TENTH STANDING COMMITTEE ON TUNA AND BILLFISH

16-18 June 1997
Nadi, Fiji

WORKING PAPER 4

ECONOMIC OVERVIEW OF THE TUNA FISHERY

Forum Fisheries Agency
Honiara, Solomon Islands
June 1997

1. This report reviews catch and market trends in the western and central Pacific tuna fishery in 1996.

Estimated Value of Catch

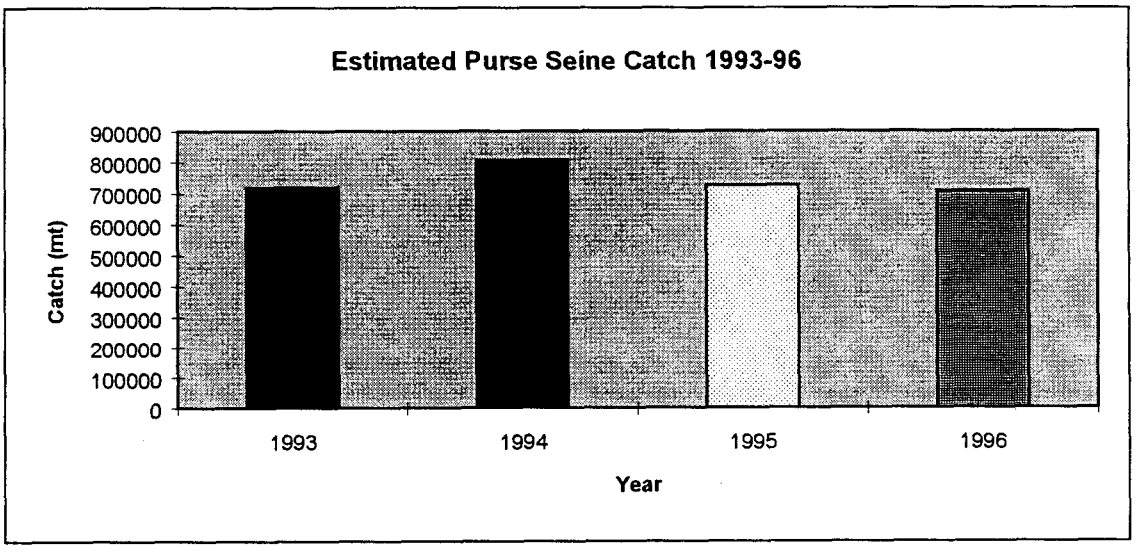
2. The estimated value of the catch in 1996 was US$1.65 billion[1]. This represents a small decline of (4.6%) compared to 1995. The purse was worth approximately $726 million, the longline fishery an estimated $800 million, while the pole and line fishery contributed another $113 million.

The Purse Seine Fishery

Fleet operations

3. The 1996 purse seine catch was estimated at 703,000 tones, a decline of approximately 22,000 tonnes or 3% compared to 1995. Distant water fleets operating in the fishery included Japan, Korean, the Philippines, Taiwan and the United States, in addition to a small fleet of locally based vessels. No major changes in fleet composition are expected in 1997, although the Taiwanese fleet must decrease by two vessels to comply with the limit of 40 vessels established under the Palau Arrangement and there has been preliminary interest from French companies in operating in the western and central Pacific.

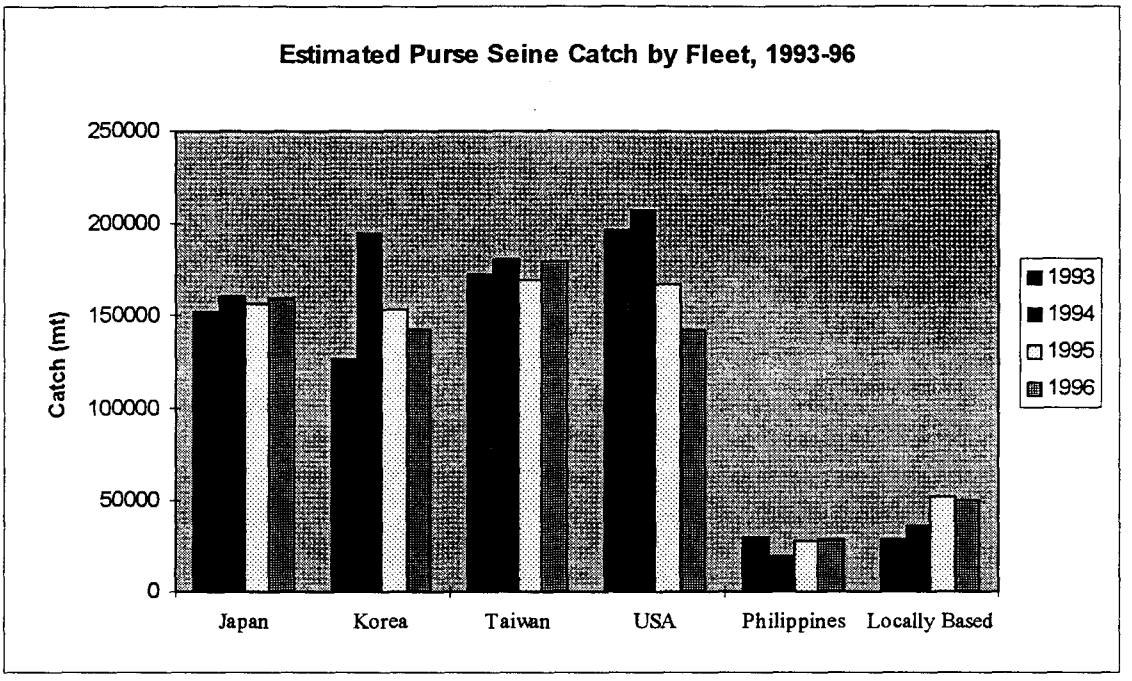
Figure 1



4. The US fleet bore the brunt of the decline for the second year in succession with their catch dropping by approximately 22,000 tonnes. The Korean catch declined by approximately 10,000 tonnes, but this was balanced by an increase in the Taiwanese catch of 11,000 tonnes. The Japanese, Filipino and locally based fleet catch were roughly the same as 1995. In the case of the US fleet, the number of vessels operating in the region declined by one third, with operational days declining by approximately 13%. The major reason for the decline in vessel numbers was the financial collapse of the largest vessel operator, Z Fishing Company.

[1] All figures are in US Dollars unless otherwise stated.

Figure 2



5. The locally based fleet totalled 14 vessels in 1996. The fleet comprised four vessels in Micronesia, four in Papua New Guinea, three in Solomon Islands, two in Vanuatu and one in Kiribati. However, in early 1997, 8 Filipino seiners were domestically licensed in Papua New Guinea as part of preparations for the opening of a tuna cannery in Madang. It is understood that a further 4 vessels will be licensed to supply the cannery. Additionally, approximately 25 Korean and Taiwanese vessels were licensed under joint venture arrangements in Solomon Islands. These 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 the previous paragraph. There remains interest in further Pacific island investment in the purse seine fishery, but this is tempered by the difficult economic circumstances being experienced by some of the existing vessels.

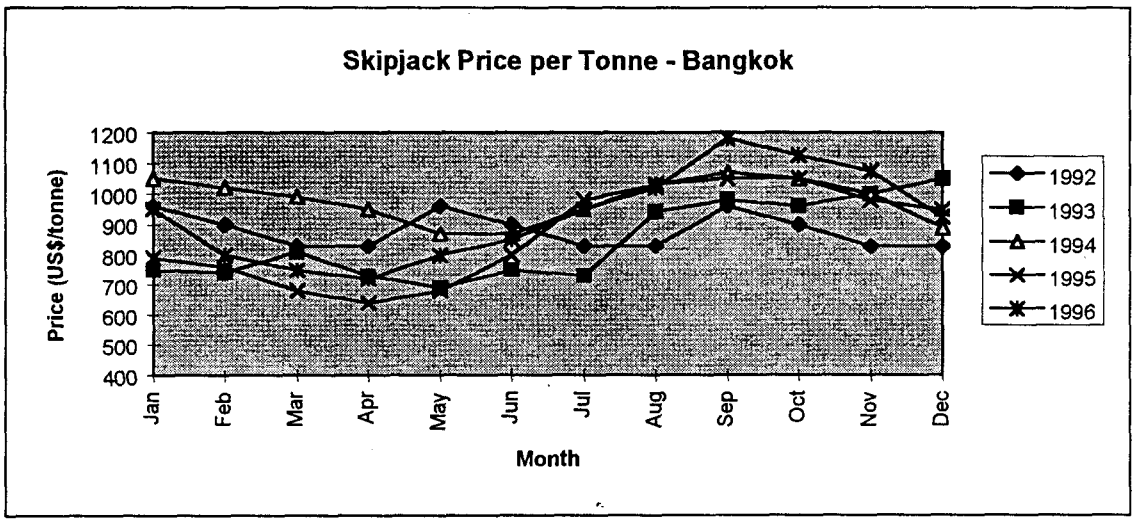
Cannery Prices

6. Cannery prices in 1996 for purse seine-caught skipjack followed the now familiar seasonal cycle of high supplies and low prices in the first six months, followed by a second half of the year characterised by low supplies and high prices. This occurred against a background of steadily rising consumption. The benchmark for price is Thailand, the world's largest processor of canned tuna. In Bangkok, raw material prices for skipjack reached a peak of US$1200/tonne in September having risen from a low of US$680/tonne in April 1996. Continued low catches of skipjack since the second quarter pushed up canning costs and restricted production. In the final quarter, skipjack catches recovered in worldwide fishing grounds, especially the western Indian Ocean, and raw material prices came down slowly to around US$850 in the final quarter of the year.

7. The US canned tuna market is one of the main markets supplied by tuna from the western and central Pacific. A recent assessment of that market was not promising, predicting low demand and a continuing slow erosion of the business. It was also noted

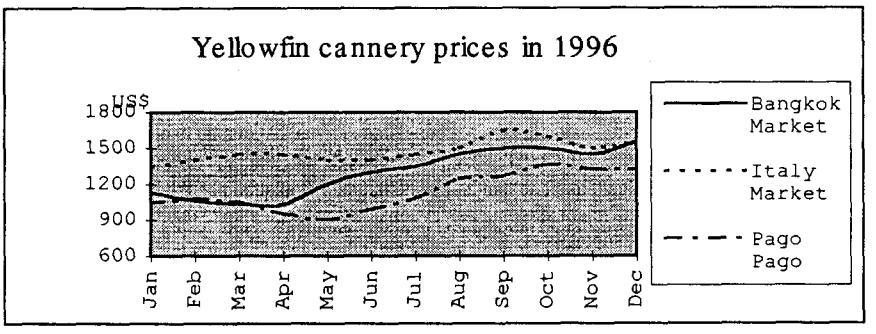
that canned tuna sales were slow in the first half of 1996 with very slim profit margins and reorganisations being implemented in several companies. Based on this assessment, it is unlikely that prices for raw tuna will rise significantly in the short to medium term, and in the absence of any cost cutting measures, many vessel operators will face difficult economic times.

Figure 3



8. The raw material price for yellowfin started at a low price level in the first quarter of US$1050/mt, but due to low catches of yellowfin worldwide, the price increased sharply in the second and third quarters, and reached a peak of US$1500 in the months of September and October, due to the continued shortage of raw material during the year. The high price was maintained in the final quarter at around US$1450/mt. The serious shortage of raw material has continued into 1997. As a result of this, canneries are mainly producing canned skipjack.

Figure 4



The Longline Fishery

Conditions in the Japanese sashimi market

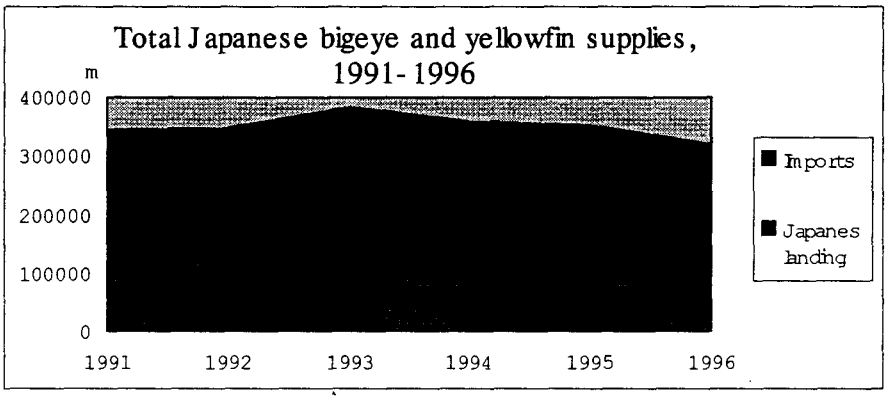
9. The vast majority of the longline vessels operating in the region, both fresh and frozen vessels, target bigeye and yellowfin tuna, mainly for the Japanese sashimi market. Conditions in the Japanese market are thus critical for the prosperity of most of the longline vessels operating in the region. The exceptions to this are the Taiwanese longliners targeting albacore for canning and the Korean longliners which

increasingly supplied the sashimi market in Korea. Korean sashimi consumption in 1996 was estimated at 15,000mt.

Japanese domestic landings

10. Supplies of fresh and frozen yellowfin and bigeye tuna to Japan are estimated to have fallen by around 30,000mt during 1996 to around 320,000mt. Imports declined slightly in 1995 to around 258,000mt, but the majority of the fall in overall supplies was caused by lower supply by domestic Japanese vessels. The overall trend has been for imports to comprise an increasing proportion of total supplies, such that they comprised 80% of supply in 1996 compared to 65% in 1991.

Figure 5 :



Imports of fresh bigeye and yellowfin.

11. Supplies of fresh/chilled bigeye and yellowfin onto the Japanese market continued to increase in the period from 1989 up to 1995. However, a decrease of about 6,000mt down to 76,000mt occurred in 1996. Of this, approximately 42% was bigeye and 58% yellowfin and 5,000mt of the decrease was from domestic sources with the remaining 1,000mt coming from imports. Fresh/chilled product now represents about 23% of the total bigeye and yellowfin market.

Imports from Pacific island countries

12. Imports of fresh bigeye and yellowfin now account for approximately 78% of the fresh bigeye and yellowfin market, with Taiwan and Indonesia still being the main suppliers. Singapore and Thailand are growing rapidly because many Taiwanese and Chinese small longline vessels, which had mainly been based in the Federated States of Micronesia, Palau and Guam, have moved into the Indian Ocean and Indonesian waters. Because of this, fresh bigeye and yellowfin imports from Pacific island nations decreased during 1996 by about 2,000mt to around 19,000mt. In 1996, imports from Pacific island countries represented approximately 32% of Japan's total imports of fresh bigeye and yellowfin. Inclusion of the 'domestic' catches from Japanese vessels operating in this region increases the figure to approximately 35% of the fresh bigeye and yellowfin into Japan sashimi market.

Figure 6

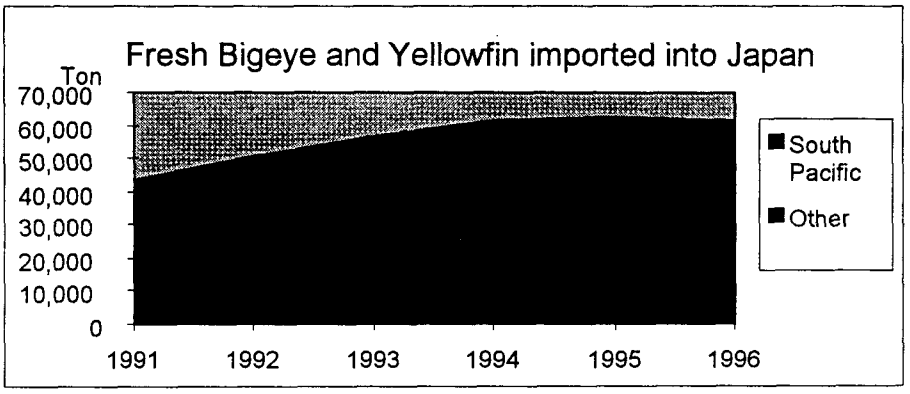
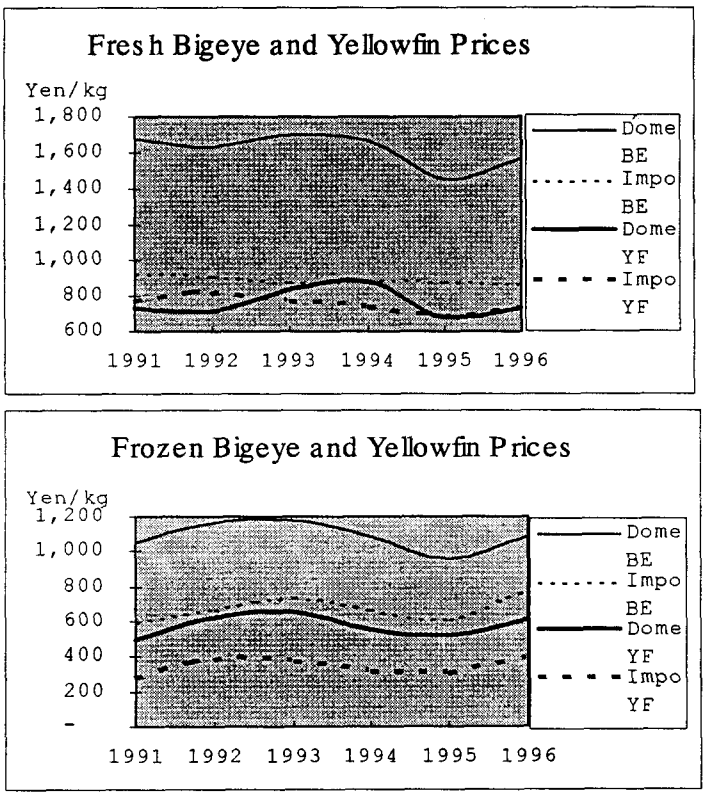


Figure 7

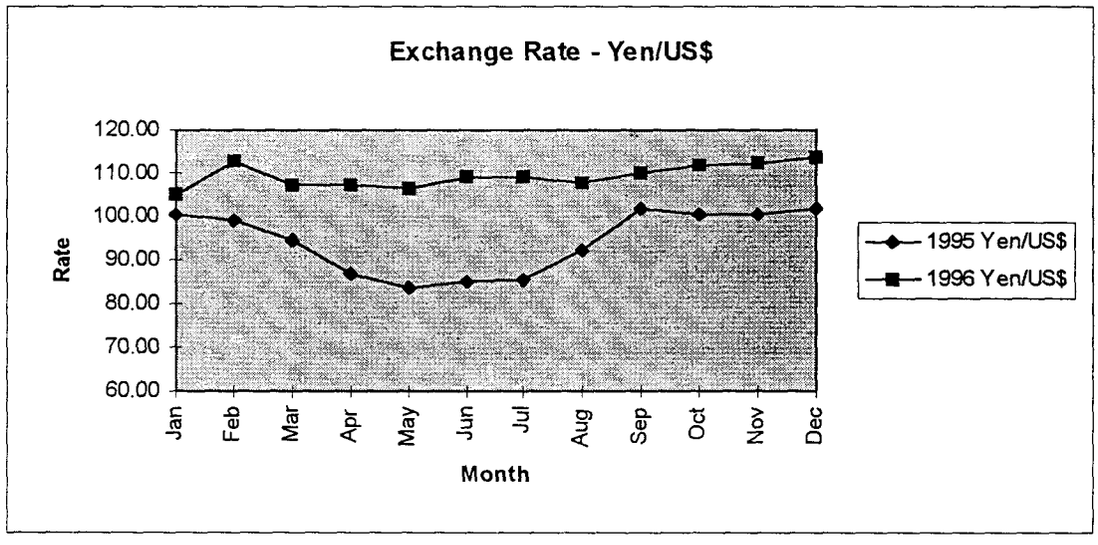


13. In the case of fresh bigeye, the large difference in price can be explained by the fact that most of the domestic production comes from temperate waters producing preferred fish with a high fat content. Much of the supplies of imported fish is caught in tropical waters, and the fish command a much lower price.

Exchange rates

14. Until the middle of 1995, the trend of an appreciating yen against the US dollar continued, to the benefit of exporters of tuna to Japan. However, in the latter part of the year the yen began to depreciate against the dollar. The sluggish state of the Japanese economy has ensured that the Japanese yen has continued to remain at its lower level against the US dollar. The yen average was 94 yen against the US dollar in 1995 while in 1996 it was approximately 109 yen against the US dollar. This 16% depreciation has meant that importers are no longer protected against downward movements in prices on the Japanese market. The current situation is expected to continue, as a strengthening of the yen is unlikely in the absence of a pick up in the Japanese economy.

Figure 8



Frozen albacore market

15. 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, with a small number being licensed in Fiji and unloading to the cannery there. However, operational problems with the Fijian cannery resulted in sales by Taiwanese vessels to that cannery being suspended for a portion of 1996.

Longline bycatch

16. The US west coast and Hawaii are major markets for non-sashimi grade tunas and other bycatch from the longline fishery such as swordfish and dolphin fish. Processing plants have been established in the Federated States of Micronesia and Marshall Islands to process the bycatch for export to the US. One problem facing these plants has been a shortage of product, particularly with the decline in longline vessel numbers experienced in 1996. If these problems can be overcome then it is possible that the US will become an increasingly important market in the future.

The Pole and Line Fishery

17. The Japanese distant-water skipjack pole and line fishery had proved reasonably profitable in each of the last four years. However, in 1996 Japanese pole and line catches were lower than the last four years, especially by comparison to the 1995 catch. In 1995 skipjack catches were very good in the "higashi-oki" fishing ground which is situated in the high sea area east of Japan, but in 1996 catches on that fishing ground were very poor, such that the Japanese pole-and-line fishing operation spent more time in the FFA region than is usual. Solomon Islands pole-and-line vessels, the largest fleet based in the region, also suffered a decline in catch, taking approximately 21,000mt in 1996, which is about 23% lower than the 1995 catch.