

Tuna Market Intelligence

Issue 61, November 9, 2017

Your fortnightly report on trends and influencers on the global tuna market from the Pacific Islands.

MARKET UPDATE

Bangkok prices for frozen whole round skipjack have been USD 2,300-2,350/mt in October, a record high for the past four years, up from September's prices of USD 2150 - 2200/mt. Prices have now begun to level off, between USD 1980 and 2050/mt according to Undercurrent, this on the back of opening up the FAD closure. With other oceans facing limited catches it is envisaged the prices may remain high.

INFLUENCERS REPORT

MSC Chain of Custody Audit for PNA and others

Mr. Nick Capobianco senior lead auditor for SCS Global Services, has been in Majuro for a week auditing organizations involved with fishing, processing and transshipment of skipjack and yellowfin tuna against the Marine Stewardship Council (MSC) chain of custody (CoC) standards.

Chain of Custody involves documentation and evidence that MSC procedures have been followed every step of the way, from catching tuna to seeing it onto grocery shelves. Each step in the supply chain requires procedures to be implemented to ensure traceability and segregation, in order for the tuna to be MSC certified; it is Capobianco's job to make sure that the procedures are not only in place, but are strictly followed.

Much of Capobianco's time has been spent with the Parties of the Nauru Agreement (PNA). Chain of Custody certification normally begins at the first point of landing after harvest. The PNA Group CoC audit is one of the most complicated in the world because it involves checking traceability and segregation procedures on board the fishing vessels that may be harvesting both MSC eligible and non-eligible tuna. The PNA Group CoC includes 300 purse seiner and carrier vessels operating in the Western and Central Pacific Ocean and offloading to many tuna processors in several countries.

Each vessel must apply to the PNA office for an MSC Trip Number and every MSC trip has an independent MSC trained observer placement as part of the PNA internal audit program, which number over 700 observers. The PNA CoC ends with delivery to the tuna processor, where trained observers monitor the discharge, sorting and final weight of MSC eligible tuna. The annual audit always involves the central office, which is located in Majuro. From there, he also visits a sample of the vessels included in the PNA MSC CoC system. For this visit Capobianco visited eleven vessels in the Majuro Port; next year it is likely he will visit different vessels and discharging at other ports.

When Capobianco visits a vessel he is looking for objective evidence of conformance as well as any areas of non-conformance. Everyone on board a MSC eligible trip must have received prior MSC training or briefing. A fish storage well needs to be designated for the MSC fish and the catch needs to be documented independently and identified as either free school/MSC eligible or FAD associated in both the captain's logbook and the MSC trained independent observer's trip report. Only free school skipjack and yellowfin tuna can be classified as MSC eligible. Capobianco interviewed crews making sure they comprehend and follow procedures, inspects the segregation procedures on board the vessel as well as records associated with the MSC catch to confirm traceability and discharge records for MSC eligible tuna that correlate with the vessels' catch records.

Non-compliance falls into three categories. Critical non-conformity such as labeling non-MSC certified catch as MSC Certified can result in immediate suspension of the coveted MSC certificate, and an investigation by the certifying body. Major non-conformance, where the auditor identifies a risk of mixing certified with non-certified fish, is dealt with by a notice requiring corrective actions to be implemented within 30 days. Minor non-compliance that does not affect the integrity of the system requires an action plan to address the non-

Tuna Market Intelligence

compliance, which is confirmed by the auditor at the next surveillance audit.

During his visit Capobianco also conducted an annual surveillance at Pacific Pan Foods Inc. as well as two other companies that were audited for the first time and, if they pass, will achieve MSC CoC certification. Each company received a summary of the findings for their organization and a report with the findings are sent to the SCS office in Emeryville USA for independent review and final certification decision, which is typically issued within two weeks.

Confidence is high at PNA following the closing meeting; the overall feeling was that they were well prepared to show the auditor their processes that go over and above the MSC benchmark requirements. And while the findings are confidential at this point, Capobianco noted that he had seen evidence of improvement in the PNA CoC system over the previous visit and an increase in both the number of vessels and MSC trips over the past year.

7 from PNA visit Alaska's CDQ

Alaska, early 1970s. Foreign vessels fished Alaskan seas, then left with both the fish and the profits. There were foreign processing plants as well, and their profits left Alaska as well. Then in 1976 the US Federal government enacted a law which unilaterally extended US jurisdiction over fishery resources to 200 miles from shore, ultimately forcing foreign companies to allow US companies and citizens to invest in their businesses if they wanted to continue to fish in US waters and process on US soil.

The initiation of the new regulation became a turning point for Alaskan citizens. They began to invest, and as investors they began be privy to the fisheries' financial books. As they reinvested their profits they began owning bigger percentages of the fisheries businesses.

Eventually, in 1991, the Alaskans formed a company of their own, Community Development Quota (CDQ). CDQ is comprised of six communities that collectively lease their CDQ allocations to other companies to harvest and process their allocation. CDQ has now evolved to the

point where they have acquired ownership throughout the industry. Now more than 75% of CDQ allocations are harvested and processed by companies that the CDQ groups own, all or part. CDQ royalties now exceed \$50 million annually and the company collectively has \$400 million in assets.

PNA was invited to visit Alaska; the trip was sponsored by The Nature Conservancy. Ludwig Kumoru, CEO, was accompanied by representatives from five of the eight PNA countries: FSM, Nauru, Palau, PNG, and the RMI.

The purpose of the visit was twofold. The first was to see firsthand how the Alaskans were able to turn their fishery around from being foreign owned and controlled to being a 100% locally owned and controlled fishery. The second was to learn about the CDQ, the business arm of the six communities.

The seven representatives toured factories in Kodiak and visited the CDQ office in Anchorage between October 9-16.. They see the parallel; the PNA countries are in a similar state as Alaska was more than 30 years ago.

The eight countries have already taken the first steps, by forming PNA and creating the Vessel Day Scheme. Now they need to agree as to how they can land and keep their fish and profits on their soil and to look at how PNAO can make financial investment to the betterment of the parties' futures.

Pacific and RD strike deal

Pacific, the joint venture global tuna market development company set up between PNA and a corporation in Netherlands, has signed an agreement with RD Corporation, a PNG/Philippine based fishing and processing firm. In the memorandum of understanding RD commits to catching MSC-certified free school skipjack and yellowfin tuna under the PNA MSC program. They will increase their tuna processing in Papua New Guinea, creating more jobs and income for the PNG islanders. The agreement should result in more than 1,000 containers of MSC-certified canned and pouched tuna being exported to the European market.

Tuna Market Intelligence

The agreement is significant to the tuna market as RD is the largest tuna canner and exporter in PNG. RD's purse seiners bring in around 90,000 tons of whole round tuna annually, with 50% or more potentially eligible for Pacific's MSC free-school certification. In addition to their PNG operations, RD also owns the Philbest Canning Corporation, one of the largest Filipino-owned conglomerates in the Philippines. Philbest also has the capacity to process an average of 140 metric tons raw tuna per day.

MSC celebrates 20 year anniversary

Marine Stewardship Council (MSC) is celebrating their 20 year mark, noting impressive achievements as well as goals for the future.

Among their achievements, MSC boasts over 400 fisheries that land 14 % of the global marine catch by volume that participate in the MSC program. 42,320 sites have MSC Chain of Custody certification and 315 fisheries are certified in 34 countries. Last fiscal year consumers bought 730,860 tones of MSC labeled seafood.

According to MSC, certified fisheries report 1,200 documented improvements that have resulted in more stable biomass, reduced bycatch and improved management.

Among MSC's goals are to have 20% of the global wild catch engaged in the MSC program by 2020 and a minimum of one third by 2030. Rupert Howes, CEO of MSC says, "We will achieve this by working with our partners, through deeper engagement with key fisheries and by building demand for sustainable seafood in markets that offer the biggest incentives to drive change on the water."

New Observer class commences in Majuro

John Still Villi, lead instructor for observer training, and Edward Adiniwin, director for CMI's Maritime Vocational Training Center, have just finished conducting several two-week Standard of Training, Certification and Watchkeeping for Seafarers (STCW) classes where

students learn personal safety techniques, CPR and first aid, fire prevention and fighting, and occupational health and safety.

Those who pass the class and hold a high school diploma or GED are eligible to take the fisheries observer training course that commenced last week at the College of the Marshall Islands Arrak campus. Ten students have signed up for the challenge. These ten students are all males, but the instructors encourage women to participate.

During the course the students will learn essential skills including geography and navigation in addition to basic math, English and computer skills. Students are also taught environmental laws regarding issues such as the proper disposal of waste at sea. Students must pass both written and practical tests in order to graduate to become fisheries observers.

The course is rigorous but has many perks. Tuition is covered by the National Training Council, and meals, housing, and transportation are provided for the duration of the course. Students also earn a weekly stipend. When they graduate in nine weeks they will be fisheries observers for the Marshall Islands Marine Resources Authority (MIMRA), ready to go to sea on purse seine and longline fishing boats and capable of earning \$75 to \$85 per day at sea. In port they can supplement their income as a port monitor, collecting and reporting data as vessels transship their tuna.

An independent observer is required on every purse seine fishing trip within Parties to the Nauru Agreement (PNA) waters, which includes the RMI's 200-mile exclusive economic zone. The observer keeps data and records that are turned in at the end of each fishing trip. Their reports are an essential part of PNA's fisheries management system to prevent boats from Illegal, Unreported, and Unregulated (IUU) fishing activity. Data from each fishing trip is shared with the Pacific Islands Forum Fisheries Agency (FFA), Secretariat of the Pacific Community (SPC) and MIMRA to help scientists determine best practices and quotas for keeping tuna stocks sustainable.

Much has been done to ensure the safety of fisheries

Tuna Market Intelligence

observers at sea. Adiniwin explains observers are treated like officers on purse seiners. They eat with the captain and other officers and have air-conditioned quarters they have seen and approved before accepting the post. As the fishing companies have come to realize that they must be compliant or face fines, they have become more accepting and welcoming to the observers, he said.

Rules and procedures have been put into place for the observer's safety. If the observer becomes seriously ill, is required to proceed to port. The observer also has 2 way communications and a device with a Coast Guard monitored distress button if he feels his life is in danger.

The current class is scheduled to graduate in December.

Walmart visits Majuro

A team from the US mega-corporation Walmart spent a week in Majuro touring fish processing facilities, looking at fishing vessels and meeting with government fisheries officials and the PNA office, according to the Marshall Islands Journal.

"They are looking at the supply chain and sourcing fish," said Marshall Islands Marine Resources Authority Director Glen Joseph, who met with the five-person team Monday.

They toured Pan Pacific Foods tuna loining plant and the sashimi export operation managed by Marshall Islands Fishing Venture. MIFV Fish Base Manager Jin Liang said the Walmart representatives toured MIFV's tuna processing facility Monday and also showed interest in the company's longline fishing boat operation. There may be a chance to do business with the US-based corporation in the future, said Jin.

Parties to the Nauru Agreement Commercial Manager Maurice Brownjohn met with the group Monday morning and said they were interested primarily in social accountability of fishing operations. "We are way ahead on that," said Brownjohn. He continued, "PNA with its globally recognized sustainable skipjack and yellowfin fishery has been implementing sustainable fishing measures for the fishery as well as requirements for

fishing boats in managing fishers. Under Pacific, PNA has what we believe are the only social accountability guidelines for crews on purse seiners."

<http://www.pacific.com/guidelines.html>

Brownjohn said Walmart has contacted PNA before with interest in tuna from this part of the Pacific, but the visit this past week was the company's first to Majuro.

"Hopefully following this visit we may now see MSC Pacific co-branded canned tuna in Walmart stores in the future. "

Joseph said the visit by Walmart representatives was low key. "We didn't know about it until we were alerted to the visit through Pan Pacific Foods," said Joseph.

"We've got our (tuna) product at Costco, now Walmart's here (taking a look)," he said. "Who's next — Sam's Club?"

Walmart is the largest business employer in the United States, with 2.1 million workers. Forbes lists Walmart as the 17th largest public company in the world.

Palau to test Paul Allen's SkyLight

Palau President Tommy Remengesau Jr. announced SkyLight, a new satellite imagery and data-analysis system developed by Paul Allen, is set to be implemented for testing in Palau in December, and expected to be up and running in 2018.

Allen announced his plans at the recent Our Ocean conference in Malta. He is spending \$40 million to develop the system that will take multiple data sources from satellite images and shipping records as well as information manually collected by officials on docks. It will then use machine-learning software to track and predict which vessels are Illegal, Unreported, and Unregulated (IUU).

Palau has declared 80% of its exclusive economic zone as protected marine sanctuary and bans foreign commercial fishing. SkyLight could be of great assistance in helping Palau better police its waters.

Tuna Market Intelligence

Both EU and Foreign Flags will meet EU Standards

The European Union Commission recently approved new laws that aim to create “equal conditions” for both European and foreign tuna fishermen in both European and foreign waters. The new laws are set to guarantee sustainable management of the EU’s external fishing fleet by better, more transparent and public, united electronic registry and monitoring. They also plan to improve efforts to combat Illegal, Unreported, and Unregulated (IUU) fishing with stricter supervision. In addition, the Commission is recommending a prohibition on transshipment at sea in all waters, currently a requirement for EU vessels, but not for foreign vessels fishing in EU waters. The Commission’s next step is to secure commitment and proper implementation of the law from all of the European Union states.

Tuvalu Fisheries Department (TFD) reports several major events in 2017.

These include the purchase of a second tuna purse seiner that will operate under the Tuvalu Tuna Fong Haur Company. A third vessel has been put into operation under the Tusa Fishing Company Limited.

TFD is also in discussion with foreign longline companies, looking at establishing locally based operations, including onshore processing that can eventually lead to exporting processed tuna products.

Meanwhile, TFD is surveying Tuvaluans in outer islands with regards to production of fisheries development and management plans for each island, to be financed using their Community Vessel Day Scheme.

A feasibility study is also ready to be conducted with aim to analyze the technical and financial aspects of establishing a small fleet of fishing vessels that can remain at sea for several days at a stretch. They are also looking at renovating their fishing jetty and cold store for preserving catches.

Tuvalu’s old fisheries extension building has been demolished and a new building is currently under

construction. The new facility will house the entire Tuvalu Fisheries Department, to include office space, a conference room, a vessel monitoring system room, dive bay, wet and dry laboratories and a storage and work area for fish aggregating device (FAD) construction as well as practical training courses. The building is near completion and has been funded by the New Zealand government, with IT equipment procured courtesy of World Bank, and office furniture co-funded by The Tuvalu Government.

World Bank funds Seychelles

The Seychelles has been funded with USD 20 million from World Bank to boost sustainability by improving their management of marine areas and fisheries. Addressing Illegal, Unreported and Unregulated (IUU) fishing will be an important focus as these practices cost Seychelles up to USD 7.5 million per year, according to a 2005 study.

Tuna is the Seychelles’ biggest catch, and is their second largest industry, after tourism. They process their fish and export canned tuna to Europe. However, their production has fallen in recent years due to lower fishing quotas. The Indian Ocean Tuna Commission has reduced yellowfin allowable catch by 15%, coupled with reduced allowable fish aggregating devices (FADs), measures they hope will improve stock numbers. Purse seiners in the Indian Ocean are expected to finish fishing before the end of the year as quotas are close to being fulfilled.

Send us your tips to rebecca@pnatuna.com

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