

Challenges to EU Market Access



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The National Fisheries Authority
Papua New Guinea


OUTLINE

- Background & Rationale
- Status of the Tuna Catch in PNG Waters
- Price Trend of Tuna
- High Cost of doing business in PNG worsen by the recent increase in Minimum Wage Structure
- Market Status
- Local Market Potential can be helpful but?
- Economies of Scale can help—Chicken or Egg problem
- Suggested Courses of Actions
- What can the PNG Government do to help?

NFA'S STRATEGIC GOALS

Applicable to tuna (aligned to the PNG MTDP 2010-2015):

A commitment to ensuring sustainable resources are harvested at Maximum Sustainable Yield (MSY) levels



Increasing downstream processing of tuna and creating employment and export driven economic growth




Increasing revenues from distant water fishing vessel access



Review Licence conditions including costs recovery



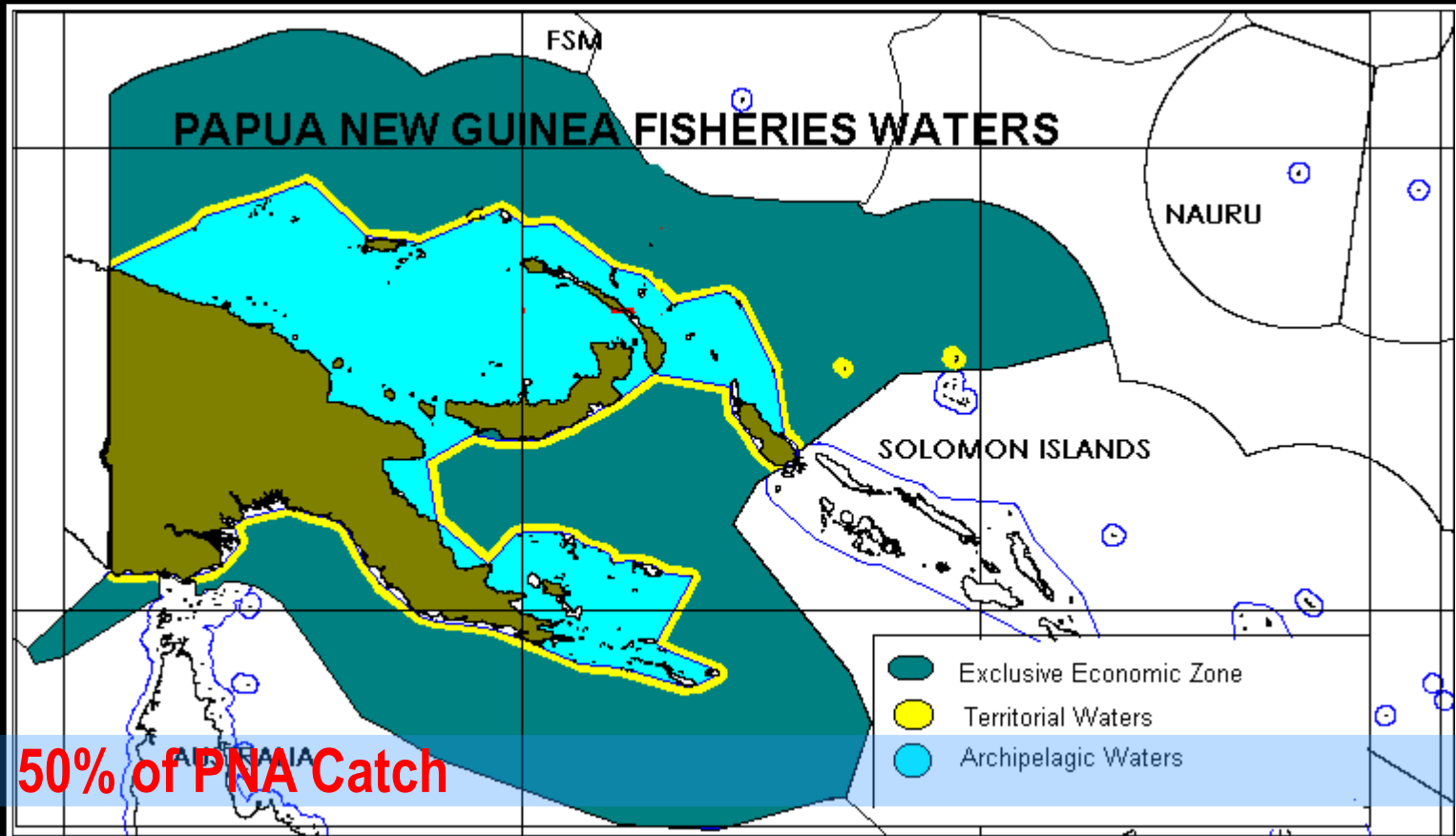
Supporting rural development and poverty reduction, including through good governance and the promotion of fisheries on a sustainable basis, and building strategic alliances for improved implementation



Having in place the institutional framework (management and monitoring, control and surveillance) to support the achievement of these goals

Significance of PNG EEZ

15% of World Tuna Catch



50% of PNA Catch

Sustainable Catch of 720,000 mt of Tuna/annum

PNG Tuna Fishery

Domestically Based

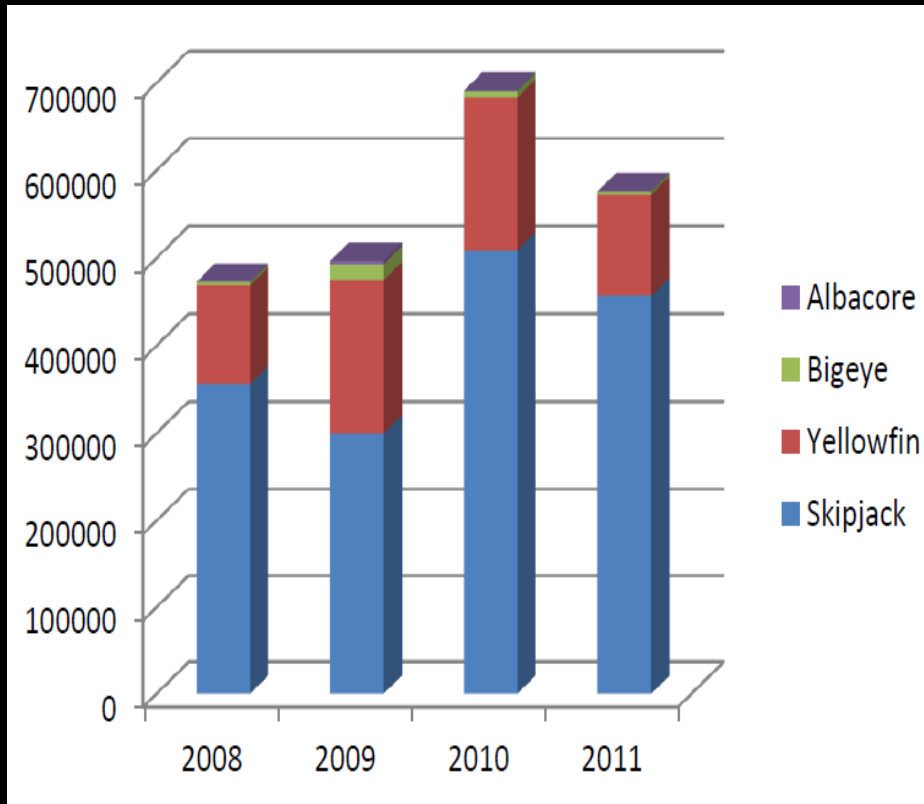
The purse seine fleet licensed to operate in PNG waters numbered 215 purse seine vessels in 2012. This includes 53 domestic and local based and 11 FSMA vessels (Table 1) and 151 Distant Water Foreign Vessels (DWFNs).

Group	Category	Length (m)	2008	2009	2010	2011	2012
<i>Domestically based</i>							
Frabelle (PNG) Ltd	DOM	<50	1	1	1	1	1
Frabelle (PNG) Ltd	DOM	<50	0	1	1	1	1
Pacific Blue Sea Fishing Limited	LBF	<50	1	1	1	1	1
Rell & Renn Fishing (PNG) Ltd							
Dologen	LB	<50	4	5	5	5	3
Frabelle (PNG) Ltd		<50	6	8	8	8	6
Sub total		<50	6	8	8	8	6
Frabelle (PNG) Ltd	DOM	50-80	6	6	6	10	10
Pacific Blue Sea Fishing Limited	DOM	50-80	1	1	1	1	1
Rell & Renn Fishing (PNG) Ltd	DOM	50-80	0	0	0	0	1
Dologen	LBF	50-80	0	0	0	1	1
Frabelle (PNG) Ltd	LBF	50-80	1	2	2	2	2
RD Fishing PNG Ltd	LBF	50-80	9	9	12	12	12
Fair Well Fishery (PNG) Ltd	LBF	50-80	5	5	5	5	5
South Seas Tuna Corporation Limited	LBF	50-80	10	8	12	12	12
Majestic Seafoods Corporation							1
Sub total			32	31	38	42	45
South Seas Tuna Corporation Limited	LBF	>80					
Sub total		>80	3	2	2	2	2
Total PNG based			3	2	2	2	2
<i>FSMA</i>							
Federated States of Micronesia	FSMA	<50	2	1	2	2	1
Federated States of Micronesia	FSMA	50-80	0	1	1	11	2
Marshall Is.	FSMA	50-80	5	1	7	1	7
Kiribati	FSMA	>80	0	0	2	1	1
Total FSMA			7	3	12	15	11

Status of the Tuna Catch in PNG Waters

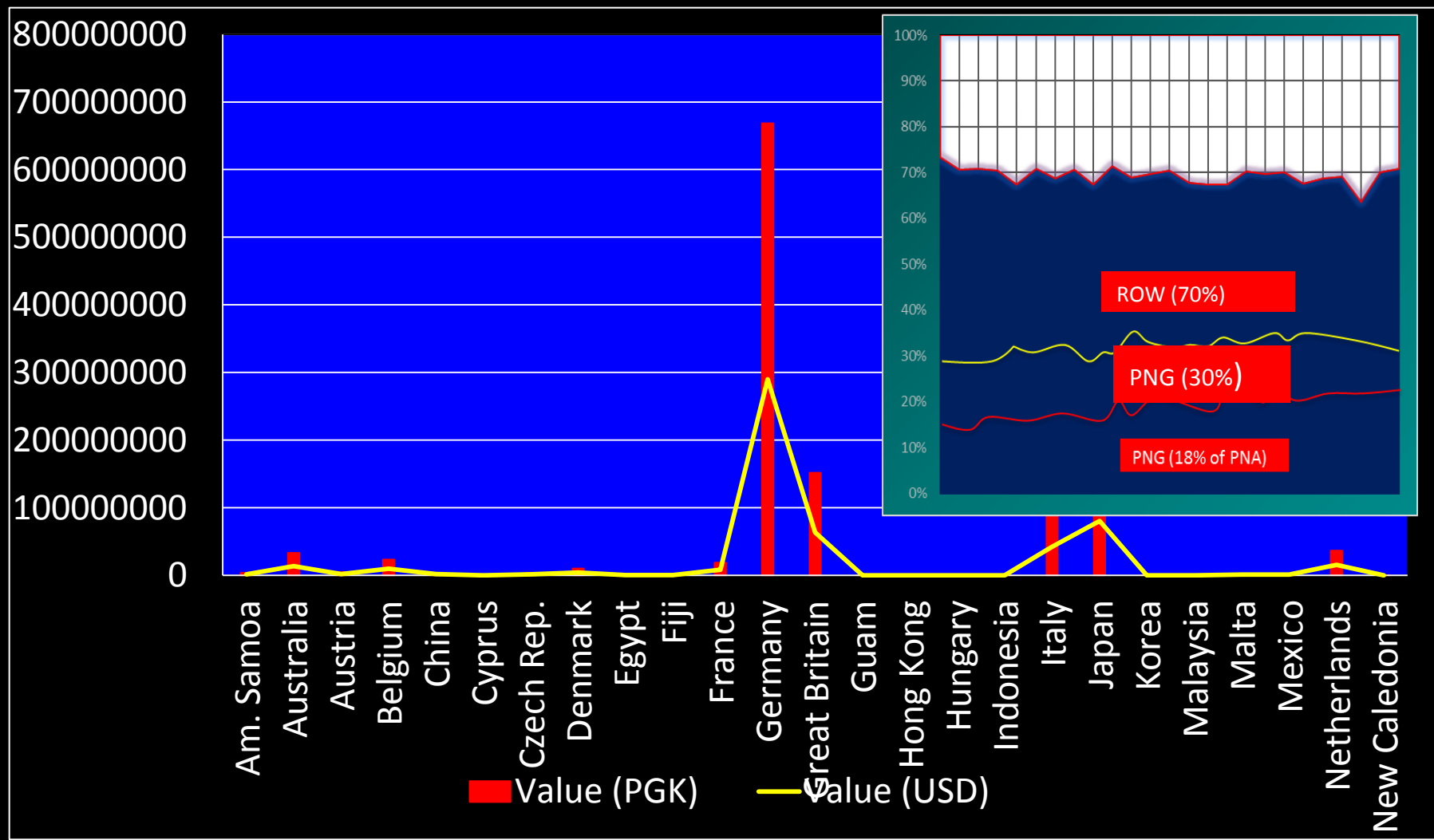
- Current catch both from the EEZ and Archipelagic Waters—comparatively lesser than previous periods;
- Scientific studies last year showed that PNG Waters are now in an **Overfished Status—80% utilization rate**;
- Catch Per Unit Effort (CPUE) consistently decreasing and average size of catch becoming smaller and smaller;
- Number of boats fishing under the Palau Arrangement has increased from 205 to more than 300 boats. **Vessel Day Scheme** has paved this way to happen;
- **Access Fees** to fish in the entire PNA has increased substantially;
- **Sea-Bed mining** now being done in the entire Bismarck Sea;
- In summary, **higher cost of operation** vis-à-vis a diminishing volume of catch and higher risk to businessmen/entrepreneurs.

Stock Status and Management Consideration



- The total annual catches of tuna and tuna like species in PNG waters have averaged around 635,000 mt per year between 2008 and 2011. These in-zone catches (EEZ and AW) represent around 23% of the WCPO tuna catch. Most of the PNG catch (98%) is attributed to the purse seine fishery.
- Catches (**Figure 1**) from 2008 to 2011, show an upward trend, with 2010 being the year of highest ever catches to around 700,000 mt. (2015 catches are projected at 630,000 mt).
- The highest ever estimated catches for skipjack may have been up to 509,000 mt (SPC), and the highest for yellowfin was in the same year (2010), at 198,000 mt, for bigeye at 18,000 mt in 2011 and albacore, 2000 mt, in 2007(NFA Annual Report Part 1, 2012).

PNG Tuna Export Performance by Destination (2010-2014)



Market Status

- The market is too depressed despite the comparatively lower price being offered;
- The export market is the biggest challenge;
- Buyers have become too discriminating and unnecessarily too strict;
- Terms of payment have graduated from LC at sight to as high as 45-60 days terms of payment;
- Too many canneries operating worldwide;
- Continuing duty free access by other players worldwide whose cost of production is relatively lower have practically created havoc to the tuna processing industry in the country;
- As to how many players can last and survive will be the biggest question mark.

Local Market Potential can be Helpful

BUT?

- Local market in PNG on a per capita consumption offers some relief and potential for growth;
- PNG Nationals taste preference and purchasing power have been consistently improving. Helps local producers in spreading the cost structure of the canneries;
- However, traders and importers have recently flooded the local market with imported and much cheaper canned tuna products. Some reports indicated that import duty payment has been evaded (why this has happened is a big question mark) and the Customs Department has not effectively acted on this issue;
- The IUU Law being imposed by the EU for imports coming from PNG is not being similarly implemented by the PNG Government for those imported canned tuna entering into the PNG market. In short stringent set of guidelines and monitoring are being imposed to canneries/local manufacturers while there is zero implementation of same rules for those imported products. Why is this so?
- MSG reciprocal tariff free imports for MSG countries not being implemented by at least two MSG members while PNG has been religiously honoring the agreement.

MANAGEMENT MEASURES

National, Sub-regional and Regional Management Measures

Regional Management Measures

- **WCPFC Conservation and Management Measures (CMMS)** are binding on all WCPFC members, cooperating non-members and participating territories;
- All CMMs post-date the PNG National Tuna Management Plan, which has been revised to incorporate them where appropriate;
- A new WCPFC CMM (2012-01), including skipjack for the first time, was introduced with interim measures for 2013
- This establishes an effort limit for skipjack, urges CCMs maintain effort on yellowfin at current levels or lower, and may develop additional measures for bigeye
- **FAD closures** will increase to four months or equivalent, with limits on FAD sets in some cases
- WCPFC management measures will also be under review in the period 2014-2017 and may include additional management measures for purse seine and longline fisheries to reduce F of bigeye

Sub-regional Purse Seine Management

- The **Purse Seine Vessel Days Scheme (PSVDS)** remains the main management tool for the PNA purse seine fishery and needs to be observed;
- Compatible PSVDS measures are to be established for AW
- RPs and HRCRs are yet to be developed but are required as part of the MSC certification for the PNA free school skipjack tuna fishery. PNA will subsequently advance these through to WCPFC
- Sub-regional purse seine management

Sub-regional Longline Management

- **PNA Longline Vessel Days Scheme**

National level Management Measures

- **National Tuna Management Plan (revised NTMP, 2014)**, and the first such plan adopted within the PNA membership.
- The Plan is established under the Fisheries Management Act (1998) and is to be read in association with the Fisheries Management Regulation (2000).

ECONOMIES OF SCALE CAN HELP

CHICKEN OR EGG PROBLEM

- Yes indeed, economies of scale production volume can lessen the unit cost of the products. However, increasing the volume of production while saddled with Sales and Marketing issues can also be a risky proposition;
- Most canneries basically lack major infrastructures that can service the logistical requirements of increased production volume. Many of those normally provided by most governments are not necessarily being done in PNG and even if provided most of these are not in the best conditions;
- Most buyers do not normally provide packaging instructions on a timely basis. Hence, producing more volume with unstable timely packaging instructions can cause logistical nightmares;
- With a depressed market it would be suicidal to produce in bigger volume with existing orders to back this up.

SUGGESTED COURSES OF ACTIONS

ON THE FISHING SIDE—TO BE ACTED UPON BY THE NFA:

- Protection of local processing industry from unfair competition.
- Domestication Policy
- Compulsory off loading exercise
- At worst, a win-win situation needs to be worked out.

SUGGESTED COURSES OF ACTIONS

- Fishing companies fishing in PNG waters can consider being accredited to the MSC program to enable the fish caught sustainably that qualifies under the program. This can result into premium for the processed products whose fish raw materials pass through the MSC standards.
- Canneries and processing plants can, on the other hand, apply and be accredited as part of the MSC chain of custody participant thus affording the canneries and the MSC accredited agency to earn extra premium out of their exported products;
- The National Fisheries Authority to should consider being an MSC accredited agency as well thus earning much precious additional revenue to the agency;

Cont.

- **Consider providing incentives to the fishing and processing industry participants**, e.g. import duty exemption and or rebate on import duty especially for the fuel component;
- Consider **wage increase exemption** to the fishing and processing industry which are highly labor intensive;
- Fast tract the **implementation of infrastructure development** to lessen the cost of logistics and generally lower as well the cost of doing business in PNG;
- **Encourage economies of scale** and higher productivity through some incentive package. E.G. reduce the cost of Vessel Day for those fishing companies that can qualify based on certain criteria;
- Strictly impose the **Tuna Management and Development Plan**.

Recommendation for UNCTAD

APEC TO ACCELERATE TRADE PROMOTIONS

- To have a more disciplined approach to addressing IUU and a universal definition to IUU
- For countries to participate in promotion of sustainable fisheries including Management Arrangements for Catch Limits while maximizing resource utility
- Good regulatory framework and business friendly implementation of domestication related policies

(inclusive Growth and Resource Benefit sharing with Growing Economies in the Pacific Region)

- Establish good regional cooperation and networks to exchange trade-related information.
- List of non-binding best practices that are most facilitative, least trade restrictive and most effective in ensuring a safe trading environment for developing countries to emulate.

THANK YOU