the UKR market is now closed and alternative buyers in mainland Europe are being sourced.³ Note: Official stats do not record this trade in full because some of the product is landed into Europe before being shipped onto Ukraine.

Implications of potential trade disruption and sanctions:

- *The UK supply chain is anecdotally estimated to rely on Russian product for at least 20% of their whitefish supplies – although we expect this is an underestimate given the origin of whitefish imports into the UK and the proportion of the whitefish market that Russia controls. It is possible that it could be >30%.⁴
- *As of 1 March there has been no indication, from the UK, EU or globally, that food related sanctions will be applied. Current sanctions relate to restrictions on individuals⁵, banking (suspension of SWIFT payments system), use of international airspace by Russian planes, dual-use export licences to Russia covering items that could have a civilian or military use, such as electrical components and truck parts. Further restrictions covering hi-tech exports, and the export of equipment connected to extracting oil and gas are expected.⁶
- Key factor will be if sanctions apply to Russian originating product or ‘just’ exports from Russia (current sanctions with North Korea apply to originating product). If the former, it will impact product imported via a third country even if Rules of Origin mean the nationality of the fish has changed before it reaches the UK e.g. Russian fish exported to China for

² <https://www.intrafish.com/fisheries/alaska-pollock-quota-could-see-big-reduction-next-year-further-bad-news-for-an-already-tight-supply/2-1-1109505>

³ Official stats do not record this trade in full because some of the product is landed by UK vessels directly into Europe before being shipped onto Ukraine.

⁴ While initial figures suggest that Russian product accounts for 20% of supply it is difficult to provide an accurate assessment – Seafish is currently investigating if it will be possible to analyse catch certs accompanying imports to determine product origin

⁵ A preliminary search of the UK sanctions list suggests that none of the Russian seafood companies that they UK engages with are on the list subject to UK sanctions – a more detailed analysis is required given the complexity of Russian company structures.

⁶ [Boris Johnson announces ‘largest ever’ set of sanctions against Russia | Russia | The Guardian](#)

processing before export to EU and the UK – depending on the degree of processing the fish could acquire Chinese status when it is imported to the UK but catch certificates will still demonstrate the origin of the fish as being Russian.

- *In terms of sourcing whitefish supply, this is a highly competitive sector. Most supply is already under contract and where product is available. the UK will be competing on a global market. Significant raw material cost increases are expected (20 – 30% quoted) – margins are already tight across the processing sector and many businesses (likely SMEs) will not be able to absorb these costs. Farmed whitefish product such as pangasius is not considered a viable substitute.
- If product is sourced, it may not be a direct substitute which will result in:
 - Changes to production lines which will come at a cost and delay production.
 - Changes to labelling and packaging if the source of the raw material is changed – this severely constrains the ability to flex and move to new product.
- *Regardless of whether sanctions are imposed, the situation is expected to result in significant trade disruption which could see delays in product arriving into the UK. The inevitable cost increases that this will create will filter through to higher retail prices. This could contribute to wider food security issues and general resilience issues across the supply chain.
- *There is an emerging issue relating to freight as per the UK decision to close ports to Russian vessels. While this is unlikely to directly impact seafood trade, as most product is routed through Europe, if similar sanctions are applied in the EU then this will have significant implications.⁷
- Russia is the world’s second-largest oil producer and sells most of its crude to European refineries. It is also the largest supplier of natural gas to Europe, providing about two-fifths of its supply. There have been significant increases in energy prices in recent months and this and this is expected to get worse. This has implications for processing and transportation costs.⁸
 - Brent crude jumped 7.3 percent to \$103.9 a barrel on 24 February, the highest level since July 2014.
 - The price of British gas for next-day delivery jumped 53% to 326p per therm as the invasion stoked fears of a disruption to global energy supplies.
- Implications for other ingredients –
 - Wheat – Russia and Ukraine combined produce a quarter of global wheat supplies, any disruption to this supply will impact coated product production.⁹

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⁸ <https://www.theguardian.com/business/2022/feb/24/gas-and-oil-prices-surge-amid-fears-of-global-energy-shortage-russia-ukraine>

⁹ <https://www.nytimes.com/2022/02/24/business/ukraine-russia-wheat-prices.html>

- Sunflower oil (Ukraine majority producer) while there are other vegetable oils available, we would expect severe disruption to market, price increases and production challenges as businesses adjust production lines to reflect alternative products. Likely to impact whitefish value add but also canning (tinned mackerel etc.).
- While there are not currently sanctions on seafood some of the finance/banking sanctions will impact how UK companies' source and pay for product.
- * There are potential reputational issues for businesses with supply chains so closely dependent on Russia – there is already evidence of UK energy companies looking to break with Russia and pension companies divesting Russian interests. We know that much of the UK fish and chip sector is reliant on Russian fish. There is growing social media activity seeking information on the provenance of seafood sold in the UK (e.g. McDonalds filet of fish). It is possible that there will be pressure on companies to 'do their bit' to contribute to disrupting the Russia economy – intimation is that businesses should be looking to voluntarily extricate themselves from Russian involvement in their supply chain, even in the absence of sanctions.
- Some businesses have indicated that they will consider scaling back production in response to these pressures.

Seafish March 2022

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Annex 1: Global Whitefish Production for 2022: Cod/Haddock /Pollack

Species	Volume of production (,000 tonnes)	Notes
Global	7,095	
Pollack	3,490	In 2021 the US produced 1,505 MT - the figure presented does not include the projected US TAC reduction for 2022 (likely to be 31% reduction)
Cod	1,093	Norway produces 371 MT and Iceland produces 230 MT
Pacific cod	368	
Haddock	345	
Other	1,799	Includes 1,051MT of hake - not sourced from Russia
		Russian share of total (%)
Russian share	2,400	38%* expected to increase in line with decline in US pollock TAC
Pollack	1,720	49%
Cod	352	32%
Pacific cod	150	41%
Haddock	87	25%
Other	57	

Source: Groundfish Forum via Undercurrent News October 13 2021

<https://files.undercurrentnews.com/wp-content/uploads/2021/10/2021-Groundfish-Forum-Supply-Handout.pdf>

***Annex 2: UK cod, haddock and Alaska pollock imports for 2019 and 2020**

Species	Country	2019		2020	
		Value (£ million)	Live Weight (tonnes)	Value (£ million)	Live Weight (tonnes)
	Total	835	452,633	778	432,311
	ICELAND	214	89,634	208	87,726
	NORWAY	107	49,307	91	43,032
	RUSSIA	77	42,727	80	47,773
	FAROE ISLANDS	58	26,247	47	21,296
	CHINA	201	151,565	184	143,119
	EU total	149	73,561	120	60,307
	GERMANY	54	25,326	26	14,194
	DENMARK	47	24,447	49	25,822
	POLAND	13	7,224	17	8,590
	NETHERLANDS	3	2,510	2	994
	Baltic states	11	4,699	11	4,384
	FRANCE	6	2,330	3	763
	Other EU countries	15	7,025	12	5,560
	Other countries	31	19,593	47	29,059
Cod	Total	573	266,971	531	248,830
	ICELAND	153	61,521	155	62,447
	CHINA	126	71,903	113	66,262
	NORWAY	62	27,119	51	22,349
	RUSSIA	56	27,065	58	27,118
	DENMARK	32	15,255	32	15,469
	Other	98	43,919	68	31,341
Haddock	Total	180	97,806	160	93,746
	ICELAND	61	28,112	52	25,279
	CHINA	21	19,455	18	19,552
	NORWAY	45	22,188	40	20,683
	RUSSIA	12	6,461	9	6,160
	DENMARK	14	7,697	17	10,057
	Other	18	8,472	13	6,087
Alaska Pollock	Total	81	87,164	87	89,460
	CHINA	54	60,207	53	57,304
	RUSSIA	8	9,202	13	14,495
	DENMARK	1	1,495	0	297
	GERMANY	3	2,456	5	4,110

Source: UK Trade stats