

Tuna Market Intelligence

Issue 64, December 31, 2017

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

MARKET UPDATE

Bangkok prices for skipjack tuna have continued to fall. Later December prices averaged USD 1,700 mt., down 5.56% according to Atuna.

Manta prices have remained higher, last reported at USD 2,300.

INFLUENCERS REPORT

PNA's mixed review of WCPFC meeting outcomes

The CEO of the Parties to the Nauru Agreement (PNA) sees the outcomes of the annual meeting in Manila earlier this month of the Western and Central Pacific Fisheries Commission (WCPFC) as mixed.

PNA CEO Ludwig Kumoru said there were some good steps forward by the Commission. These included adoption of a Port State Measure, which includes arrangements for appropriate inspection of tuna vessels when they come to port. This will close one of the remaining gaps in the Commission's monitoring and control scheme and is well adapted to the region where many of the major ports are in small island developing states, said Mr. Kumoru.

Other positive steps included the adoption of a measure to reduce marine pollution from fishing vessels, including banning discharge of plastic, and the adoption of a rebuilding plan for Pacific Bluefin.

However, Mr. Kumoru was disappointed in the outcome of the revision of the Tropical Tuna Measure.

"This is a key measure for PNA members, most of whom are heavily dependent on tropical tuna fisheries," Mr. Kumoru said. "Most of the tropical tuna catch is taken in PNA waters but some fishing states fail to respect the rights of PNA members and other resource-owning Pacific Island states and try to use the Commission to protect their fleets instead of protecting the fish."

Scientists provided the Commission with a positive report regarding the status of the three tropical tuna stocks,

especially bigeye tuna, but had specifically advised against measures that would increase fishing for bigeye and yellowfin while additional research is undertaken.

Several fishing states insisted on increasing catch limits and opportunities for fishing with fish aggregating devices (FADs), especially on the high seas. "As a result the measure has rightly been criticized as falling short of meeting the standards recommended by the scientific advice," Mr. Kumoru said.

The PNA CEO noted that several of the major elements in Tropical Tuna Measure were only agreed for one year, and so there is still an opportunity to get it right after additional scientific advice is received in 2018.

In the meantime, he said, "PNA Members will continue to work on strengthening management arrangements applied in PNA waters, and I call on Commission Members to focus on strengthening management arrangements for the high seas in 2018."

PNA continues to push Commission Members to focus on the organization's primary purpose: management of fishing on the high seas in the Western and Central Pacific Ocean. Mr. Kumoru made the point that while PNA enforces a "hard limit" on fishing days for purse seiners in PNA waters, there is no such limit for fishing days on the high seas. "We need hard limits for high seas fishing," he said. Essential to establishing a limit is for the Commission to establish an "allocation process" going forward. "In 2018, the WCPFC must address the allocation process for fishing on the high seas," he said. "The sooner we address this, the better."

Mr. Kumoru emphasized that PNA's zone-based management of its tuna fisheries has proven effective from both a conservation and economic perspective. He said he looked forward to Commission members improving high seas management, and for the Commission to more effectively address issues of concern in the Tropical Tuna Measure that will be up for review at the end of 2018.

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Pacifical's Daphine Wase shares intern experiences

Pacifical's Marshallese intern, Daphine Wase, has finished her first month at Pacifical. She is faithfully keeping a weekly blog where she shares both her intern experiences and her personal experiences as a Pacific Islander coping with snow and public transportation for her first time.

During her first month Daphine has learned to create a seafood sustainability report, finding the USA, Spain and the Netherlands have differing perspectives regarding seafood sustainability.

Daphine is also translating one of Pacifical's webpages into Marshallese so her people can read and understand Pacifical's aims and objectives, a win-win for both Pacifical and the Marshall Islands as the RMI is one of eight nations that belong to PNA, part owner of Pacifical.

Daphine reports her internship has taken her to Germany to assess the tuna market, including prices and sales strategies, in German supermarkets. In addition to learning how canned tuna is categorized, she was happy to see Pacifical's tuna on the shelves of three of the six supermarket chains she visited.

At the end of every week Daphine enjoys Pacifical's Friday sit-ins where the team sits at a round table exchanging stories in an informal friendly atmosphere. Daphine says, "I find this a very good time to know more of one another, in my short stay here. It's informal, and it enables me to learn more about my co-workers and also share jokes. Criticism is taken very well among the staff and the employer, which I admire. Everyone is open in terms of their opinions and also though communication is key at times, I find everyone listens as well, which I find very important too."

To read Daphine's blog in full, go to <https://pacificalinsider.wordpress.com>

Pacifical is now in the process of selecting their new intern, which will hail from Nauru.

PNG ends discounted fishing fees

Papua New Guinea's Prime Minister Peter O'Neill has announced that effective January the 1st 2018, after years of study and dialogue with industry over industry data, the PNG Government will end the practice of discounting fishing fees to vessels listed as associated with PNG onshore processors. In the last decade this subsidy has grown to more than US\$100 million (K330 million) each year.

The government projects that the new rebate system will save US\$70 million (K235 million) in revenue in 2018 based upon current, approximately 65,000 mt processing. As processing grows, however, the savings will reduce as support increases per metric ton processed, and jobs and commerce grow.

O'Neill explained that PNG can no longer have a situation where the fisheries sector is being undermined, and PNG is subsidizing foreign tuna companies to take resources offshore and subsidize tuna processing and jobs in other countries.

Until now the country has sold heavily discounted, even free, fishing days to domestic flagged and locally based foreign flagged vessels linked to PNG factories on the premise that they would process the catch in PNG, but the vessels most often took their fish out of PNG for processing.

Currently, close to 80 per cent of fish caught by PNG based fleets is processed in other countries, costing PNG around 16,000 jobs as well as hundreds of millions of dollars in direct and indirect commerce, taxes and foreign exchange. Included in this scenario is the fact that most PNG flagged tuna vessels have not been to their home ports this year, rather operating from other ports in the PNA region, further depriving the country of fish, jobs, and income.

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In an outrageous situation PNG processors have claimed they cannot get fish to process, and as a result, receive no financial support, despite the subsidy.

The PNG Cabinet has instructed the National Fishing Authority (NFA) and its board to implement these changes immediately. Changes include a rebate set at \$400/mt, but only paid for fish processed in PNG. Processors will receive their rebates in PNG kina into their PNG domestic bank account monthly, based on the USD mid-rate on the first bank day of the month of payment. The rebates are for supporting the claimed additional industry costs for processing in PNG including salaries, utilities and freight, but can if they wish pay a premium for landings. For the first two years, or when processing increases to 150,000 mt, the rebates are set at 30% above what industry claims it costs to pack in PNG; the additional funding is to incentivize processing and to assist the fast track for the build up of necessary infrastructure such as cold storage and processing lines to increase processing to the levels specified in their State Agreements and, in doing, reach scales of economy. As processing grows the rebates will be revised. Provisions for rebates will be taken up in the annual NFA budgets and any revised budgets during the year as processing grows.

The cabinet has also directed that from the revenue savings part is to be put to a reserve to fund coastal wharves and port infrastructure to assist the tuna sector, domestic fisheries and coastal communities.

It is noted that, based upon a typical 30mt/day catch of an associated vessel, a \$400/mt rebate for processing in PNG is worth \$12,000/day to the investor, this almost doubling what the discounts in license fees were, which previously only went to the fishing side. Future rebates, in contrast, apply only if fish is processed in PNG.

PNG tuna operators threaten closure

Following PNG Prime Minister Peter O'Neill's announcement that there will be no more discounted fishing licenses offered in the country's Archipelagic

Waters (AW) and Exclusive Economic Zone (EEZ), but rather rewards to PNG based processors who meet their state agreements and process in PNG. PNG Fishing Industry Association (FIA), led by Mr. Sylvester Pokajam, who was the managing director of PNG's National Fisheries Authority (NFA) for a decade until three years ago and was a strong proponent of free and heavily discounted fishing licenses in his time for PNG and chartered foreign vessels, issued a press release stating that the six Papua New Guinea based foreign investors are talking about closing down their processing facilities if they cannot continue to get subsidized fishing for their associated fleets to take fish offshore. He states the companies are in the final stages of determining the fate of their shore-based production facilities.

The canneries in PNG traditionally slow down during this time of year for four to six weeks for staff holidays and annual refits, normally resuming production before February. At that time it will be clear whether the companies choose to stop production.

The new policy dictates that all purse seiners, whether domestic or foreign flag, will pay full Vessel Day Scheme (VDS) prices, but if they land their catch and process it in PNG, the processing side of the same corporation will receive USD 400 per mt as incentive to process fish locally. The State Agreements only provide for fishing opportunity up to what is processed in PNG. Currently only 20 percent of PNG's catch is processed in the associated PNG plants, the rest, including the State's subsidy, goes offshore to Asia and competes directly with PNG.

FIA's position is that the rebate scheme will not attract new foreign fishing companies to invest in onshore processing in PNG because they will have to pay full access fees to fish at the same rate as they would to fish bilaterally.

PNG counters that there are rewards for processing on their soil. Companies will be financially supported and those gains can be shared amongst the processing and fishing operations. If ventures leave, then clearly they

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were never genuine in the first place, but rather built factories only to secure discounted fishing licenses and, under the past regimes, pleaded for more licenses with no intent to comply. The government is confident that genuine processors will emerge. Meanwhile current PNG catch possibly exceeds all current processing capacity in country.

FIA is appealing the government to reconsider their decision and hopes to sit down and find a compromise. If not they say they will close one at a time until the business will not longer be economically viable.

Filipino President asks PNG to reconsider new rebate system

Philippines' President Rodrigo Duterte appealed to PNG's Prime Minister Peter O'Neill in November to allow Filipino fishing companies to continue to bring part of their catch to General Santos City. He told O'Neill that, "Many of our people in the South will lose jobs and this is where we are grappling with the problem of insurgency and terrorism."

Concerning O'Neill's announcement of his plan to end discounts and turn to a rebate system that rewards companies that genuinely process their fish on PNG soil, Duterte asked the PNG Prime Minister to rethink his decision.

O'Neill told Duterte he would work to strengthen cooperation but has not backtracked on his rebate plan.

It is reported that 40 per cent of fish processed in the Philippines actually comes from Papua New Guinea waters and 100 percent of Philippine boats in PNG have until now been subsidized by Papua New Guinea to supply PNG plants.

Fiji hopes to make a deal with Kiribati and Tuvalu

As an effort to compensate for their overfished waters, Fiji is asking Kiribati and Tuvalu to allow two to three Fijian vessels to fish in their waters for the next five years, beginning with one boat in a 12 month trial.

Fiji is working to address rapidly falling fish stocks which Fiji Fish Marketing Group Ltd executive chairman Grahame Southwick attributes to excessive licensing and foreign fleets fishing in the high seas that border Fiji's Exclusive Economic Zone (EEZ). "Too many boats are fishing in the high seas surrounding us preventing fish from coming into Fiji," according to Southwick. He estimates that for the stocks to recover it will take cutting overfishing by a minimum of 50 percent over the next five to ten years.

During talks, which took place during the recent Western and Central Pacific Fisheries Commission in Manila, Fiji found Tuvalu to be more receptive than Kiribati. Kiribati is asking USD 12,000 per fishing day per vessel and Fiji feels the cost is too high given the distance their vessel will need to travel to off-load its catch. Kiribati, on the other hand, is in the midst of introducing on-shore processing facilities and may be resistant to allowing more of its waters to additional fishing fleets that don't intend to process in Tarawa.

Both Tuvalu and Kiribati are members of the Parties to the Nauru Agreement (PNA). Under PNA's Vessel Day Scheme (VDS), the PNA office sets the total number of days that can be fished in their waters combined and apportions the total number of days between each country. Each country then sells their days to the highest bidders.

If Kiribati and Tuvalu will not open their EEZs or Fiji does not agree to the VDS price, Fiji will look at accessing high sea pockets that are beyond the two island neighbors.

Fiji's annual marine fisheries are estimated by the Food and Agriculture Organization to be 36,400 metric tons.

UK millenials opt for sustainable seafood

Statistics from a new Marine Stewardship Council (MSC) report show that 52 percent of United Kingdom shoppers in the millennial age range of 18 to 34 years of age are choosing eco-labeled fish while 37 percent of adults over 55 years old are opting for sustainable seafood products. The products include traditional canned tuna but also

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include fresh and frozen fish, pet food, fish oil supplements and baby food.

Additionally, MSC notes that restaurants, including Wahaca and MacDonald's as well over 100 fish and chip diners, are committing to sustainable seafood products. Stores like IKEA are also retailing sustainable fish seafood products.

UK programme director for MSC, Toby Middleton, commented, "The fact is that UK shoppers value sustainable credentials above price and brand. We are delighted that the younger generation care about sustainable seafood – they are the shoppers of the future. With this year's increase of restaurants, brands, and supermarkets using the MSC blue fish label, we can all help to drive sustainable fishing."

Total UK spending on MSC eco-labeled seafood came in at 754 million pounds over the last year, a 48 percent increase over the previous year. This means 20 percent spending on seafood products in the UK was for the purchase of MSC sustainable fish.

MSC's report describes future goals including a target to engage 20 percent of marine catch by 2020. Next year they plan to launch a "Keep It wild – choose the blue fish" campaign across the UK, aiming to reach consumers through joint partnerships, ambassadors and storytelling.

Australia's Minister for Agriculture and Water Resources applauds FFA members

Senator for South Australia and Assistant Minister for Agriculture and Water Resources, Anne Ruston, on behalf of Australia, applauded members of the Forum Fisheries Agency (FFA) for their firm stance and commitment to their established conservation measures.

Ruston's remarks were in reference to the recent Western and Central Pacific Fisheries Commission (WCPFC) where distant water fishing nations pushed FFA member nations to relax their conservation measures.

In a December 18 press release, Minister Ruston said regarding FFA, "At their earlier annual meeting in Samoa, a very strong mandate was established for FFA members to defend these conservation and sustainability arrangements against several contentious proposals that would have weakened our control of fisheries in our own waters. Preserving and promoting zone-based management measures was one of the successes of regional collaboration at the meeting.

"FFA members will continue to explore management options ahead of the WCPFC commitment to adopt a target reference point for south Pacific albacore in 2018, despite disappointing attempts to block vital progress towards adopting harvest strategies for this stock.

"Regional solidarity has won the day in the face of intense pressure from outside influences and despite a diversity of views on managing the region's fisheries. Australia stands firm with its fellow FFA nations to ensure the sustainability of this critical resource."

FFA members are Australia, Cook Islands, Federated States of Micronesia, Fiji, Kiribati, Republic of the Marshall Islands, Nauru, New Zealand, Niue, Palau, Papua New Guinea, Samoa, Solomon Islands, Tokelau, Tonga, and Tuvalu.

Australia and Vietnam work together to fight IUU fishing

Australia and Vietnam have joined forces to counteract illegal operations by Vietnamese fishing vessels that fish in Australian and other Pacific waters. The Australian Fisheries Management Authority (AFMA) and the Vietnamese Ministry for Agriculture and Rural Development (MARD) will work together to run the campaign jointly.

The AFMA-MARD campaign will educate fishers on the consequences of illegally operating in the Exclusive Economic Zones of other countries and will take place in Sa Ky in the Quang Ngai Province of South Viet Nam. AFMA officers, with the aid of translators, will teach about international fishing laws as well as the risks and

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consequences of Illegal, Unreported and Unregulated (IUU) fishing.

Send us your tips to rebecca@pnatuna.com

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