The entry of the Chinese fleet into Pacific Ocean tuna fisheries and the economic impact to the U.S. albacore fleet from this large subsidized and largely unregulated fishery – March 5, 2015

Western Fishboat Owners Association (WFOA) Informational Report

The Chinese tuna fleet has grown enormously in recent years and one of the target species of the Chinese fleet has been albacore tuna (ISC 2014, WCPFC 2014). China has increased reported landings of albacore, primarily in the South Pacific. It has been stated that the Chinese plan is to deploy around 500 longline vessels in the Pacific Ocean (Sanchez 2013). According to Sanchez (2013) there were 200 vessels operating out of Fiji, about 50 licenses in the Cook Islands, and they will continue putting boats in Tonga, Niue, Tokelau, Tuvalu, Samoa, and other Pacific islands.

Mallory (2012) citing the 2011 China Fisheries Yearbook estimated nearly 400 tuna boats operated in the Pacific Ocean and landed 160,000t of tuna in 2010 and that Chinese companies plan on expanding albacore tuna fisheries. Mallory (2012) cites Chinese sources that since ‘‘as yet international organizations have no management measures in place’’ for this species, and 30 new longline vessels were introduced in 2010 for this purpose.

One reason for the expansion of the Chinese fleet is the conversion from State to private ownership. The conversation to private ownership has resulted in less control of fishing activities by the Chinese government. The conversion to private profit accompanied by State subsidies has opened the door to major fleet development. The Chinese Ministry of Agriculture’s eleventh ?ve-year plan to expand the distant water fleet on the high seas and EEZs where they have obtained fishing permits of their vessels (Mallory, 2012).

According to WWW.Globefish.org the international trade of frozen tuna in China has increased significantly over the years and according to national data, exports in 2013 grew by nearly 41%. Skipjack was the main species in both export and imports. At the same time, more than 80 000 tonnes of frozen tuna were imported into the Chinese market in 2013, which is a 29% increase compared with 2012. The majority of these imports were re-processed into cooked loins, for which the major clients were canned tuna producers in the USA, Thailand and in the EU. In 2013, China exported over 73 000 tonnes of processed tuna (cooked loins and canned products tuna) to the global market. For example, Italy, in 2013 canned imports decreased but more pre-cooked tuna loins were shipped into the country, mainly from Ecuador (+15.2%). In Spain, Papua New Guinea shipped more pre-cooked tuna loins (+31.8%) in 2013 compared with 2012. The increase in China catching capacity has resulted in a major shift in international markets and a decline in price, especially to the harvesters.

It has been noted in many news articles that the expansion of the Chinese fleet and associated fishing subsidies have resulted in an economic imbalance that fishermen of other countries that do not have the same subsidies to offset rising costs of fishing and processing. Over the last decade, China's longline tuna fleet has grown rapidly, leading to complaints from other nations and from environment organizations regarding catch and effort increases and lack of accountability of China.

In an article in the Guardian news (http://www.theguardian.com/sustainable-business/2014/oct/27/toyo-reizo-shell-companies-fisheries-china-tuna-overfishing-oceans-ipo) it was reported that the Chinese Bureau of Fisheries officials stated “China is a developing country, its

offshore fishing companies are still weak, levels of management are still uneven, and the management system still needs to be steadily improved" Once wholly state-owned, 70% of the Chinese fishing industry has been privatized in recent years. The rapid growth of the Chinese fisheries may have exceeded the capacity of China to manage it's fleets, but reported subsidies and a 2010 Chinese task force report stating that "marine biological resources are seen as the largest store of protein, therefore owning and mastering the ocean means owning and mastering the future" indicate that China policy is to increase it's presence in Pacific Ocean fisheries.

The growth of the Chinese South Pacific harvest of albacore has not impacted the productivity of the stock, but increased effort has led to reduction of abundance in areas due to an overall fishing down of the stock from lightly fished levels. In the North Pacific the Chinese harvest is not as large as in the South Pacific but it is growing. The Chinese primarily target Bigeye tuna in the North Pacific with some targeting on Albacore (ISC 2014).

The results of this incursion of China in this business has reduced by $1,000 per ton in albacore price in the last 5 months and has tied up non-Chinese boat from Fiji, New Zealand, Cook Island, American Samoa and other island nations. The change in the international market can readily observed on the Chinese internet commerce site Alibaba (http://www.alibaba.com/countrysearch/CN/albacore-tuna.html). There large amounts of albacore are offered for sale at prices far below those supportable by non subsidized Pacific fishing nations.

The international market informs us that China has penetrated many markets with low cost tuna that is making it difficult for tuna fisheries of other nations such as the U.S. that do not have subsidized operations. However, the trends in catch and effort are difficult to follow. One of the problems with tuna is inconsistency in reporting. The following table is the reported catch by China for the north and south Pacific and for the WCPFC area. Greatest increases have been in the South Pacific. One can see an inconsistency in the numbers, which may relate to Commission reporting areas or errors in reporting. Chinese representation to assessment meetings has been limited and only academics have attended meetings who do not appear to access to all catch data.

Table 1 - Reported Chinese catches (Thousand lbs) from the North and South Pacific 1999 to 2013:

Year	North Pacific	South Pacific	WCPFC
1999	-	3,473.00	3,473.00
2000	27.00	2,056.00	2,056.00
2001	636.00	2,073.00	2,711.00
2002	430.00	2,410.00	2,920.00
2003	823.00	6,318.00	6,223.00
2004	874.00	5,176.00	6,104.00
2005	571.00	3,799.00	4,103.00
2006	1103.00	5,112.00	7,191.00
2007	121.00	5,125.00	5,453.00
2008	188.00	15,362.00	15,092.00

2009	96.00	21,900.00	20,149.00
2010	910.00	16,926.00	13,025.00
2011	1836.00	10,161.00	11,996.00
2012	6092.00	27,746.00	24,826.00
2013	3255.00	28,722.00	24,162.00

This is a source of major uncertainty at present and we are uncertain as to the actual extent of the growing Chinese fishery. The US and Canada has been trying to encourage the Chinese to improve the reporting and completeness of information of their catches and its timely submission. Unfortunately, the Chinese have not attended the last ISC meetings, and have not attended the WCPFC-NC for the last two years. Albacore CPUE is important for the commercial viability of fishing fleets, and there is concern that the current high catch levels may affect the sustainability of albacore fisheries.

Assessment results for the South Pacific indicate that total catch has doubled and regional stock depletion has contributed to catch rate declines, but localized depletion may also have contributed. Observed declines in catch rates from significant domestic longline fisheries (e.g. Fiji, French Polynesia, and Samoa) — following periods of relatively high albacore catch (3,000–10,000 mt per year) — may indicate localized stock depletion (Langley 2004).

WFOA has expressed its concern about increases in the Chinese longline catch and the resulting oversupply of cheap tuna on the international market since the Chinese vessels. The increased volume of albacore, principally from the South Pacific is reducing the access of the US fleet to historic markets. There is also a noted increase in albacore catch in the Northeast Pacific but the reports received by the RFMO are not clear as to what is reported, total catch, or catch by a monitored segment of the fleet.

WFOA has long had concerns about the growing Chinese fleet going back to 2005 when WFOA asked the Pacific Fisheries Management Council to support efforts to prevent the growth of Chinese fisheries in the NE Pacific Ocean. Unfortunately, that became a general call for all nations to maintain effort at 2005 levels. These controls do not appear to be limiting the growth of China or other nations; rather, it has been used to attack the U.S. fleet for "exceeding effort limits". WFOA is very concerned that the current administration is not applying the pressure it should on this issue. WFOA has also has concerns regarding attempts to impose unilateral restrictions on the US fleet that is believed will only result in less access to the resource by the US fleet.

It is clear that the rapidly growing Chinese tuna fleet is distorting the international tuna market. It may be a transitory effect, but all signs are that China continues to provide large subsidies that provide incentives to continue adding effort and capacity to it's distant water fleets. Until China adopts policies that fall within the FAO code of fishery practices there will be further increase in effort and increasing harvest by China and continuing glut of fish on the market for prices below the cost of harvest by non-subsidized fleets. The unrelenting growth of Chinese harvesting capacity indicates that China is currently very lax in management and monitoring of their fisheries. As a result IUU landings are entering the market and adding to the pressure of subsidized albacore.

In contrast to the rapidly growing Chinese fleet the U.S. fleet has diminished from approximately 2,300 vessels to a current level of about 700 vessels. In the 1960s albacore were landed at many west coast ports and large numbers were landed in Astoria where several canning plants were then in operation. The current albacore fleet is fairly stable at the 700 vessel level with aging vessels and operators, the average vessel is 40 years old and most fishermen are in their 60s, and there are very few new entrants. The level of participation by permitted albacore vessels is low with approximately 20% of the vessels landing 80% of the catch between July to October. In the past vessels travelled to the south Pacific to fish in the winter months but low price and high fuel costs reduced participation to about 6 vessels from a high of 55 in 1997.
Price trends were improving for fishermen until 2013 when cheap Chinese fish began entering markets in Europe and elsewhere creating an impossible marketing condition for US fishermen and processors on the west coast. As fuel and operating costs rose on local fleets, Chinese with fuel and other government subsidies can enter markets at severely low price points. Ex-vessel prices for albacore landed on the west coast average $1.00 pound for fresh and brine frozen to $2.00 pound for flash frozen sashimi grade. This range is low compared $5 -$10 prices per pound for species such as salmon and crab and profit margins are also at very low levels.

The US now imports more than 90% of its seafood, much of which is not under any or little management as the US fleet is. Only about 50% of the US catch is sold domestically, which is a big improvement since 10 years ago when it was about 5%, and a dramatic jump from 2013 to 2014.

It is feared that the continued growth of the subsidized Chinese fleet will disrupt the market further and further reduce the viability of the remaining U.S. fleet and the supply of fish to the remaining buyers in coastal communities. Efforts by WFOA and other organizations have sought to improve the market for U.S. harvested albacore through the MSC program and other marketing efforts. We believe opportunities exist to maintain the existing fleet and provide a better economic return; however, if the general market continues to be impaired by subsidized fish there is little hope for improvement.

In order for the United State to continue a viable albacore fishery then it must:

1. Continue to work with China to improve the monitor and remove IUU vessels, Taiwan should also be involved to prevent transfer of “effort reduction” vessels to Chinese ownership.
2. Explore increased tariffs on Chinese albacore.
3. Increase efforts in international bodies to remove Chinese subsidies, increase monitoring of vessels, and improve catch data collection.
4. Require China to comply with RFMO conservation measures agreed to by parties of the RFMO with regard to effort and harvest controls.

WFOA hopes the PFMC will support these steps and communicate to Departments of Commerce and State the need to prevent further expansion of the Chinese fleet, especially into the North Pacific where effort has not increased to levels experience in the South Pacific and Indian Ocean.

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