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WORKING
INFORMATION PAPER 5

ECONOMIC OVERVIEW OF TUNA INDUSTRY DEVELOPMENTS

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FORUM FISHERIES AGENCY
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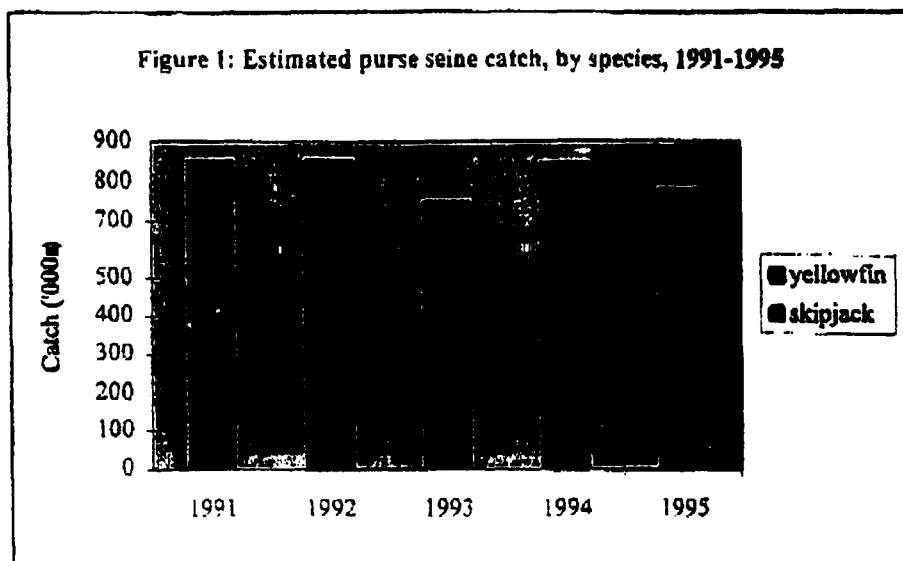
1. This report reviews catch and market trends in the tuna fisheries of the central western Pacific during 1995.

Estimated value of catch

2. In 1995, the value of tuna catches in the waters within and adjacent to the fishing zones of FFA member countries¹ is estimated to have exceeded US\$1.7 billion². The estimated values for the purse seine and longline fisheries are \$750 million and \$850 million respectively, with the pole and line fishery estimated to have contributed a further \$130m.

1. THE PURSE SEINE FISHERY

3. The 1995 purse seine catch is estimated at around 780,000mt, about 70,000mt (8 per cent) lower than in 1994. The skipjack catch declined by around 50,000mt, while the yellowfin purse seine catch fell by an estimated 20,000mt.

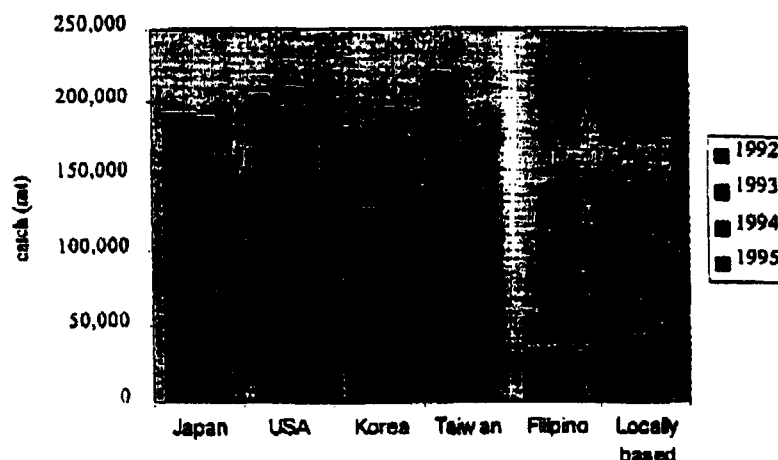


4. The US fleet bore most of this decline, with the US catch falling by around 40,000mt (or nearly 20 per cent), largely due to a 25-30 per cent fall in fishing effort by the US fleet. Catches of Japanese and Korean boats also fell, by around 30,000mt and 20,000mt respectively. In contrast, catches for the Taiwanese and the locally-based FFA country fleet were either stable or slightly increased.

¹ excluding the Australian and New Zealand EEZ;

² all monetary figures in this report are in US\$ unless otherwise stated;

Figure 2: Estimated purse seine catches by fleet, 1992-1995

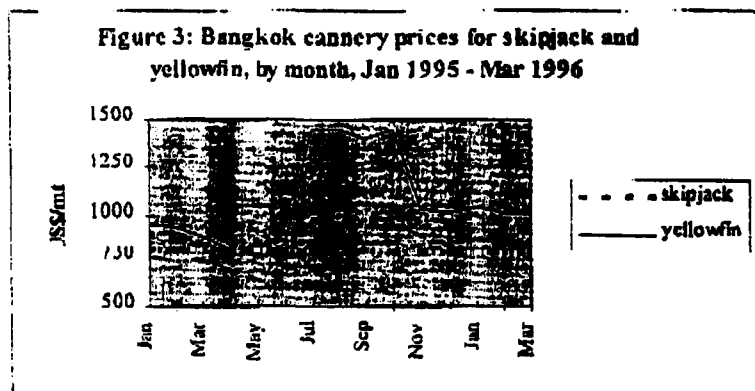


5. There are currently 14 purse seine vessels locally-based in the region - 5 in the Federated States of Micronesia, 3 in the Solomon Islands, 3 in Papua New Guinea, 2 in the southern islands. These vessels are not included in the regional access arrangements. These vessels are therefore included among the 161 foreign vessels operating in the region under multilateral or bilateral access arrangements, the fleet comprising 46 American, 43 Taiwanese, 32 Japanese, 29 Korean and 11 Filipino vessels.

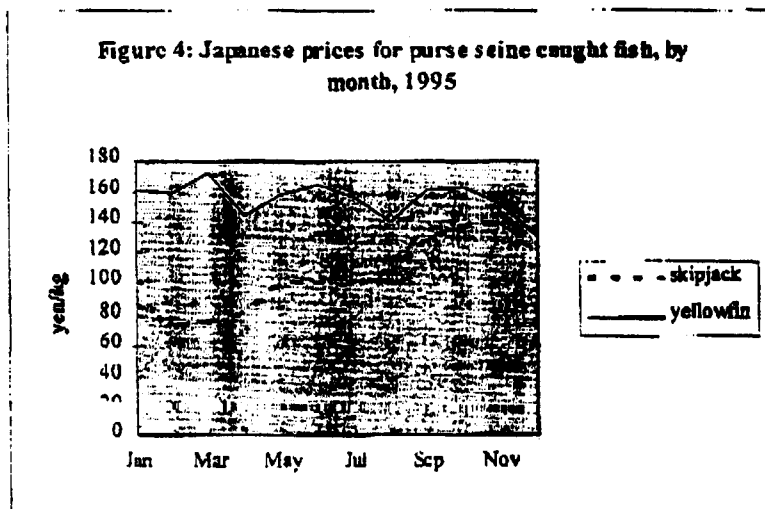
6. During 1995, Vanuatu and Papua New Guinea added an additional purse seiner to their fleet, though from the regional perspective this growth was offset by the sale of several vessels formerly based in the Federated States of Micronesia. Despite these sales, the medium term outlook for the locally-based purse seine fleet remains positive, particularly following the implementation in September of the Federated States of Micronesia Arrangement for Regional Fisheries Access. Details of this Arrangement are considered later in this report.

Cannery prices

7. Cannery prices for purse seine caught skipjack were again volatile during the year. Prices tumbled in the early months of the year, falling nearly 20 per cent from the January price of \$800/mt to around \$650/mt by May. However, the season's lower catches then started affecting supplies, and over the next 4 months prices rose by more than 70 per cent to \$1100/mt. Prices have since fallen, but have stabilised since November at around the \$800/mt-\$900/mt level.



8. In Japan, purse seine caught yellowfin fluctuated around the 150-160 yen/kg price, while skipjack prices generally strengthened after their early season slump to average 98yen for the year (figure 4).



2. THE LONGLINE FISHERY

freezer vessels

9. There was little change in the frozen longline fleet in 1995, with Japanese, Korean and Taiwanese vessels operating in the region. The Japanese fleet has two distinct elements, a fleet of larger vessels that operate in the region on a seasonal basis on their way to or from more distant fishing grounds in southern latitudes or the eastern Pacific, and a fleet of medium sized vessels that fish in the region year-round but are based in Japan and return home after one-two month fishing trips. The Korean fleet consists of around 160 boats, operating mostly in Kiribati, French Polynesia and the high seas, targeting bigeye and yellowfin, while the Taiwanese fleet predominantly targets albacore for the canneries in American Samoa and Fiji. There are, however, a small but increasing number of Taiwanese boats targeting yellowfin and bigeye for the Japanese sashimi market.

10. The longline catch of the freezer vessels in 1995 is estimated at around 110,000mt, being 40 per cent bigeye, 30 per cent yellowfin and 25 per cent albacore. This catch has an estimated value of around \$590m.

Fresh longline vessels

11. The rapid build-up of the fresh longline fleet in recent years slowed in 1995. This was the result of many factors, including:

- i) tighter licensing regulations, whereby some countries provided access only to vessels that are based in ports in the country;
- ii) tighter monitoring and enforcement of the fresh longline vessels, which may have discouraged less scrupulous operators; and
- iii) delays in negotiations relating to proposed new longline bases.

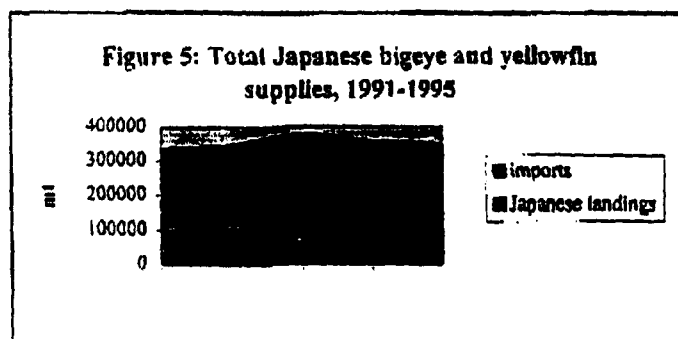
12. The fresh longline vessels continue to be concentrated in Federated States of Micronesia, Palau, and Marshall Islands. These vessels are mostly from mainland China, also have fledgling domestic fleets, about 20 vessels in total. There are about 50 vessels operating in Fiji, a mix of domestic and foreign chartered vessels, while Solomon Islands and Papua New Guinea have about 20 vessels based in their ports. Smaller longline fleets also operate in Tonga, Western Samoa, and Cook Islands.

13. Increased numbers of fresh longliners are likely to operate in Solomon Islands, Papua New Guinea and Kiribati in the coming year, though it is expected that not all of these will be new to the region, with some simply relocating from other FFA countries.

Conditions in the Japanese market

14. The vast majority of the longline vessels operating in the region, both the fresh and frozen vessels, target bigeye and yellowfin tunas 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 who are increasingly supplying the growing Korean sashimi market. Korean sashimi consumption is estimated to have increased to around 20,000mt in 1995.

15. Supplies of yellowfin and bigeye tuna to Japan, fresh and frozen, are estimated to have fallen by around 10,000mt during 1995 to around 340,000mt. Imports were marginally higher than in 1994, such that the fall in supplies was caused by lower catches by domestic Japanese vessels. In 1995, imports represented almost three quarters of the sashimi grade yellowfin and bigeye consumed in Japan (Figure 5).

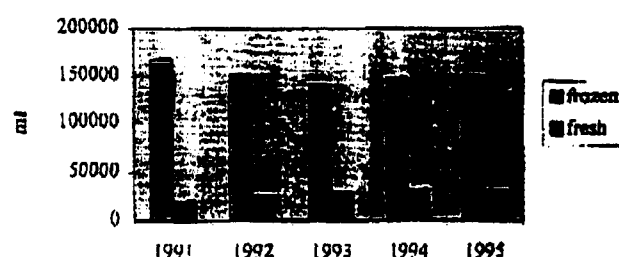


16. Supplies of fresh/chilled bigeye and yellowfin continued to increase during 1995, up 4000mt (5 per cent) from the year before, to 82,000mt. Of this, approximately 60 per cent was yellowfin and 40 per cent bigeye. Fresh/chilled tunas now represent 25 per cent of the total market.

17. Imports now account for approximately 75 per cent of the fresh yellowfin and bigeye market, Taiwan and Indonesia being the main suppliers. Imports from Guam, the Federated States of Micronesia and Palau increased to around 16,000mt, and including fresh imports from other Pacific island nations and the 'domestic' catches from Japanese vessels operating in this region, the region is likely to be supplying 30-40 per cent of the Japan's total imports of fresh yellowfin and bigeye.

18. In terms of individual species, bigeye supplies remained stable during the year at around 180,000mt. Of this, frozen bigeye remained constant at around 150,000mt, though this overall stability disguises a marked change in the sourcing, with a 13,000mt increase in imports, to 103,000mt, offsetting a 20 per cent downturn in Japanese landings. Landings by Japanese vessels fell to around 48,000mt, their lowest level in 7 years, attributable to poor fishing by the Japanese longliners operating in the eastern Pacific. Fresh bigeye supplies were around 32,000mt, marginally down on the previous year.

Figure 6: Japanese bigeye supplies, 1991-1995



19. Yellowfin supplies dropped to 170,000mt, 8000mt lower than in 1994. Frozen yellowfin decreased by 13,000mt to 118,000mt, due almost entirely to reduced imports from Taiwan, while fresh yellowfin supplies were 5000mt higher, with Japanese landings increasing by 3000mt and imports up by 2000mt.

Figure 7: Japanese yellowfin supplies, 1991-1995



20. In terms of other species, 2000mt of fresh billfish were imported, averaging 775 yen/kg, slightly higher than for fresh yellowfin. A further 18,000mt were imported in frozen form, averaging 354 yen/kg, while Japanese landings were in the order of 15,000mt, two-thirds of which was in fresh form. Total billfish supplies in Japan were therefore around

35,000mt. Japanese vessels landed around 55,000mt of albacore during the year, 40 per cent of which was fresh/chilled. Imports of albacore are relatively insignificant, with around 2000mt of frozen and a similar amount of fresh product imported during the year.

21. Demand was sluggish for most of the year. The Kobe earthquake in January, the subway poisoning scares and patchy economic growth combined to erode business and consumer confidence, putting downward pressure on prices. Prices for the bigeye tuna, the more prestigious of the two species, suffered most from the consumer downturn. Prices for frozen bigeye were particularly hard-hit, falling below 500 yen in the period July to September. Prices then strengthened over the latter part of the year, due in part to the reduced domestic catches, such that by the year end prices had recovered to their corresponding 1994

Figure 8: Monthly import prices, frozen bigeye and yellowfin, 1995

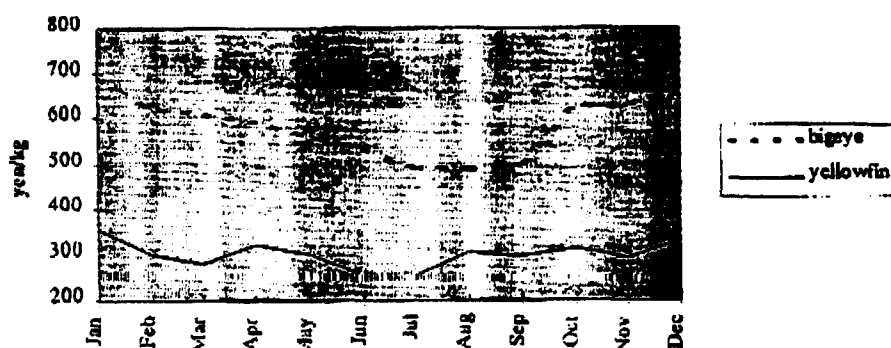
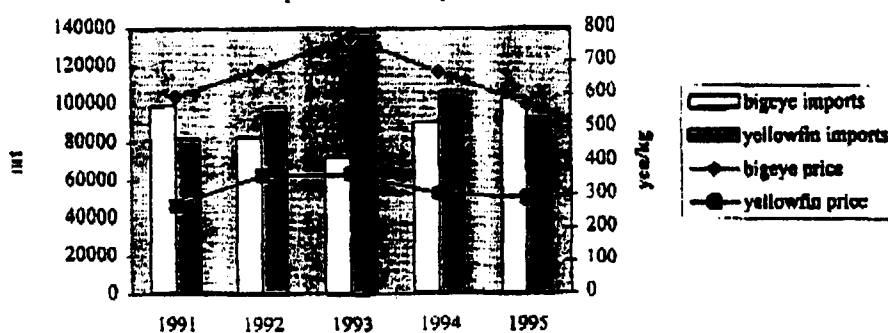


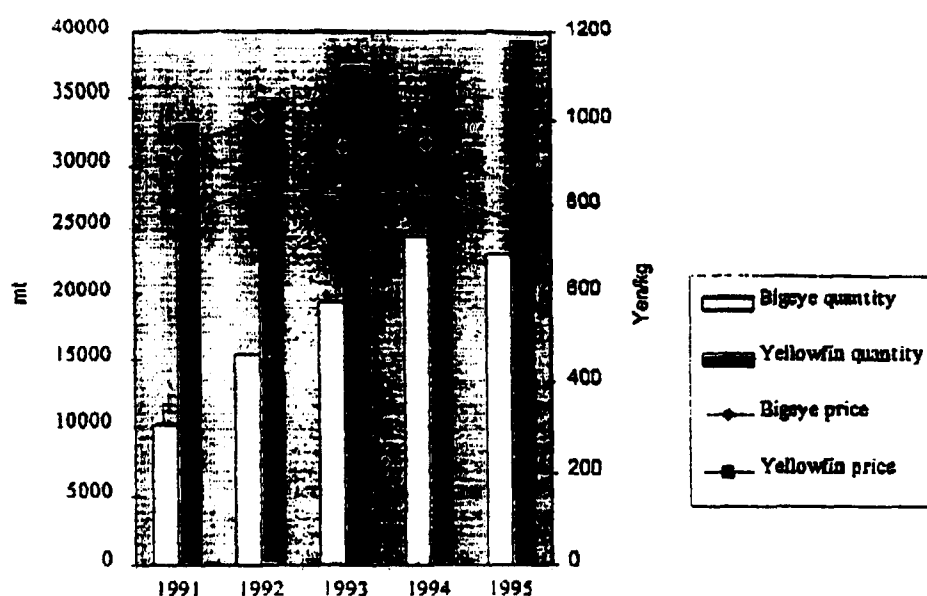
Figure 9: Japanese imports of frozen bigeye and yellowfin, quantities and prices, 1991-1995



22. In addition, bigeye inventories have been run down, 20 per cent lower than 12 months ago and approaching their lowest level in 10 years. With reduced supplies and lower inventories, frozen bigeye prices are expected to remain firm in 1996.

23. Import prices for fresh bigeye and fresh and frozen yellowfin were less affected by the depressed market demand, with prices being maintained within the 700-800 yen, 600-750 yen and 250-350 yen ranges respectively. Frozen yellowfin prices in particular would have been aided by the fall in imports.

Figure 10: Japanese imports of fresh yellowfin and bigeye, quantities and prices, 1991-1995



24. Pacific Island exporters continued to gain some protection from the lacklustre Japanese market through favourable exchange rate movements, though this fluctuated as the year progressed. A strengthening yen boosts returns to Pacific island exporters, in their local currencies, while a weakening yen has the opposite effect, reducing export income. Unlike recent years, where the yen almost continually strengthened, there was more volatility in exchange rate movements in 1995. After opening the year at 100Y=\$1, the yen strengthened for the first six months, peaking mid-year at 100Y=\$0.84, 16 per cent stronger than six months previously. These gains to Pacific island exporters then started to be eroded as the yen weakened significantly in the latter half of the year, returning to the 100Y=\$1 level from September-December. For the year as a whole, the yen averaged around 94 cents, 6 per cent stronger than its January starting value. Future movements are difficult to predict, but with the yen having stabilised in the first few months of 1996 at around 100Y=\$1.05, Pacific island exporters may not receive the same exchange rate benefits in 1996 that they have enjoyed in recent years.

3. THE POLE AND LINE FISHERY

25. The FFA region represents the southern fishing grounds for the Japanese pole and line vessels, with the fishing season usually running from October-May. In between times, vessels head north for the Japanese summer where albacore is the target species. Very good catches were experienced in the northern fishing grounds in 1995, such that the Japanese vessels spent less time in the FFA region. As a result, the Japanese pole and line catch in the region fell in 1995. In contrast, the Solomon Islands pole and line fleet, the largest fleet actually based in the region, experienced good catches in 1995, 60 per cent higher than the previous year.