

ELEVENTH STANDING COMMITTEE ON TUNA AND BILLFISH

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WORKING PAPER 2.3

ECONOMIC OVERVIEW OF THE TUNA FISHERY

Forum Fisheries Agency
Honiara, Solomon Islands
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Introduction

1. This report reviews catch and market trends in the western and central Pacific tuna fishery in 1997.

Purse Seine

2. A preliminary estimate of the 1997 purse seine catch is 726,300 tonnes. This is a small increase of approximately 2.5% compared to the estimated 1996 catch of 708,100 tonnes¹. The skipjack catch is reported to have declined, while the yellowfin and bigeye catch increased significantly. Skipjack is estimated to have made up approximately 70% of the catch in 1997 compared to over 80% in 1996.

Foreign Fleets

3. There were significant increases in the estimated catch of the Korean and Japanese purse seine fleets of approximately 12,000 and 8,000 tonnes respectively. The overall US catch continued to decline, with the 1997 catch dropping by approximately 5,000 tonnes, due to the fact that several vessels operated only for a short time before leaving the fishery upon the winding up of the operations of Z fishing, formerly the largest vessel owner in the US fleet. The Taiwanese catch was stable and complete estimates are not available at the time of writing for vessels from the Philippines. Access to the zones of FFA member countries is crucial for the distant water purse seine fleet, with over 80% of the catch taken in member country zones in the period between 1993 and 1996. The distant water fleet operating in the region is made up of 34 American, 42 Taiwanese, 35 Japanese, 26 Korean and 10 Filipino vessels, making a total fleet of 147 vessels. Some uncertainty is associated with the number of Filipino vessels as one vessel reportedly sunk recently and at least two vessels are reportedly switching over to domestic licensing arrangements in the second quarter of 1998.

Locally Based Fleet

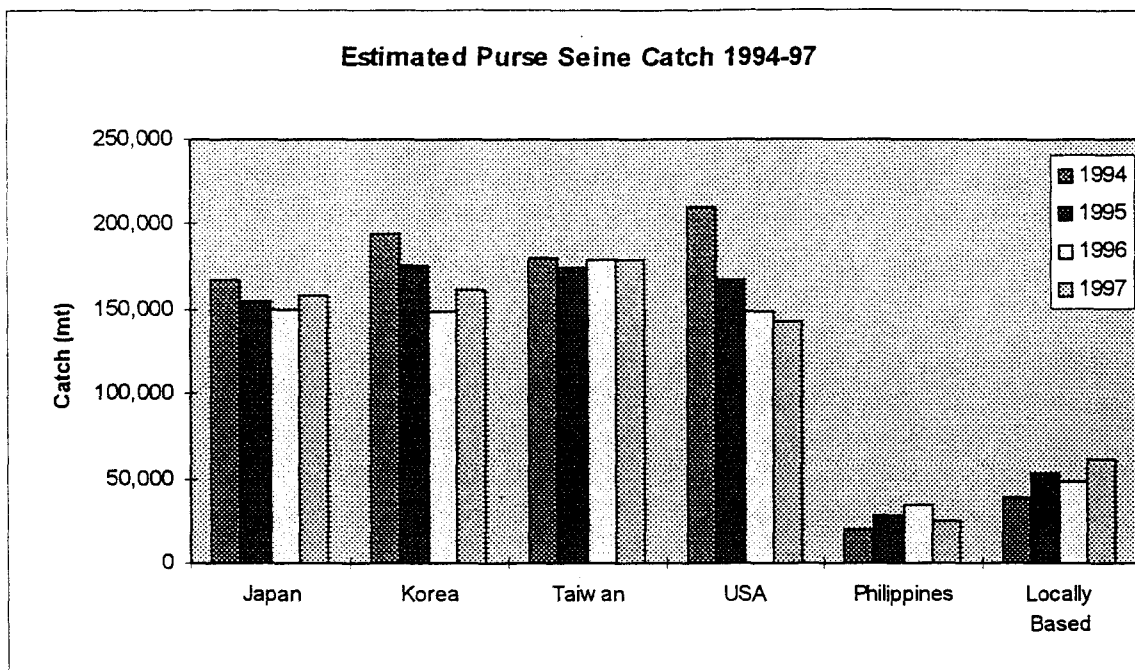
4. The locally based FFA country fleets experienced an increase in catches of approximately 13,000 tonnes. This is largely as a result of an increase in the catch of the fleet based Solomon Islands and the basing of 8 purse seine vessels in Papua New Guinea in association with a cannery project located on the north coast of the mainland in Madang. Papua New Guinea also has two other vessels licensed under domestic arrangements, one a former Filipino seiner, while the other is a former Russian vessel, recently refitted in Singapore which commenced fishing in March 1998. The remainder of the locally based fleet is made up of five vessels in the Federated States of Micronesia, five in Vanuatu (including three formerly based in Papua New Guinea), four in Solomon Islands (an increase of one), and one in Kiribati.

5. Additionally, approximately 31 Korean, Taiwanese and Vanuatu flag vessels were licensed under joint venture arrangements in Solomon Islands. The Korean and Taiwanese vessels also form part of the Korean and Taiwanese bilateral fleet operating in other PNA countries and are included in the vessel numbers for those fleets mentioned in paragraph 3. Past experience suggests that it is unlikely that the locally based fleet will grow rapidly. However, a Filipino company operating vessels under an access agreement in Papua New Guinea is basing two vessels in Papua New Guinea,

¹ An updated estimate of catches appears in Working Paper 5, these figures were not available at the time of writing this paper.

another four vessels may be added to the Madang cannery fleet and another company is reportedly planning the construction of additional vessels to supply a cannery to be established in the New Guinea islands region.

Figure 1



Processing Sector

6. The commencement of production of the Filipino owned RD tuna cannery in Madang in the second half of 1997 means that there are now three canneries operating in the region, the others being in Fiji and Solomon Islands. Infrastructure and logistical constraints are limiting the production of the RD operation to about one third of planned capacity of 30,000 tonnes per year. Officials in Papua New Guinea are also considering a major cannery project submitted by European interests.

7. The PAFCO cannery in Fiji has experienced some problems in maintaining an adequate supply of fish and is reported to have substantially scaled down its canning activities. The Government is in the process of winding up the government owned pole and line operation and the cannery has largely switched across to loining activities based on an arrangement between Pafco, Bumble Bee and the Taiwanese company FCF. Other countries that are considering loining projects are Papua New Guinea and Marshall Islands. It is likely that purse seine vessels would supply these operations.

Cannery Prices

8. Cannery prices for purse seine-caught skipjack remained high throughout 1997 because of a continued shortage of raw materials for skipjack canneries. Although the Philippine and Indonesian tuna canneries have expanded and developed in recent years, the benchmark price is still Thailand which is the world's largest processor of canned tuna. During 1997 the Bangkok raw material prices for skipjack gradually increased from the end of the first quarter and reached a peak of US\$1250 per tonne in August before dropping slightly, but remaining at a high level of about US\$ 1100 per tonne until the end of the year. It is reported that due to the economic problems in east Asian

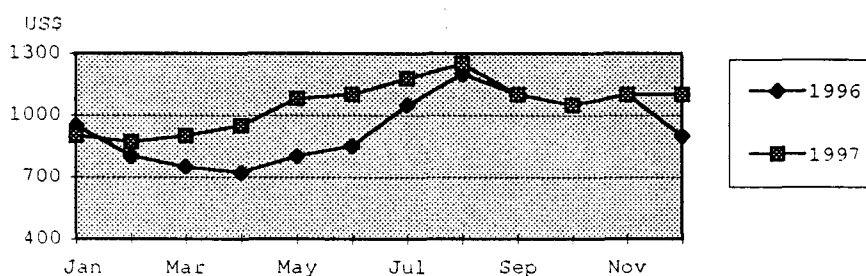
countries, and the high prices of skipjack and yellowfin as raw materials for canning many, small or middle scale canneries in Asia have suspended or scaled down their operations.

9. Although the United States is still the world's largest single market for canned tuna, demand has clearly stagnated in recent years. However, the level of canned tuna imports into the United States increased in 1997. In the first half of the year, almost 60,000 tonnes were imported, 27% more than in the same period of 1996. Thailand managed to keep its top position among the suppliers, but the increase in imports is almost entirely coming from countries other than Thailand. Mexico might become an important trading partner for canned tuna supply to the US market, now that trade embargoes related to the dolphin by-catch in the eastern Pacific have been lifted.

10. The restructuring of the US canned tuna industry continued with Bumble Bee and Van Camp being acquired by International Home Foods (IHF) and Chicken of the Sea respectively. Recent market share assessments show that Starkist remains the market leader with 42-44%, IHF has 23-25%, and Chicken of the Sea 14-16%.

Figure 2:

Bangkok cannery prices for skipjack in 1996 and 1997



11. Early indicative prices for canning grade skipjack in 1998 were firm and the most recent prices from Infofish for March 1998 reported record prices of US\$1,300 per tonne. The high prices were attributed to worldwide low catches in the purse seine fishery. Continued shortages of raw material due to poor recent catches were cited as the main reason for the high prices. In the short term, prices are expected to remain high.

The Longline Fishery

12. The total catch in the longline fishery in 1996 was approximately 108,100 tonnes². This was down by approximately 5% or 5,400 tonnes on the 1995 catch, which had declined by nearly 23,000 tonnes compared to the 1994 catch. The largest component of the tuna catch was yellowfin at 41% while bigeye comprised 31% and albacore 28%. The Taiwanese, Chinese and Japanese catch all declined substantially with the Taiwanese catch falling by approximately 5,400 tonnes while for China and Japan the figures were 4,000 and 3,200 tonnes respectively.

13. Domestic industry developments in the longline fishery have been largely confined to the fresh tuna sector. Local operators in Papua New Guinea continue to bring new vessels into the country and the opening of air links between Port Moresby and Osaka in Japan has improved marketing opportunities into the Japanese market.

² A reliable estimate of the 1997 catch was not available at the time of compiling this paper.

However, the risk associated with the industry is reflected in the fact that although additional vessels commenced operations in 1997, existing vessels ceased operating. The level of fishing effort is likely to increase however as the new entrants are expected to be more active than those which departed.

14. The number of active vessels in Fiji has declined with only 34 operating in 1997 compared to 42 the previous year. However, the estimated total catch fell by less than 10% suggesting that, as was the case in Papua New Guinea, most of the vessels departing were not full time participants in the fishery.

15. The number of vessels operating in the Federated States of Micronesia declined with the departure of a large number of Taiwanese and Chinese boats that reportedly relocated in Guam. The industry is concentrated in Pohnpei State, with a small number of boats also operating in Chuuk and Kosrae. Since the departure of Polar International from Yap, there has been very little longline activity there.

16. A recent development of importance in the longline fishery has been the re-emergence of the alia catamaran fleet in Samoa. These vessels were first promoted by Samoa in the 1980s when the fleet reached a peak of around 400 vessels, fishing mainly for deepwater snapper and tuna. Following cyclones Ofa and Valelia, the number of vessels operating was substantially reduced, but since 1993, the fleet has since grown, particularly in the last twelve months. In 1996 it was estimated at 140 vessels and current estimates suggest the fleet has grown further to over 200 vessels. Much of the catch is albacore, which is frozen and shipped in containers to the canneries in American Samoa.

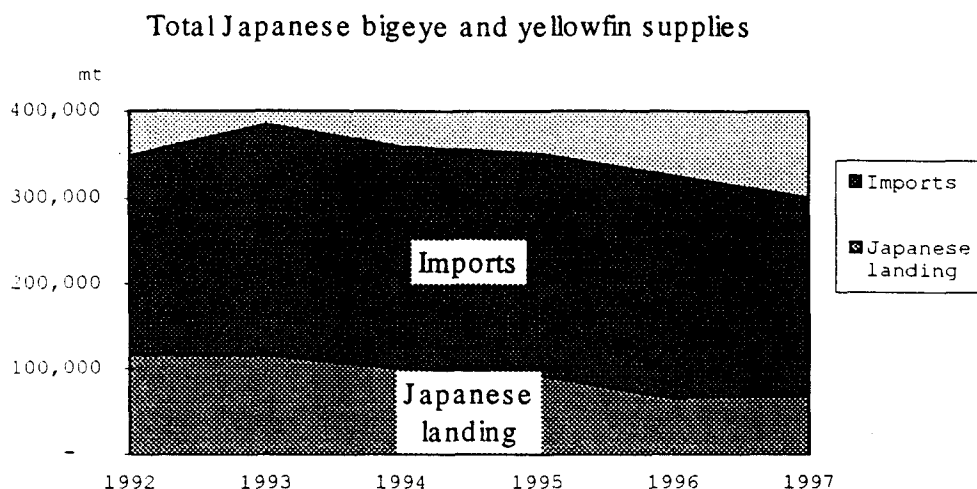
17. Some of the other Polynesian countries, such as Niue, which lack the necessary infrastructure to handle even fairly small longliners, are looking at the alia catamarans as a way of developing their longline fisheries.

Conditions in the Japanese sashimi market

18. Overall, conditions in the Japanese sashimi market in 1997 were sluggish, particularly with respect to the frozen tuna market. The latter market was affected by falling prices, problems associated with the import of carbon monoxide treated fish from South East Asia and the depreciation of the Japanese yen. Preliminary data indicates that this trend has continued in 1998.

19. Supplies of fresh and frozen yellowfin and bigeye tuna to Japan are estimated to have fallen by around 25,000mt, (approximately 8%), during 1997 to around 300,000 tonnes. However, the decline in Japanese domestic landings during the last five years was reversed, with landings increasing by about 4,000mt to approximately 69,500mt. On the other hand, imports declined about 29,000 tonnes (approximately 11%) to 230,000 tonnes in 1997. The net decline in total landings of fresh and frozen tuna continues a trend which has been evident since the 1993 peak of 384,100 tonnes. Imports comprised 77% of supply in 1997.

Figure 3:



Fresh Tuna Market

20. Supplies of fresh/chilled bigeye and yellowfin onto the Japanese market decreased around 1,000 tonnes to 31,452 tonnes and 3,000 tonnes to 40,648 tonnes respectively.

21. In spite of poor economic conditions in Japan in 1997, the price for domestic fresh yellowfin increased around 7% to 792 yen/kg, the import price for fresh bigeye increased around 7% to 926yen/kg and the price for imported yellowfin increased around 19% to 859 yen/kg. The exception was the price of domestic fresh bigeye which decreased by around 9% to 1,446 yen/kg. It seems likely that because of stagnant of economic conditions in Japan for the last few years consumer demand has shifted from high quality tuna to low price tuna. Consumers also prefer to buy fresh tuna rather than frozen tuna.

Imports from Pacific Island Countries

22. Total supply of fresh/chilled bigeye and yellowfin from South Pacific countries into the Japanese market peaked in 1995 at 21,049 tonnes which comprised 33.7% of total imports of 62,536 tonnes. In 1997 South Pacific countries totaled 16,291 tonnes or 29.1% of a total imports of 55,900 tonnes. Increases in production from Solomon Islands and Papua New Guinea occurred but the volume in total was less than 3,000 tonnes. Indonesia and Taiwan remain the main suppliers to the market. The decline in exports from South Pacific countries is probably due to the departure of many Taiwanese and Chinese small longline vessels. These vessels reportedly have moved into the Indonesian waters and Indian Ocean waters since 1996. The devaluation of the yen has also been a contributing factor with the United States market becoming an increasingly attractive option.

Frozen Tuna Market

23. There was a sharp decline in the import of frozen bigeye and yellowfin of around 23,000 tonnes down to a total of 175,000 tonnes. Domestic production of frozen bigeye and yellowfin increased around 3,000 tonnes to 53,000 tonnes in the same period. Despite the decrease in supply, prices of imported and domestic yellowfin declined in 1997 when compared to the previous year. The price of domestic

yellowfin declined by about 9% to 544 yen/kg, while the price for domestic bigeye also fell by 9% to 989 yen/kg. Imported yellowfin prices declined by around 7% to 357 yen/kg, while imported bigeye prices fell by 12% to 707 yen/kg. The weakness of the frozen market was further illustrated by a build up of end of year inventories compared to 1996, with the inventory of frozen bigeye up 4% to 13,782 tonnes while yellowfin was up by 10% to 18,227 tonnes.

Exchange rate variations

24. The depreciation of the yen against US\$ started in the middle of 1995 and has continued throughout 1996 and 1997. The main reason for the depreciation of the yen was poor economic conditions which are unlikely to change until later in 1998 at the earliest. Compared to the average of 94 yen to the US dollar in 1995, the average in 1997 was approximately 121 yen to the dollar, a depreciation of 29%. The depreciation of the yen during this two year period has meant that importers are no longer protected against downward movements in prices on the Japanese market.

US Sashimi Market

25. The US market is emerging as an important alternative to Japan for fresh bigeye, yellowfin and albacore, with Fiji being the largest supplier. The market is considered less demanding than Japan with respect to product characteristics and, given the movement in exchange rates between the Yen and the US dollar, it is becoming increasingly attractive in terms of market returns.

Albacore

26. Over half the albacore caught in the western and central Pacific is taken by Taiwanese longline vessels. These vessels often sell their catches to the canneries in Pago Pago. The US market is also expanding for better quality fish for use as sushi at a reported price in San Diego of US\$2,200 per tonne. The use of albacore in Japan is also reportedly increasing as some sashimi and sushi tuna users in Japan are also shifting to albacore to reduce costs and to assure a more constant supply at a more stable price.

The Pole and Line Fishery

27. The Japanese distant-water pole-and-line fishery in 1997 followed the usual seasonal cycle. From January to mid May the vessels operated in southern fishing grounds before moving into the "higashi-oki fishing ground" (an area east of Japan in and adjacent to the 200 mile EEZ) catching mainly albacore up to September, and then mainly skipjack in October. The fleet then moved back to the southern fishing grounds in early November. Overall, catches improved by about three thousand tons compared to the previous year, with catches totalling about 75,000 tonnes. The average price of the total catch was 246 yen/kg which is 4 yen/kg higher than the previous year.

28. Solomon Islands pole-and-line vessels caught approximately 23,200 tonnes little changed from the 1996 catch. This fleet is the only domestic pole and line fleet still operating in the region.

ANNOTATED AGENDA FOR THE STATISTICS WORKING GROUP

3. Statistics Working Group

3.1 Issues concerning the coordination of data collection

- Specification of data collection methods to be coordinated
- Procedures for the coordination of data collection
- Future of the Tuna Fishery Data Collection Forms Committee
- Current coverage of data compiled by the OFP and participating entities

3.2 Issues concerning the coordination of data compilation

- Specification of data to be compiled, including geographic area
- Procedures for the coordination of data compilation

3.3 Issues concerning the coordination of data dissemination

- Specification of data to be available for dissemination
- Policies concerning the dissemination of data
- Procedures for the coordination of data dissemination
- Data disseminated during 1997-1998
- Future of the Tuna Fishery Yearbook

3.4 SWG tables of annual catch estimates

- Consolidation of SPAR and WPYR tables
- Review of the SWG tables of annual catch estimates