



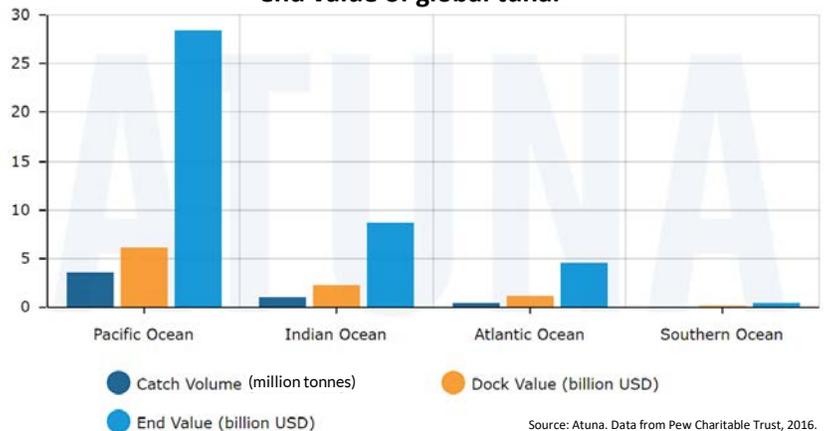
Tuna is the third-largest seafood commodity in the world,¹ with a landing volume of 3.5 million tonnes, valued at \$6.2 billion at the dock and \$28.5 billion at the end. While tuna can be found in the Atlantic and Indian oceans, approximately 66% is caught in the Pacific Ocean. Fleets from Japan, Taiwan, and Indonesia lead in catch volume, much of which is processed in Thailand and eventually shipped to the EU and US.

The seven major species of tuna offer a broad spectrum of value propositions. Their ranking, from lowest to highest priced: Skipjack, Albacore, Yellowfin, Bigeye, and three species of Bluefin (Pacific, Atlantic, and Southern). The small and fast-growing Skipjack accounts for more catch volume than all other tuna species combined (57%), while the large, slow-growing Bluefin accounts for just 1%. Skipjack and Yellowfin caught by purse seine are used exclusively for canning, while Yellowfin and Bigeye caught by long-line are typically used as fresh or frozen sashimi.

To truly understand the tuna trade, investors have to appreciate the complex system that governs it. As highly migratory species that cross through many countries' waters and the high seas, tuna is necessarily governed by a combination of international, regional, and national policies. While the international laws (UNCLOS, UNFSA) establish the framework, it is the five regional fishery management organizations (RFMOs) that have the mandate to manage tuna stocks sustainably.

However, decision-making within the RFMOs involves highly politicized negotiations that often end in deadlock or allocation of quota beyond scientifically set limits—not least because the statutes demand that consensus be reached by as many as 40 parties with divergent interests. In order to improve implementation of sustainability measures and advance their collective bargaining power against distant water-fishing nations, eight small Pacific Island states, which collectively control over 50% of global Skipjack supply, have united under the Parties to the Nauru Agreement (PNA) to manage tuna purse seine fishing in their waters. Similarly, 17 island states signed onto the Tokelau Agreement to jointly manage the South Pacific long-line fishery.

The Pacific Ocean accounts for 66% of the end value of global tuna.



Pain Points in the Sector: Ripe for Innovation

Stock health, while not disastrous, must be improved

Despite decades-old sustainability commitments and multiple layers of fisheries management, many tuna stocks are still not at healthy levels. In 2017, 22% of tuna catch came from unhealthy stocks. Pacific Bluefin, Indian Ocean Yellowfin, and Atlantic Ocean Bigeye Tuna stocks are still “overfished,” and several others, while not yet overfished, are maxed out. (Note: Skipjack and Albacore stocks are healthy.) Likely causes are overallocation of quota, overcapacity in fleets, ever more efficient catch methods, and IUU (illegal, unreported, and unregulated) fishing.

Illegal fishing of tuna happens far too often

IUU fishing is still a serious issue in the international tuna trade, which can account for more than half of total catch volume. The small island nations controlling most tuna stocks have too few resources to adequately monitor fishing activity and implement complex management measures. Transshipments at sea, which bypass many dockside compliance measures, are standard practice in the industry. And a lack of common data protocols and independent verification creates big loopholes for catch misreporting.

We lose too much through bycatch in tuna fishing

Despite the existence of “dolphin-friendly” logos, unintentional capture of marine life, called bycatch, is still a serious issue with the two main gear types used to catch tuna. Long-line fishing has a bycatch rate of 28%¹ globally, and particularly affects vulnerable species groups such as seabirds, turtles, and sharks. The key issue with another catch method, purse seining, is the related use of FADs—floating devices that attract fish to make fishing more efficient. FADs attract non-target species as well as tuna, entangle sharks and other marine life, and are a significant source of marine trash.

Tuna can contribute more to local economies and food security

As one of their few natural resources, tuna is central to the food security, livelihoods, and economies of many poor Pacific Island countries (PIC): seven out of 22 PICs derive up to 40% of their GDP from fishing licenses alone. Yet PICs have failed to capture much of the value of their large tuna stocks beyond the sale of fishing rights. Most of the PIC tuna is caught by foreign fleets and processed and sold overseas, taking more than 90% of the value creation abroad. Going forward, these Pacific Island countries will work to increase their economic share by increasing access fees and by conditioning fishing access to local investment, value-adding activity, and job creation.

Source:

1. FAO. *The State of World Fisheries and Aquaculture 2016*.

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