

Ukraine's seafood industry beginning to recover from worst of war's impact

By Viktor Sagaydak

December 1, 2022



The Association of Ukrainian Fish and Seafood Importers was established in 2013 as a non-governmental organization with the purpose of protect the rights and interests of seafood importers. It currently has 27 member-companies

In an interview with independent journalist Viktor Sagaydak, the organization's head, Dmitry Zagumenny, discussed how Russia's invasion of Ukraine has affected the country's seafood industry and the biggest challenges the industry currently faces.

Sagaydak: What is the ratio of imported versus local fish and seafood in Ukraine's consumption, and how is Russia's war against Ukraine influencing the situation?

Zagumenny: Total consumption of fish products in Ukraine in 2021 was approximately 500,000 tons. [Of that], 435,000 tons were imported and 65,000 tons were local. So imports [accounted for] 85 percent, [while] local production [accounted for] 15 percent. [However], due to [the war], [there has been] a complete cessation of fishing in the Sea of Azov and the Black Sea and partial cessation in inland waters, [so the share of local fish has dropped significantly. [Additionally], processing downtimes caused by power supply problems may lead to additional demand for imported canned fish.

Sagaydak: Has Ukraine's seafood industry suffered much from Russian attacks? Are many facilities located in territories now occupied by Russia?

Zagumenny: The full-scale invasion of the Russian army into Ukraine was spanning several directions including, Kyiv and Kharkiv regions. And a large processing plant of one of the key fish importers near Kharkiv was destroyed. While fish of dozens of importers [operated] logistics hubs around Kyiv, some of them were destroyed by artillery or rocket strikes, [and] some foodstuffs spoiled due to damage to power lines. So, of course, that led to huge losses for

importing companies. Meanwhile, almost all importing companies with their main production facilities were and continue to be in the largest cities of Ukraine [that] weren't captured or occupied, so the companies continue to function.

Sagaydak: Have any member-companies of the association stopped importing for the time being?

Zagumenny: All importing was almost stopped in March through April and that affected all importers to various extent. But in June and July, 95 percent of companies recommenced their import. Since then, some have reached 30 percent of previous capacity, some of them are at the level of 50 to 70 percent, and several even increased import volumes. Currently, all 27 member-companies of our association continue operating.

Sagaydak: What are the main challenges for Ukrainian importers of seafood, besides direct hostilities?

Zagumenny: Before the invasion, about 35 to 40 percent of fish and seafood were imported into Ukraine by sea. Air deliveries accounted for less than 1 percent. The rest, 60 percent, were shipped by trucks. The lack of ocean logistics affected imports first of all and the roads became the only substitution. Therefore, after blocking of Ukrainian ports, some cargoes which were still in the seas were redirected to ports of Turkey, Bulgaria, Romania, and Lithuania. [Those] ports were not prepared for this sharp increase of incoming containers, and this caused numerous complications for importers, including:

- Lack of trucks and drivers to deliver refrigerated cargoes to Ukraine (many carriers were afraid to go even to our western regions);
- Obtaining special veterinary certificates for transit from foreign ports of unloading to Ukraine (initially, veterinary services of those countries also weren't ready to carry out all those documentation procedures);
- Checkpoints between Ukraine and Hungary, Romania, and Moldova were not able to handle such a huge cargo transport stream (trucks had to stay in line for days or even weeks).
- Polish-Ukrainian border felt even more pressure caused by the change of cargo routes from Baltic states and Finland to Ukraine (as all traffic now had to travel through Poland instead of using Belarus, leading to a tenfold increase in the number of trucks on this border).

These problems became a key challenge for a while, and not only for fish importers of course. Nowadays, the situation is better, not so critical. This was achieved via separation of cargo flows, opening new border checkpoints, as well as launching the "grain corridor," and other efforts of the government and our international partners.

Another challenge that temporarily reduced importers' capacities was a limitation on the purchase of foreign currencies imposed by the National Bank of Ukraine to preserve the viability of the national economy and gold and foreign exchange reserves. The purchase of foreign currency was allowed only for goods of critical import, and fish wasn't on the list at first. As of now, those limitations have been lifted.

Sagaydak: What has been done to mitigate the difficulties of importing seafood into Ukraine?

Zagumenny: Of course, Ukraine faced difficulties that could hardly be imagined. Nevertheless, it must be said that business, government, and public organizations worked and communicated 24/7 at all levels in critical situations and usually the necessary decisions were made quite quickly. Among measures that enabled to minimize first shock and overcome the shortage of food, including fish and seafood, I'd mention that to support supply recovery within martial law period, from 1 April to 1 July, import operations were exempted from VAT and excise duties by Verkhovna Rada's [Ukrainian parliament] decision. This substantially facilitated supply of goods most needed both for civil and military purposes, such as food, clothing (uniforms), cars, etcetera.

Also, mandatory labeling in Ukrainian language was canceled temporarily. This was an important and timely decision as many warehouses and productions were destroyed or closed which led to a need of urgent restock of foodstuffs and other goods.

Besides [all that], I'd like to underline that involvement and role of industry associations, which has increased significantly, and as a result, state bodies were more attentive to the opinions and position of business.

Sagaydak: Millions of Ukrainians are abroad now. How does this affect the market?

Zagumenny: Various estimates say that about eight million Ukrainians have left the country since the beginning of the war. But after the successes of the Armed Forces of Ukraine, the liberation of Kyiv, Chernihiv, and Kharkiv regions, and maintaining control over Odessa, Zaporizhzhia, Dnipro, many people are coming back and today, more than 50 percent have returned. Statistics show that currently import component of the fish market is operating at the level of around 70 percent of the figures of 2021. Generally, this can be considered a positive dynamic taking into account the situation in our country.

Sagaydak: How quickly, in your opinion, can Ukrainian fish imports recover?

Zagumenny: It's rather difficult to predict, as we do not know the date of our victorious end of the war and the condition of the energy sector and infrastructure afterwards. But considering Ukraine's partner countries support, and heroic deeds of Ukraine's army liberating our terrain, we believe that the worst time is over. After the victory, systematic recovery of the nation's economy and consumers' buying capacity should allow us to reach figures of 2021, when Ukrainian fish and seafood import value was USD 1 billion (EUR 952 million), in about three years.

Reporting by Viktor Sagaydak

Photo courtesy of "Ukrainian importers of fish and seafood" (UIFSA)