



SPECIAL FEATURE

America's Tuna Conference Overview ¹

On 28-29 January, the first Americas Tuna Conference and Exhibition was held in Panama. This event was organised by Atuna and was themed 'The Brave New World of Tuna in the Americas', with 23 presentations delivered by global tuna experts covering a range of topics including health of tuna resources, the Americas' tuna markets and trade, global tuna market dynamics, technological developments, economic challenges and impacts of new international trade regimes. A summary of some key points presented during the conference follows.

Tuna Resources: Tuna processing facilities in the Americas are largely supplied with raw material sourced from the Eastern Pacific (EPO) and Atlantic Oceans (ATL). In 2015, total tuna catch in the EPO was 630,000mt. Around 90% of the EPO catch is from purse seiners, with the Ecuadorian (44%) and Mexican (25%) fleets dominating catches. EPO stocks of skipjack, yellowfin and bigeye are healthy (i.e. not overfished, with no overfishing occurring), but yellowfin stocks are approaching full exploitation. Total tuna catch from the Atlantic was 542,568 mt in 2013, with around 50% caught by purse seiners, 20% longliners and 30% other gear types. While skipjack stocks are healthy, bigeye is overfished with overfishing occurring and yellowfin is overfished, but is recovering from overfishing.

Pacific Alliance vs. Mercosur Alliance: Latin America can be characterised into two geo-political sub-regions – the 'Pacific Alliance' and the 'Atlantic Mercosur Alliance'. The 'Pacific Alliance' includes Mexico, Colombia, Chile and Peru. These economies are comparatively open and fast growing, export-driven and focussed on free-trade. Tuna consumption averages 1kg/capita and these countries benefit from their own established tuna processing sectors (i.e. Mexico and Colombia) supplied by an abundant source of raw material from the EPO. By contrast, the 'Atlantic Mercosur Alliance' – Brazil, Argentina, Paraguay and Uruguay – are relatively closed, politically orientated state-interventionist economies, with lower growth and high levels of protectionism. Tuna consumption is less than 350 grams/capita and this region has very limited canned tuna production capacity, as well as limited tuna supplies from the Atlantic Ocean. It is anticipated that the Pacific Alliance will continue to become more relevant to the tuna industry than Mercosur (influenced in part by developments in the Trans-Pacific Partnership).

Latin American Tuna Processors: Latin America processes 25% of the world's canned tuna. Ecuador is the region's largest processor and the second largest in the world, following Thailand. Ecuador processes 450,000 mt/year of tuna sourced from local fishing vessels, with the balance of raw material imported, mostly from the WCPO (150,000mt). Canned tuna production is around 185,000mt, with 45,000mt consumed domestically and 140,000 mt exported, over 30% of which goes to other Latin American markets (Colombia, Argentina, Chile), Spain, several other EU countries and the US. Cooked loins are also processed (65,000mt/year) with over 50% exported to Spain and around 20% to Brazil, Argentina and Venezuela. Over time, Thailand, Vietnam and China are starting to challenge the dominance of Ecuador as the major canned tuna supplier to the EU, as well as Latin America.

Latin American Canned Tuna Market: With a population of 480 million, Latin America is a sizeable market for canned tuna, accounting for 15% of global consumption. Overall, forecasted population growth, rising standards of living, positive economic growth and increased fish consumption per capita provides a favourable market outlook for canned tuna in Latin America. Ecuador has the highest canned tuna

CONTENTS

Special Feature

America's Tuna Conference Overview

Preferential Trade

Lack lustre tuna tariff preferences under EU-Vietnam Free Trade Agreement

Fisheries Regulation

Thailand awaits verdict from EU on red card for IUU fishing

Fisheries Management

US fleet set to return to fishing in WCPO after agreement is reached on 2016 licences

Tuna Industry

Rescues of Pacific Islanders drifting at sea by tuna vessels

Tuna Markets

John West Australia commits to 100% FAD-Free MSC tuna
Major UK retailer, Tesco, found to mistreat suppliers
Fish prices begin to firm, remain difficult to forecast

Tuna Price Trends

Tuna stocks remain healthy in the EPO; bigeye and yellowfin is overfished in the Atlantic



consumption/capita of 2.8 kg, while Brazil has the lowest at 0.12 kg/year. Tuna is the leading canned fish category in Ecuador, Chile, Colombia, Argentina and Peru, while Brazil consumes more canned salmon (72% vs. 28% tuna). Mexico consumes around 150,000 mt/year of canned tuna. South American consumer preferences are moving more towards health and well-being, with consumers willing to pay more for healthy eating options, including canned tuna. Improved quality and changes to formulations and packaging will continue with more chunk/solid packs (less flake packs), pouches and value-added products such as salads. Purchasing dynamics have changed over the past five years with less frequent shopping trips made, but high volumes purchased per trip. Discounters and wholesalers are becoming more relevant which is negatively impacting traditional outlets such as small, family-run stores.

US Canned Tuna Market: The US canned tuna market faced several significant challenges in 2015 which are ongoing. Thai Union's unsuccessful bid to purchase Bumble Bee sparked anti-trust investigations into price fixing, while multiple lawsuits have been filed against brands and some private labels for under-filling cans. Greenpeace also launched an aggressive campaign against the three major brands about use of destructive fishing practices (i.e. FADs). The US market continues to be largely characterised by low value, low quality canned tuna. Can size has reduced to 5 oz and use of hydrolysed protein is ongoing. *Euthynnus* (bonito) species are being increasingly substituted for skipjack in chunk light packs, which are 15-20% cheaper than those containing skipjack. The 'top three' brands (Starkist, Bumble Bee, Chicken of the Sea) continue to dominate the shelf stable seafood market with 87% market share, while private label accounts for only 11%. The canned tuna segment is valued at \$ US 1.6 billion and represents 72% of the shelf-stable seafood market. Light meat accounts for 60% of canned tuna market share in volume terms (44% value), while white meat accounts for 28.6% of sales volume (35.2% value). Declines in canned light and white meat tuna consumption continue, while prices have increased. For example, in 2010, 9.4 million cases of white meat were consumed; in 2015 this had declined to 7.8 million cases, while the price increased from US \$65/case to \$US 73/case. The pouch segment has increased from 1.9 million cases in 2010 to 2.1 million cases in 2015.

Mergers & Acquisitions: The global tuna industry has experienced considerable consolidation through various mergers and acquisitions, particularly in the EU, US and Latin America. In the last decade, the 10 largest deals have been valued at EU 3 billion in aggregate. Bolton Group has consolidated its position in Europe, while Asian companies Thai Union and Dongwon (Korea) are investing in mature regions and looking for new opportunities. These multinational companies are focussing on building broad brand portfolios which are supported by production facilities located across the globe and are now replicating large multi-brand/multi-product multinational companies like Nestle and Proctor & Gamble. Latin America still has a number of relevant independent (mostly family-owned) players. It is uncertain if these players and private equity groups will play more of a role in M&As going forward, or if Asian investors will increase their presence in Latin America instead. The Latin American market should attract interest as the canned seafood market is growing by 3% per annum, with opportunities in particular for brands, as fragmented retail channels have been slow to develop private labels.

Eco-Labels: Use of eco-labels to promote sustainable canned tuna continues to be fairly limited. In Europe, canned tuna market leaders are yet to use eco-labels (with the exception of John West and Princes in the Netherlands), while some smaller private labels do. Consumers are becoming increasingly confused about sustainability claims and have difficulties understanding the relative merits of pole and line vs.

Ecuador remains Latin America's largest and the world's second largest tuna processor

Canned tuna consumption in Latin America is set to increase

The US canned tuna industry is currently hampered by anti-trust investigations and lawsuits for under-filling cans

FAD-Free vs. MSC. To date, Germany has the highest market penetration of the MSC eco-label with over 300 different MSC-certified seafood products sold, while the UK has 60 and the US has 50. In the US market, MSC canned tuna (skipjack/albacore) are fetching much higher price premiums than in the UK. In the Americas, there is one MSC-certified albacore fishery (West Coast USA Pole and Line/Jig/Troll Fishery), mostly supplying EU, Canada and the US (10,000 mt). Mexico's purse seine fishery (North Eastern Tropical Pacific Skipjack and Yellowfin Purse Seine Fishery) is currently in assessment (110,000 mt), with the public comment draft recently published recommending the fishery for certification, subject to 26 conditions. There is growing demand for MSC-certified tuna in the US and Canadian markets, albeit from a very low starting base.

PREFERENTIAL TRADE

Lack lustre tuna tariff preferences under EU-Vietnam Free Trade Agreement

Following the conclusion of negotiations in December 2015, the European Commission (EC) published the legal text of the free trade agreement (FTA) between the EU and Vietnam on 1 February 2016. Negotiations commenced in October 2012 and the EU considers this to be the 'most ambitious and comprehensive FTA that the EU has ever concluded with a developing country'. This marks the EU's second FTA established with an ASEAN member (Singapore was the first) and is regarded as a stepping-stone to a regional FTA between EU and ASEAN.² The FTA text is currently under legal review and once completed, will be presented to the EU Council and European Parliament for ratification.

Under the FTA, selected tuna products processed in Vietnam (under HS tariff heading 1604) will benefit from trade liberalisation, albeit fairly conservative measures, as the EU attempts to balance the push for free trade while protecting its long-established and sizeable tuna processing sector, particularly in Spain. Cooked loins (1604.1416)³ will continue to be subject to 24% import duty in the first year of the FTA and will then reduce annually by 3% over eight years to reach 0% in 2024. An annual tariff rate quota of 11,500mt at 0% import duty has been established for canned tuna in vegetable oil (1604.1411) and four other more minor HS codes under 1604,⁴ with 24% duty to be charged on imported volumes exceeding this quota. The FTA text does not specify a timeframe for this quota, which means at this point it is unknown if/when the quota volume or duty charged on volumes exceeding the quota will be revised or eventually phased out. Standard rules of origin apply with only fish qualifying as wholly originating which is caught by Vietnam or EU registered and flagged vessels. The vessels also need to be at least 50% owned by Vietnam/EU nationals, or owned by companies with a head office and main place of business in Vietnam/EU with at least 50% ownership by Vietnam/EU nationals or public entities. Under the FTA, cumulation is not permitted with ASEAN members or other countries (i.e. use of non-originating caught materials from specific countries, if processed in Vietnam). In addition, derogation is not permitted for processed tuna products under Chapter 16 (i.e. use of a certain percentage weight or value of non-originating raw materials in production).⁵

To date, Vietnam has been a minor exporter of processed tuna products to Europe. In 2014, total Vietnamese exports to the EU under HS 1604.14 (prepared or preserved tuna, skipjack and bonito) was 14,906 mt, accounting for about 3% of total global HS 1604 exports to the EU. In 2014, Vietnam exported 13,647 mt of products

Considerable consolidation of the tuna industry continues through mergers and acquisitions

Use of eco-labels for canned tuna is limited to date

The EU-Vietnam FTA is the most ambitious and comprehensive FTA concluded with a developing country

covered under the five HS codes now eligible for the annual duty quota (6% of total EU imports under these HS codes) and 1,955 mt of cooked loins (1.8% of total EU loin imports).⁶ Given the 11,500mt quota is less than current volumes exported from Vietnam under these HS codes, growth potential in these products is likely limited. However, as the 24% tariff decreases over time, Vietnam may expand its cooked loin production for EU markets.

The conclusion of this FTA marks another threat to Pacific Island tuna processors, as their favourable duty free preferences over yet another lower cost Asian processor is indirectly eroded, making them even less competitive than they are presently. Vietnam will also provide competition for Philippines which now enjoys duty free entry into the EU for processed tuna products under the GSP+. However, Vietnam's tariff preferences under the FTA are less generous than those offered to Philippines under GSP+.

Vietnam is also one of the 12 countries involved in Trans-Pacific Partnership (TPP) Free Trade Agreement negotiations which will eliminate tariffs and trade barriers on 18,000 goods and services, including tuna. Vietnam is identified as the country that stands to gain the most if the TTP is concluded, gaining open access to major developed markets for its exports. Vietnam's seafood processing and apparel manufacturing sectors are identified as two key industries set to grow under the TTP. Establishment of FTAs with the EU, South Korea and potentially TTP, will reduce Vietnam's reliance on China as a trading partner.⁷

FISHERIES REGULATION

Thailand awaits verdict from EU on red card for IUU fishing

On 18-22 January 2016, EU delegates conducted a final inspection before DG MARE delivers a verdict on whether Thailand's yellow card warning received in April 2015 for shortcomings in implementation of the EU-IUU Fishing Regulation would be lifted. If the inspectors are not satisfied that the Thai Government has adequately addressed these shortcomings, a red card will instead be issued, resulting in an import ban into EU markets of fisheries products sourced from Thai fishing fleets.

The Thai Government has reportedly been working hard to tighten measures against IUU fishing, including the adoption of a revised Fisheries Act and extensive supporting legislation, significantly increased vessel and factory inspections, closure of factories in violation of regulations, improved vessel licencing and monitoring systems and enhanced on-board observer coverage. While outside the purview of the IUU Fishing Regulation, extensive investigations into human trafficking cases are also being conducted.⁸

While issues identified by the EU relate more so to Thailand's shrimp and other fishing industries, rather than tuna (since Thailand does not have a sizeable domestic tuna fishing fleet), the Department of Fisheries (DOF) has implemented a number of measures in line with the EU's requirements under the IUU Fishing Regulation which impact Thai tuna packers and traders. DOF has significantly increased the number of fisheries inspectors which are now on-site at wharves and processing plants to monitor every single tuna delivery into Thailand, via either carrier or containers. Processing plants have been warned that they will be fined for misreported species and/or volumes in commercial documentation for imported raw material. In February, the Thai Department of Fisheries notified WCPFC of six vessels listed on

Tariff preferences for Vietnam tuna exports to EU are limited

Following a final inspection, Thailand is waiting to hear if the EU will issue a red card and impose market sanctions

their IUU register. DOF has also advised Thai processors and tuna traders that EU catch certificates must be transmitted to them no later than 30 days after imported raw material has been delivered to processors. While not explicitly related to the IUU Fishing Regulation, DOF will also be closely monitoring whether carriers delivering fish to Thailand for EU production have EU sanitary numbers.⁹

Although the Thai Government is confident a red card will be avoided, if this does not end up being the case it will be interesting to see how tuna imports from Thailand are handled under a market sanction, since the IUU Regulation is a flag state measure. This means that for the purposes of imported foreign-caught raw materials, Thailand is considered a market state rather than flag state and the regulation is not explicit about market state responsibilities in terms of addressing IUU fishing (besides the completion of an annex to EU catch certificates regarding processing). EU market sanctions should only apply to products processed from catches sourced from Thai fishing vessels, not products manufactured from imported tuna from foreign flagged vessels, provided the flag state of the fishing vessels has not received a red card under the IUU Regulation.¹⁰

FISHERIES MANAGEMENT

US fleet set to return to fishing in WCPO after agreement is reached on 2016 licences

As reported in the previous edition of *FFA Trade and Industry News*, before the interim US Treaty agreement was set to commence in 2016, the US fleet requested a reduction in the total number of days that they had agreed to purchase for 2016, citing mounting financial difficulties associated with falling fishing prices. The Pacific Island Parties asked the US to respect the signed agreement and FFA indicated that it would not issue 2016 licenses until the first quarterly payment was made.¹¹ As the New Year opened without a forthcoming payment, the 37 US flagged vessels remained anchored in WCPO ports, started fishing on the high seas outside the treaty area or moved to fish in the Eastern Pacific. Following these events, in mid-January, the US Government officially announced that it was withdrawing from the nearly 30-year old deal and that the move would take effect at the start of 2017, 12 months after the notification in line with the terms of the treaty. In the meantime, Bill Gibbons-Fly, the US State Department's Director of the Office of Marine Conservation praised the contribution of the Treaty to promoting conservation and management, combatting illegal, fishing and promoting capacity building. In addition, he indicated an openness to restructuring the Treaty for 2016 through ongoing negotiations with FFA members.¹²

News of the breakdown in the Treaty has had ripple effects beyond the PIP economies. Much speculation has emerged that the tie up of the fleet has contributed to a slow firming of skipjack prices, though this information is difficult to verify because of the complexity of dynamics that influence fishing prices. Processors in American Samoa have also cited the US fleet tie up as a disruption to direct deliveries and a contributing factor to eroding competitiveness of processing in the US Territory.¹³ Building on this concern, Tri Marine, which operates the Samoa Tuna Processors cannery in Pago Pago, has urged the US Federal Government to not go forward on a proposed rule to restrict the US fleet from fishing in the 'Area of Overlap' between the WCPFC and IATTC RFMO convention areas in order to help secure landings to canneries. Tri Marine has emphasised that processing composes over 80 percent of private sector enterprise in American Samoa.¹⁴ Pacific Islands Tuna Industry

Thai Authorities have tightened monitoring of tuna imports and processing

The US fleet has been tied up since the start of 2016



Association (PITIA), released a statement acknowledging the important role the US fleet played in developing the WCPO skipjack industry and warned that the Pacific Islands' domestic fleets, like the US fleet, are vulnerable to price spikes in fishing access fees.¹⁵

FFA and the PIPs considered options and planned for a worst-case scenario in which the US fleet did not pay for the 6,000 plus fishing days valued at roughly US\$11,000 per fishing day. PIPs analysed market prospects for selling days unused by the US fleet. Reportedly, the annual US\$21 million development assistance package from the State Department paid in June 2015 covers through June 2016. A bill that US Representative Duncan Hunter introduced to Congress proposes to cut off State Department funds unless a Treaty benefitting the US fleet is in effect, and also seems to threaten the cancellation of other development assistance funding to FFA member countries.¹⁶

In early February, FFA considered options for the future of the Treaty, seeking to determine which other countries and fleets might want to purchase the days that had been allocated to the US. From there, FFA indicated that it would assess potential internal adjustments to the fee sharing formula among PIPs that could help to alleviate cost problems for the US fleet.¹⁷ FFA then offered a proposal for a revised Treaty to the US State Department to take back 1,996 fishing days from the US fleet for 2016. On 2 March, FFA announced that an agreement had been reached between the US State Department and PIPs for 2016 licencing arrangements.¹⁸ The US fleet will purchase 3,404 fishing days in PNA EEZs and 225 in Cook Islands EEZ for 2016 for US \$45 million, while the US Government will continue to contribute its US \$21 million.¹⁹ The US government has indicated a commitment to building and maintaining assistance to the Pacific, regardless of the future of the Tuna Treaty. This suggests potential to explicitly decouple aid from access and open a door for US fishing firms to negotiate fishing access directly with the Pacific in the future.²⁰ Going forward, both the PIPs and the US acknowledge that the future of a treaty beyond 2017 rests upon a new structure being negotiated which brings the US Treaty into line with fisheries access agreements in place for other purse seine fleets and provides greater flexibility.

TUNA INDUSTRY

Rescues of Pacific Islanders drifting at sea by tuna vessels

An integral part of the life of many Pacific islanders has for years included offshore fishing expeditions and inter-island voyages. In recent years, these trips are usually undertaken on outboard-powered skiffs. For a variety of reasons - engine failure, lack of tools or spare parts, unanticipated bad weather, or poor planning and boating skills, these activities sometimes result in the participants adrift with no ability to return to land on their own. Over the years, the international tuna fishing fleet in the WCPO has rescued numerous islanders that otherwise would likely never have been found. Occasionally the rescues are publicized in the media, but it is believed that many more may go unpublicized. This may be especially true for those islands with poor communication with the outside world, or countries without an active news media.

A review of 38 news stories published during the period 1998-2014 describing incidents in just six countries: PNG, FSM, Marshall Islands, Kiribati, Nauru, and Solomon Islands, shows that a total of 148 Pacific islanders from those countries

*Ripple effects
from the US
fleet tie up
stand to impact
PIP economies
and Pago Pago
canneries*

*The end of the
US Treaty could
signal a new
and uncoupled
approach to aid
and access*

were rescued by tuna vessels in the WCPO. Others, but not nearly as many, were identified as rescued by tankers, freighters and the like. Some stories do not identify the name or type of fishing vessel, while others are very specific and sometimes include interviews with the drifters and/or fishing vessel captains. One US purse seine captain whose vessel had rescued three fishermen from Kiribati undertook extensive interviews with those rescued to learn their survival story and eventually published a book in 2012 describing their 87-day experience.²¹

Purse seiners are more likely to come across drifters, mainly as a result of their use of helicopters, high powered binoculars and other tools in their search for fish. During the period surveyed just 11 drifters (0.8 percent) were identified as rescued by longliners while 69 (47 percent) were found by purse seiners.²² But if drifters are not in the areas generally fished by purse seiners their chance of discovery by those vessels is likely diminished. The increased use of FADs could enhance survival chances of those who find these devices during their drift, although there is no guarantee.

There have also been some survivors' accounts of being ignored by fishing vessels while drifting. In one case, a politician from Chuuk lost with his wife on an inter-island voyage encountered a freighter that came very close to their vessel and then ignored their plight. He had the presence of mind to memorize the call sign on the side of the vessel and report to authorities after his rescue 29 days later. FSM officials identified the vessel (a Chinese fish carrier involved in transshipment) and it was subsequently arrested by an FSM patrol boat and taken to Pohnpei for prosecution under FSM law that requires the rendering of assistance to persons in distress within the FSM EEZ.²³

The efforts of all tuna fishermen who rescue drifters are commendable, but one in particular deserves special mention. Taiwanese Captain Ming-Chuan Lu serving on the US-flag American Victory rescued drifters in 2012 and returned them to Majuro. This was the third group of I-Kiribati drifters that Captain Lu had rescued since 2007.²⁴

TUNA MARKETS

John West Australia commits to 100% FAD-Free MSC tuna

In 2012, John West Australia made a public commitment to source only FAD-free tuna by 2015. In early February 2016, John West announced that in collaboration with the World Wildlife Fund (WWF) and the Marine Stewardship Council (MSC), it would take an even bigger step towards ending unsustainable fishing by sourcing only MSC-certified skipjack tuna which has not been caught in association with fish aggregation devices (FADs).²⁵ John West Australia publically launched its campaign against unsustainable fishing by introducing a hypothetical new tuna brand called "Finnish" tuna to demonstrate a 'world without fish' where canned tuna no longer contains tuna due to overfishing. Layne Beachley, 7-time female world surfing champion and 'ocean lover' is John West Australia's face for the campaign.²⁶

John West is Australia's leading tuna brand accounting for 43% market share. Given Australia's canned tuna market now exceeds 60,000mt/year, John West will be the largest supplier of MSC-labelled canned tuna in the world (~25,000 mt).²⁷ MSC-certified FAD-free skipjack is being sourced from PNA waters through a commercial partnership with Pacifical, which is the most significant development to date relating to PNA's MSC program.

WCPO tuna fishing vessels play an integral role in rescuing Pacific Island sea-goers who are adrift at sea

John West Australia has exceeded its commitment to source FAD-free tuna by supplying MSC-certified tuna

Major UK retailer, Tesco, found to mistreat suppliers

Following an investigation from June 2013- February 2015, the Grocery Code Adjudicator, the UK's independent adjudicator to oversee the relationship between supermarkets and their suppliers, accused UK supermarket chain Tesco of prioritising its own finances over treating suppliers fairly.²⁸ The report found extensive evidence that when making payment for things other than goods supplied and in cases of disagreement over amounts due, Tesco deducted or deferred payment of money owed to suppliers for goods supplied, often in large amounts and over long periods of time. Even in cases when debt had been acknowledged by Tesco, the adjudicator found cases in which money was not repaid until one or two years later. The report notes that delay in payments were a result of Tesco making unilateral deductions from suppliers and occasionally intentionally delaying making payments to suppliers. Tesco will, however, not be fined for its practices because the UK government only gave the adjudicator the ability to fine supermarkets that break the code last year, after the Tesco report had been completed.²⁹ While tuna suppliers were not mentioned explicitly in the report, or in coverage of the news, Tesco is a major outlet for canned tuna products and a firm with which many tuna processing firms are likely to intersect.

Tesco has acknowledged the findings and publicly apologised for the practices. However, Tesco's woes are not over. The Serious Fraud Office is conducting an independent investigation of an unrelated scandal from 2014 in which the firm is accused of bring forward payments in order to pad its financial results. If found guilty, Tesco could be forced to pay a fine of up to 1 per cent of its annual revenue last year which would amount to an estimated £350 million as well as hundreds of millions of pounds to suppliers for arbitrary and unjustified cash payments the firm demanded from them.

Fish prices begin to firm, remain difficult to forecast

Skipjack prices have been highly volatile in recent years with prices falling and remaining well below US\$1,000/mt over the last several months. However, there are indications that prices are beginning to firm. Reports are suggesting that sales are being concluded at US\$1,175/mt and that traders are holding out on sales in hopes of encouraging prices north of US\$1,200/mt.³⁰

As in other periods of volatility, speculation abounds as to the driver of change in prices and actions that interested parties can take to improve the position in relation to price. On the former, current theories hypothesize that prices dropped following a record breaking year for catch and that they are now inching back up as traders hold supply and catch volume is lower than usual in the wake of the tie up of 37 US purse seiners.³¹ On the latter, commentators have suggested that suffering fishing firms could be seen to look to collaboration, such as World Tuna Purse Seine Organisation agreements, to limit supply and push prices up.³²

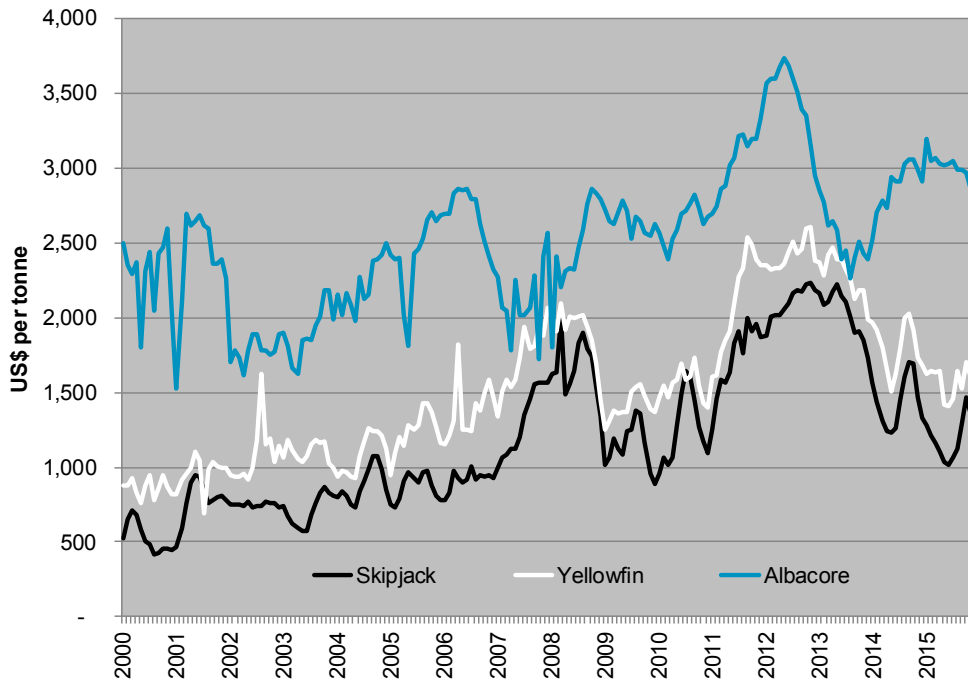
Beyond suggesting that volatility will remain the norm, it is difficult to forecast price because complex combinations of market dynamics such as stagnation in the US market, regulatory innovation such as changing access fees in the VDS, fleet and technological changes such as investments in cold storage and environmental conditions like El Niño intersect to yield price dynamics. There is some evidence that in the long term skipjack prices simply track prices of other commodities; and of course fuel prices – currently at their lowest level for more than ten years – have a major impact on operating costs.

PNA will be the major supplier of MSC-certified skipjack to John West Australia

Major UK retailer and canned tuna sales outlet has admitted to unfair treatment of suppliers

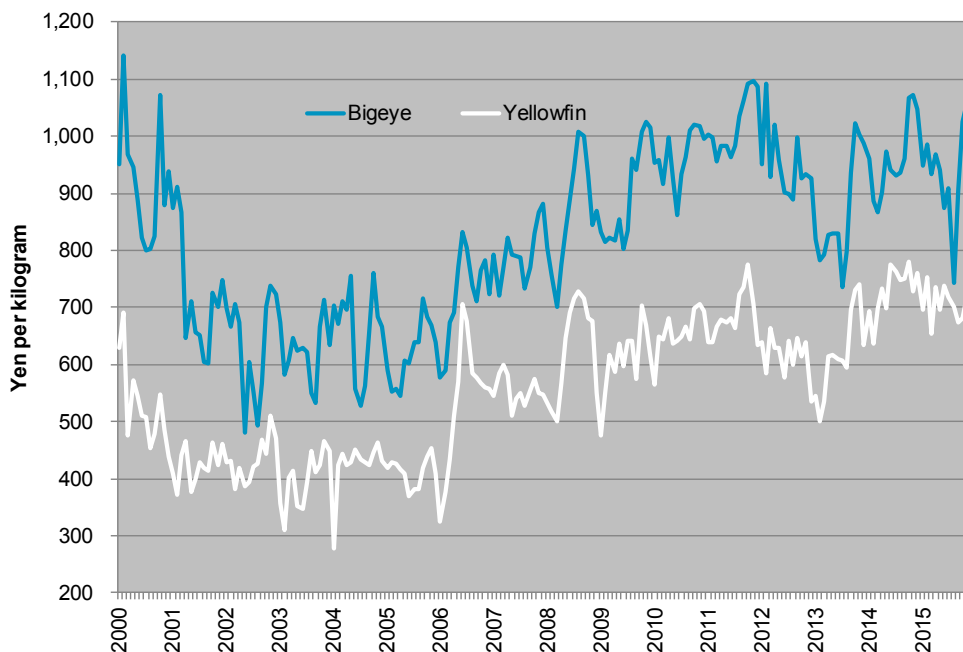
TUNA PRICE TRENDS³³

Bangkok canning-grade prices to December 2015³⁴

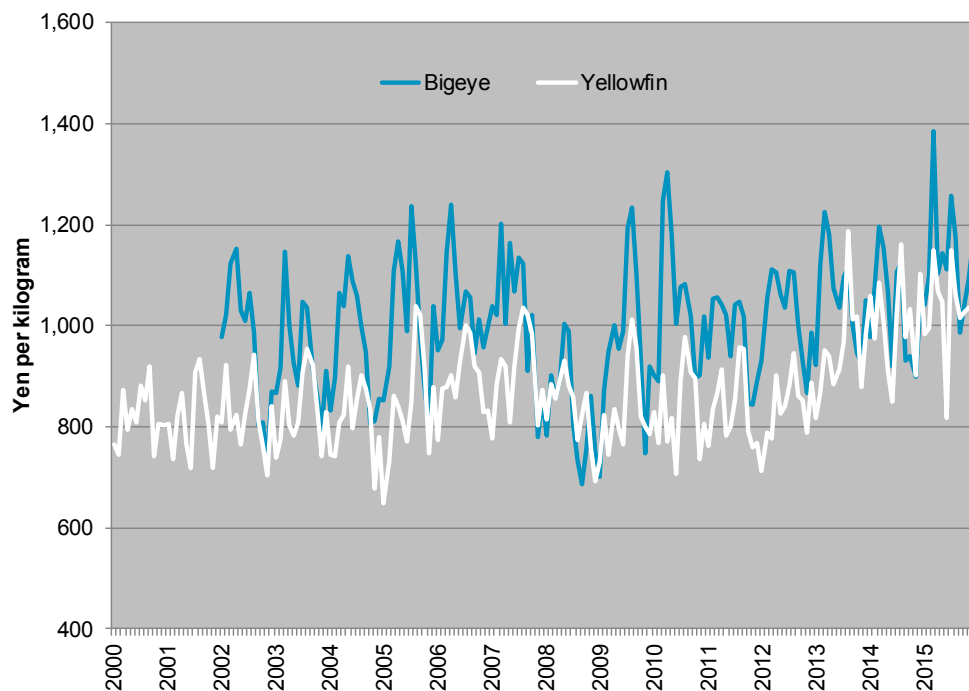


Complex market dynamics make it difficult to forecast tuna prices but there are indications the skipjack price is recovering from recent lows

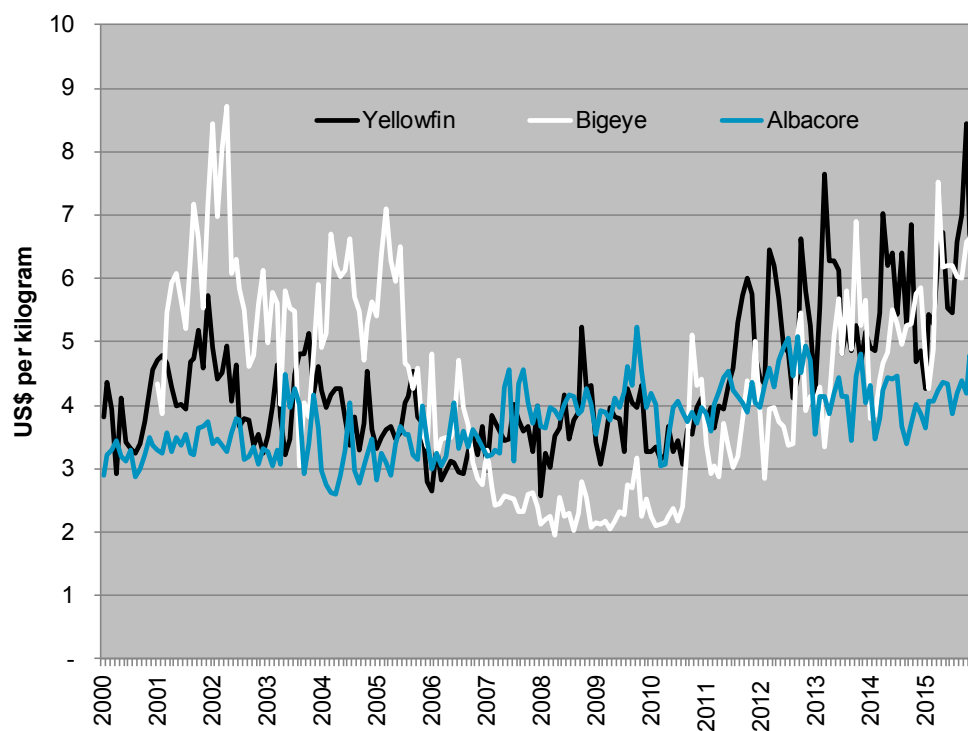
Japan frozen sashimi prices (ex-vessel, Japanese ports) to December 2015³⁵



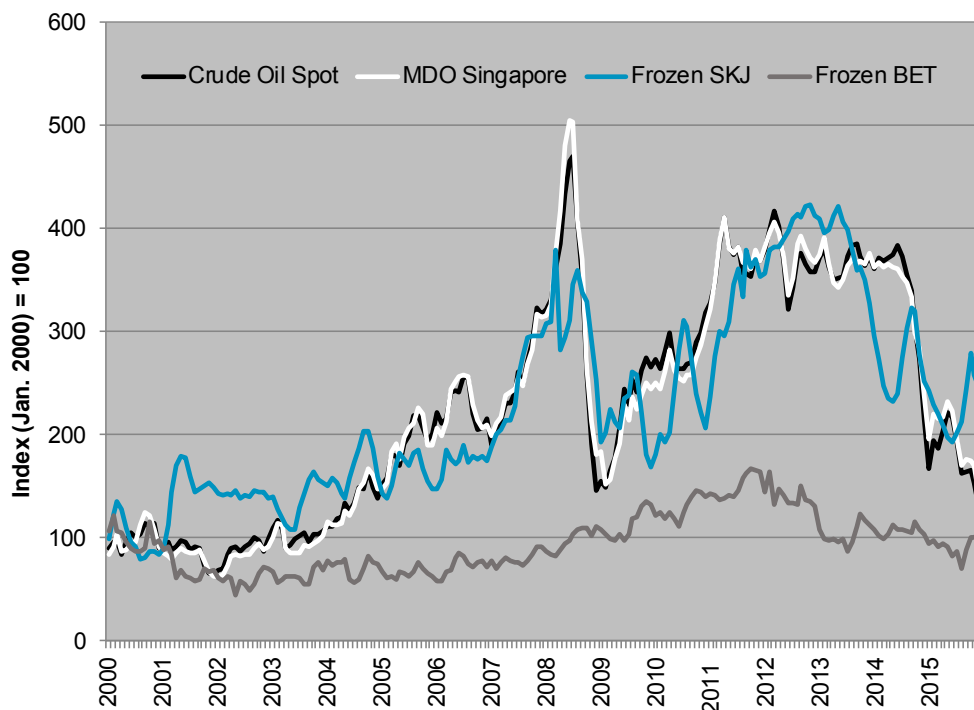
Japan fresh sashimi prices (origin Oceania) to December 2015³⁶



US imported fresh sashimi prices to December 2015³⁷



Crude oil, canning-grade frozen skipjack (SKJ) and frozen bigeye (BET) price index to December 2015³⁸



¹ Prepared for the FFA Fisheries Development Division by Dr Liam Campling, School of Business and Management, Queen Mary University of London, Dr Elizabeth Havice, University of North Carolina at Chapel Hill and Mike McCoy, independent consultant, all Consultant Fisheries Trade and Market Intelligence Analysts, Fisheries Development Division, FFA. Desktop publishing by Antony Price. The authors would like to thank Mike Batty for his input on an earlier draft of this briefing. The contents of this briefing (including all analysis and opinions) are the responsibility of the authors and do not necessarily reflect the positions or thinking of the FFA Secretariat or its Members.

ⁱ This article summarizes key points from numerous presentations delivered during the Americas Tuna Conference 2016. The data and information presented is direct from presentations and the authors are not responsible for any factual errors. See: <http://americastunaconference.com>
Contact Atuna for copies of presentations: <http://support@atuna.com>

² DG Trade, Latest Developments in the EU-Vietnam FTA – Meeting Notice, 6 October 2015. Available at: <http://trade.ec.europa.eu>

³ Note that HS 1604.1416 has been replaced in the EU's latest combined nomenclature by HS 1604.1426. Presumably, this will be updated in the final legal text. Latest version of the EU's combined nomenclature is available at: http://ec.europa.eu/taxation_customs/customs/customs_duties/tariff_aspects/combined_nomenclature/index_en.htm

⁴ The 11,500mt annual quota relates to products covered under five HS codes – 1604.1411 (tuna and skipjack in vegetable oil – whole/pieces, not minced); 1604.1418 (other tuna and skipjack – whole/pieces, not minced); 1604.1490 (Bonito – whole/pieces, not minced); 1604.1939 (Other species – whole/pieces, not minced); 1604.2070 (Other species – other prepared or preserved, but not whole/pieces). However, this is based on HS codes under the EU's previous combined nomenclature, not the latest update effective from 30 October 2015, which re-classifies 1604.1411 and 1604.1418.

⁵ DG Trade, EU-Vietnam Free Trade Agreement: Agreed text as of January 2016, 1 February 2016.

⁶ Eurostat Database 2016. Available at: <http://ec.europa.eu/eurostat/data/database>

⁷ John Boudreau, 'The biggest winner from TPP trade deal may be Vietnam, Bloomberg, 9 October 2015. Available at: <http://www.bloomberg.com>

⁸ Intrafish 2016, Thai Gov't confident it will pass EU inspection on IUU, 13 January 2016. Available at: <http://www.intrafish.com>

⁹ Industry representative, pers. comm.

¹⁰ Author's own analysis

¹¹ Liam Campling, Elizabeth Havice and Mike McCoy, 'US Treaty remains fragile as vessel day prices soars and skipjack prices plummet', FFA Trade and Industry News, 8(6): November-December, 2015.

¹² Giff Johnson, 'US pulls out of Pacific fisheries treaty,' Radio New Zealand, 19 January 2016. Available at: <http://www.radionz.co.nz>

¹³ 'Starkist says American Samoa advantages being eroded', Radio New Zealand, 7 January 2016. Available at: <http://www.radionz.co.nz>

¹⁴ Fili Sagapolutele, 'Tri Marine urges feds not to impose further restrictions on US fishing fleet' Samoa News, 15 February 2015. Available at: <http://www.samoanews.com>

¹⁵ 'PITIA regrets US Tuna Treaty Impasse' Pacific Tuna Watch, Issue 1, January 2016.

¹⁶ Fili Sagapolutele, 'Congress moves to cut off aid to Tuna Treaty countries', Samoa News, 2 February 2016. Available at: <http://www.samoanews.com>

¹⁷ 'Forum Fisheries Agency preparing to renegotiate with US', PINA, 8 February 2016. Available at: <http://www.pina.com>

¹⁸ FFA, US tuna Treaty deal salvaged for 2016, but overhaul still needed, 2 March 2016. Available at: <http://www.ffa.int/node/1663>

¹⁹ Industry source, pers. comm.

²⁰ Cliff White, 'US State Department reviewing proposal to renew tuna treaty', Seafood Source, 12 February 2016. Available at: <http://www.seafoodsource.com>

²¹ Michael Baker 2012, Courage, Faith and Culture.

²² The remainder were identified only as "fishing vessel" in the relevant news story.

²³ Fishing Vessel Said to Have Left Chuukese Stranded in Open Ocean. Kaselehlie Press, 4 December 2006.

²⁴ Drifters' Guardian Angel, Marshall Islands Journal, February 1, 2013

²⁵ Undercurrent News, John West Australia meets tuna commitment for sustainability, 3 February 2016. Available at: <http://www.undercurrentnews.com>

²⁶ John West Australia website: <http://johnwest.com.au/sustainability/ouroceansforever>

²⁷ Campling 2015, Assessing Alternative Markets: Pacific Islands Canned Tuna and Tuna Loins, April 2015, FFA.

²⁸ Christine Tacon, 'Grocery Code Adjudicator Investigation into Tesco plc' 26 January 2016. Full report available at: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/494840/GCA_Tesco_plc_final_report_26012016_-_version_for_download.pdf

²⁹ Graham Ruddick, 'Tesco to be censured by supermarket watchdog over conduct with suppliers', The Guardian, 25 January 2016. Available at: <http://www.theguardian.com>

³⁰ Tom Seaman, 'US tuna tie-up causing skipjack prices to firm further for February', Undercurrent News, 9 February 2016. Available at: <http://www.undercurrentnews.com>

³¹ Tom Seaman, 'US tuna tie-up causing skipjack prices to firm further for February', Undercurrent News, 9 February 2016. Available at: <http://www.undercurrentnews.com>; Jason Smith, 'Henk Brus: "Major shakeout" coming if tuna oversupply not fixed', Undercurrent News, 3 February 2016.

³² Jason Smith, 'Henk Brus: "Major shakeout" coming if tuna oversupply not fixed', Undercurrent News, 3 February 2016

³³ All databases are provided by the Fisheries Development Division at FFA.

³⁴ Customs Department, Thailand. <http://www.customs.go.th/Statistic/StatisticIndex.jsp>

³⁵ FFA database

³⁶ Japan Customs. http://www.customs.go.jp/toukei/info/index_e.htm

³⁷ US National Marine Fisheries Service. <http://www.st.nmfs.gov/st1/trade/index.html>

³⁸ US Energy Information Administration. http://tonto.eia.doe.gov/dnav/pet/pet_pri_spt_s1_m.htm