

Bangkok Skipjack Price Depression

SKJ1.8:BKK

Where Do We Go From Here?

Henk Brus

CEO Sustunable bv

Speech AMATuna Feb 2018

HOW IRRESPONSIBLE BUYING LEADS TO RECORD TUNA PRICES

Henk Brus – Sustunable bv – CEO

Americas Tuna Conference Feb 2018 – Panama City



Speech AMATuna Feb 2018

HOW TO AVOID RECORD PRICES?

- ISSF use its sourcing and fishing power to introduce one-sided reduction measures for all members, gain RFMO support. BECOME MORE AMBITIOUS
- Have ISSF member also convince their countries to vote in favour in RFMO's
- Reduction Measures that do not disrupt supply, evenly spread over year.
- Avoid closures
- No vague FIPs and 5 year plans by individual members
- Urgency requires 2 years plans
- Dramatically increase investment in innovative sustainable catching technology

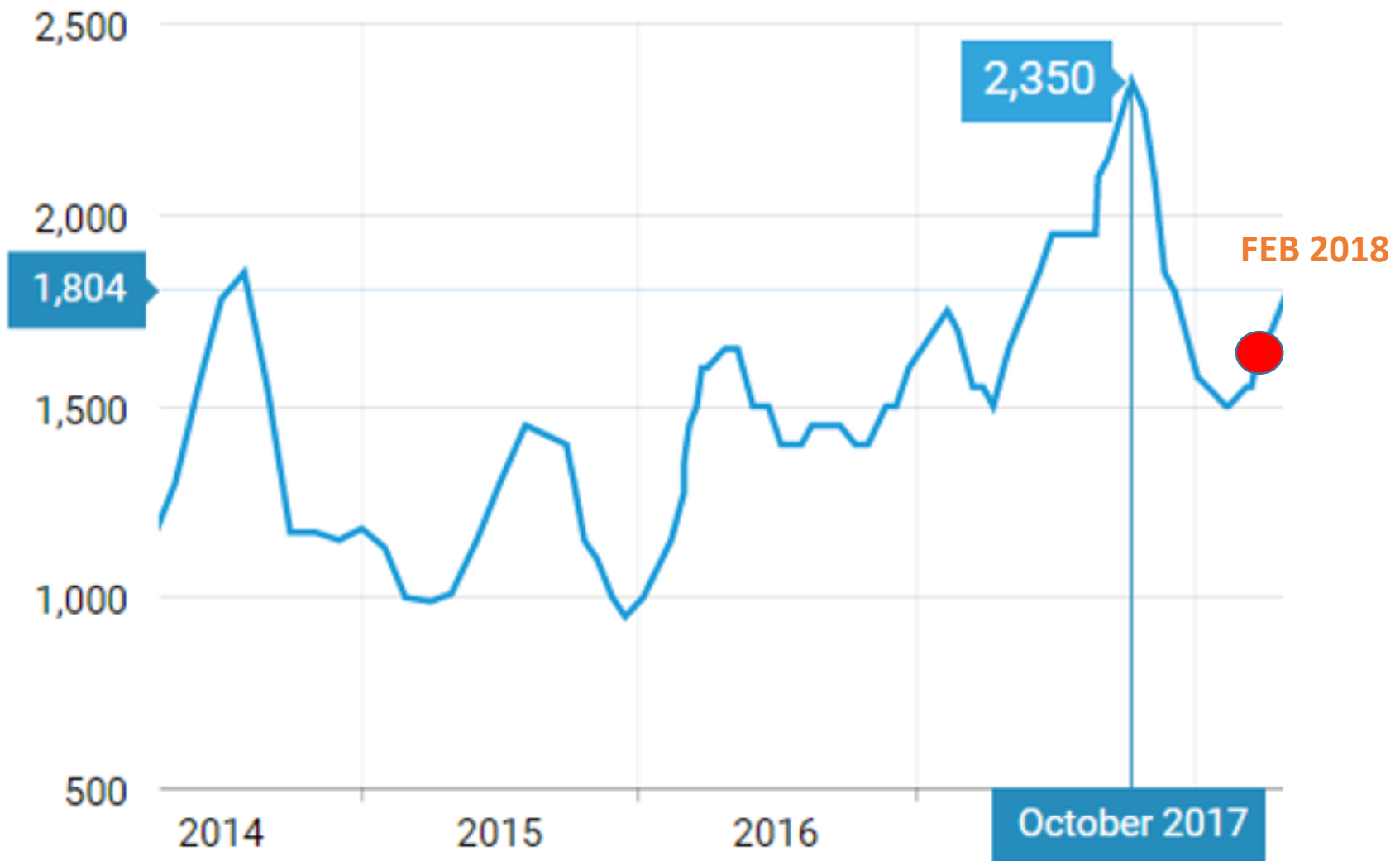
ISSF to justify
its reason of
existence



My Feb 2018 thinking : more conservation measures = less catch = scarcity = higher price

OVERVIEW OF CLOSURES AND EXPECTED REDUCTIONS IN 2018				
	WCPFC/WCPO	IATTC/EPO	IOTC/IO	ICCAT/AO
January			15% YF + Supply vessel reduction	FAD ban
February			15% YF + Supply vessel reduction	FAD ban
March			15% YF + Supply vessel reduction	
April			15% YF + Supply vessel reduction	
May			15% YF + Supply vessel reduction	
June			15% YF + Supply vessel reduction	
July	FAD ban	EPO purse seine closure Session A - starting July 29th	15% YF + Supply vessel reduction	
August	FAD ban	Session A	15% YF + Supply vessel reduction	
September	FAD ban	Session A	15% YF + Supply vessel reduction	
October	FAD ban 4th month	Session A - ends October 8th	15% YF + Supply vessel reduction	
November		EPO purse seine closure Session B - starts November 9th	15% YF + Supply vessel reduction	
December		Session B	15% YF + Supply vessel reduction	
Approx % Of Global SKJ Catch Caught In Each Region	58%	20%	14%	8%

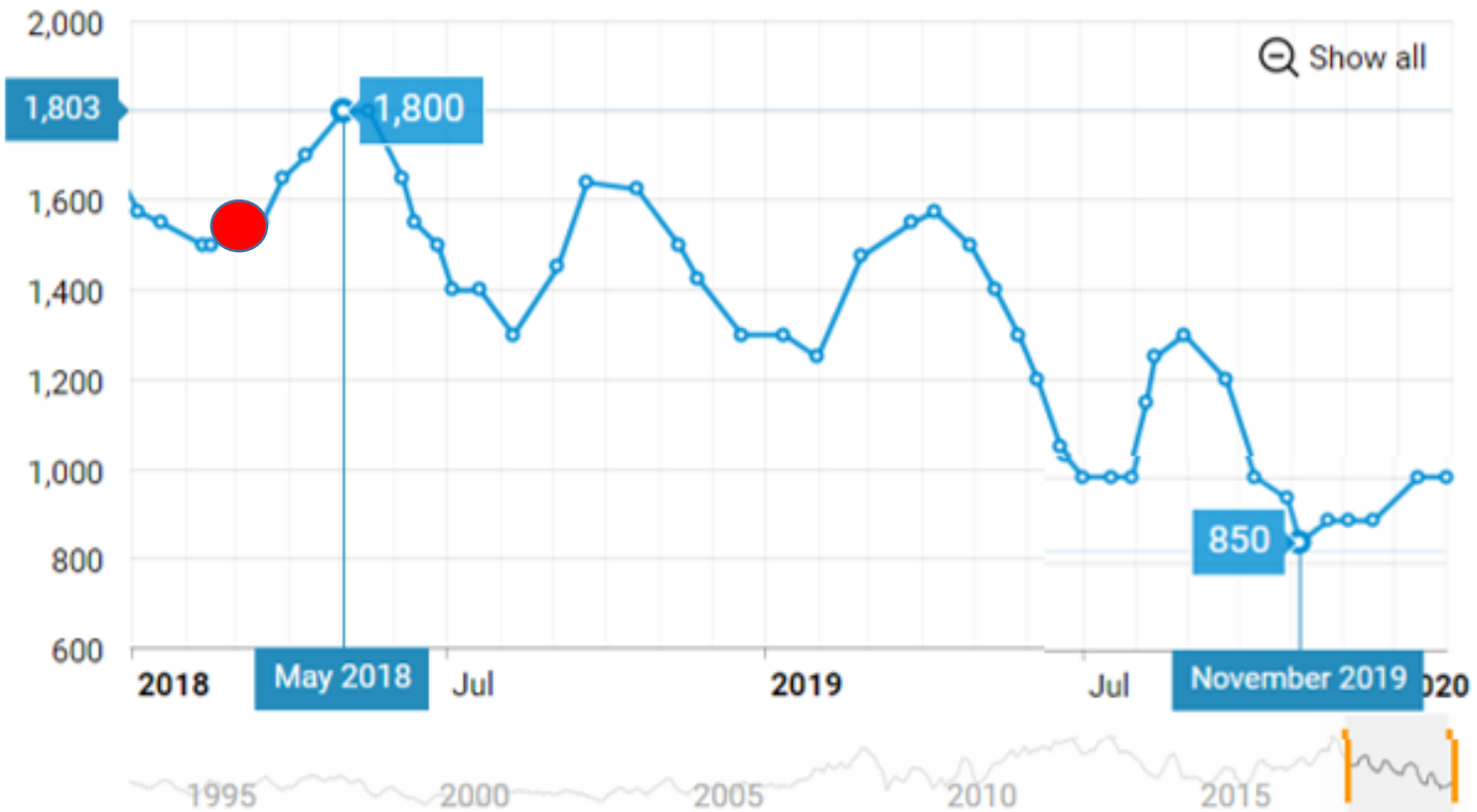
Was Expecting a Higher Average Market price



My assumptions were wrong !

SKJ1.8:BKK

Frozen Skipjack Whole Round 1.8kg Up CFR Bangkok



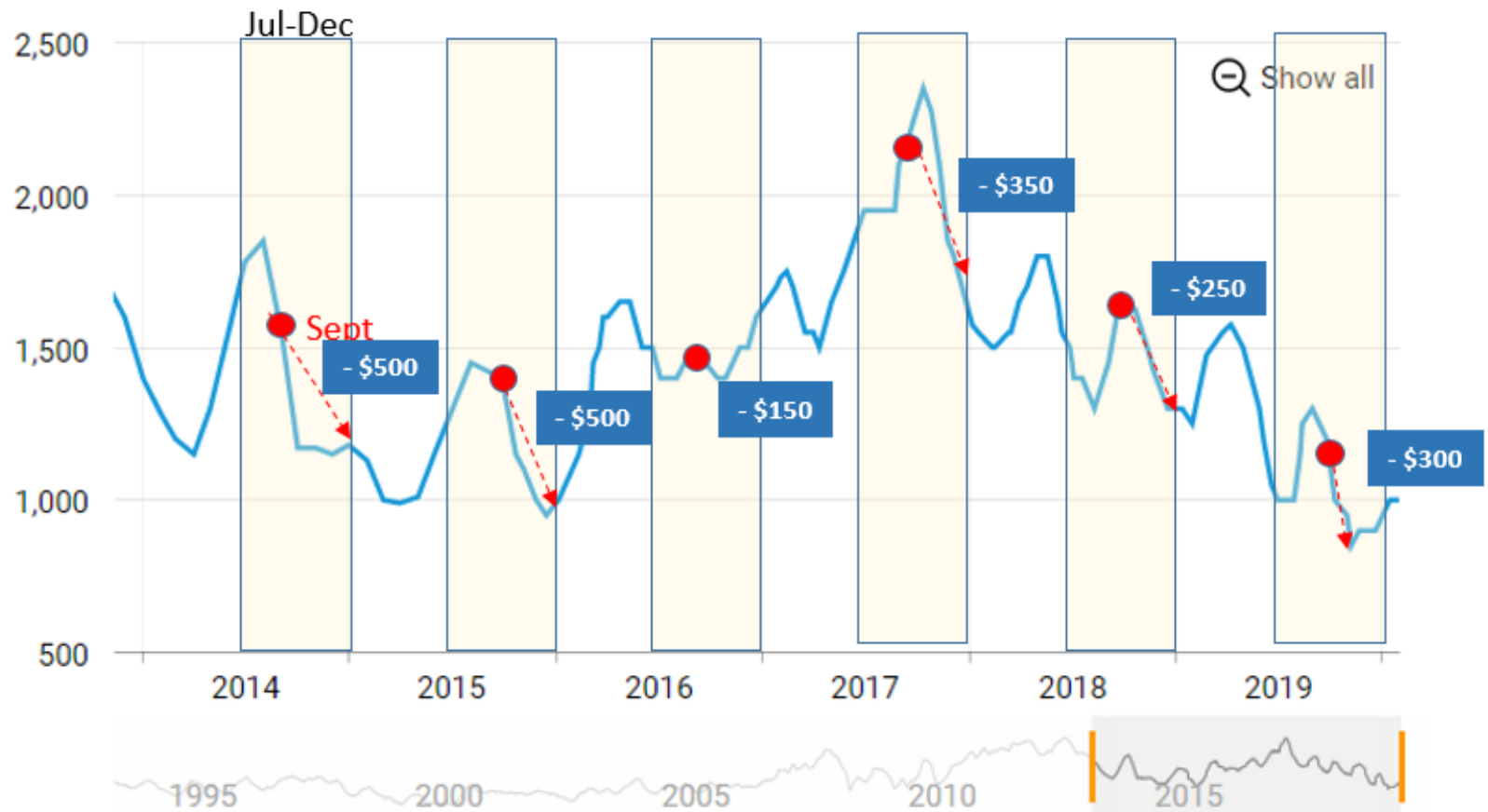
Instead Conservation Measures Have Led To A Depression of the Bangkok Price

OVERVIEW OF CLOSURES AND EXPECTED REDUCTIONS IN 2018				
	WCPFC/WCPO	IATTC/EPO	IOTC/IO	ICCAT/AO
January			15% YF + Supply vessel reduction	FAD ban
February			15% YF + Supply vessel reduction	FAD ban
March			15% YF + Supply vessel reduction	
April			15% YF + Supply vessel reduction	
May			15% YF + Supply vessel reduction	
June			15% YF + Supply vessel reduction	
July	FAD ban	EPO purse seine closure Session A - starting July 29th	15% YF + Supply vessel reduction	
August	FAD ban	Session A	15% YF + Supply vessel reduction	
September	FAD ban	Session A	15% YF + Supply vessel reduction	
October	FAD ban 4th month	Session A - ends October 8th	15% YF + Supply vessel reduction	
November		EPO purse seine closure Session B - starts November 9th	15% YF + Supply vessel reduction	
December		Session B	15% YF + Supply vessel reduction	
Approx % Of Global SKJ Catch Caught In Each Region	58%	20%	14%	8%

Consistent Price Drops in July – Dec Period

SKJ1.8:BKK

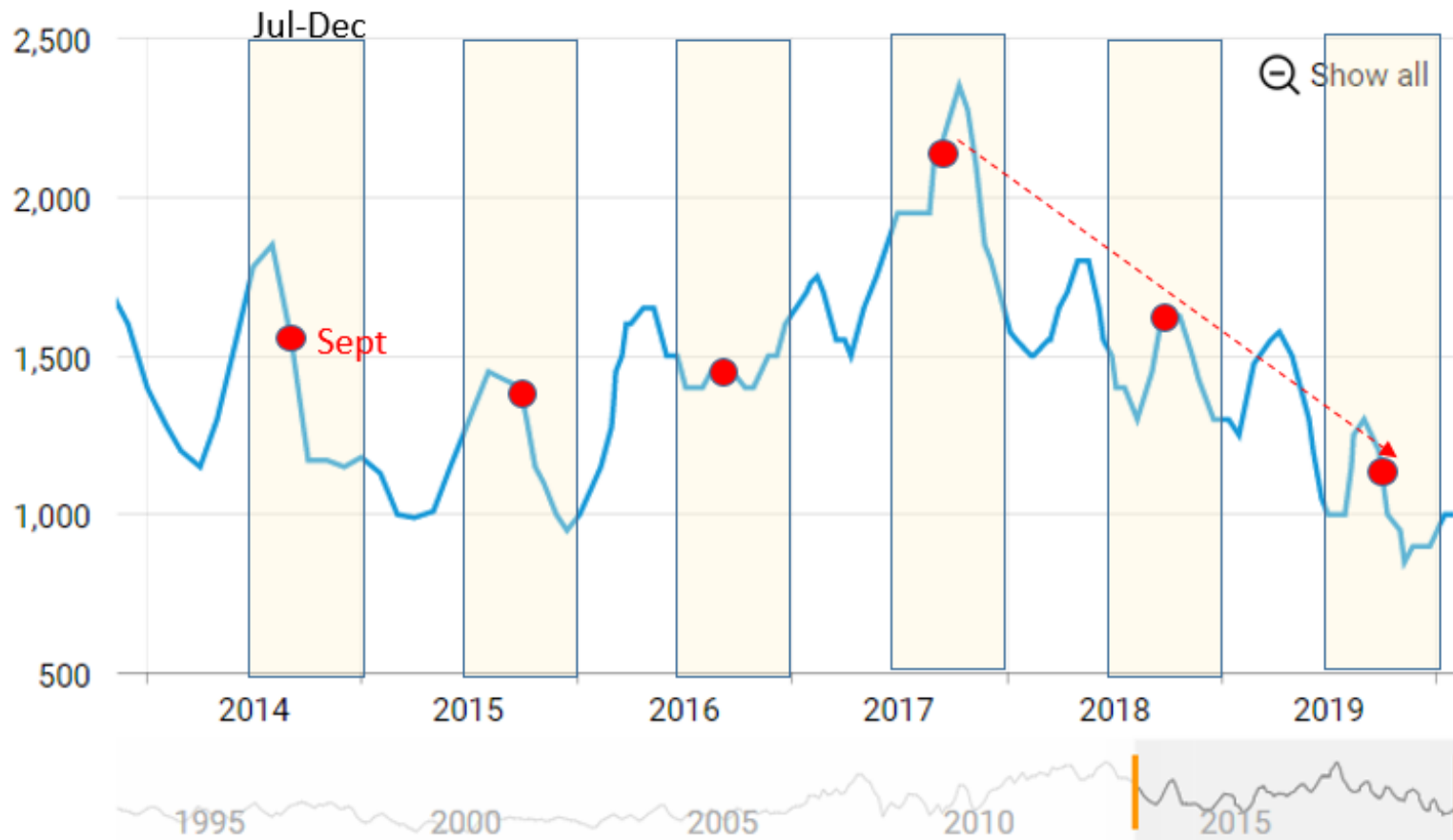
**Frozen Skipjack Whole Round
1.8kg Up CFR Bangkok**



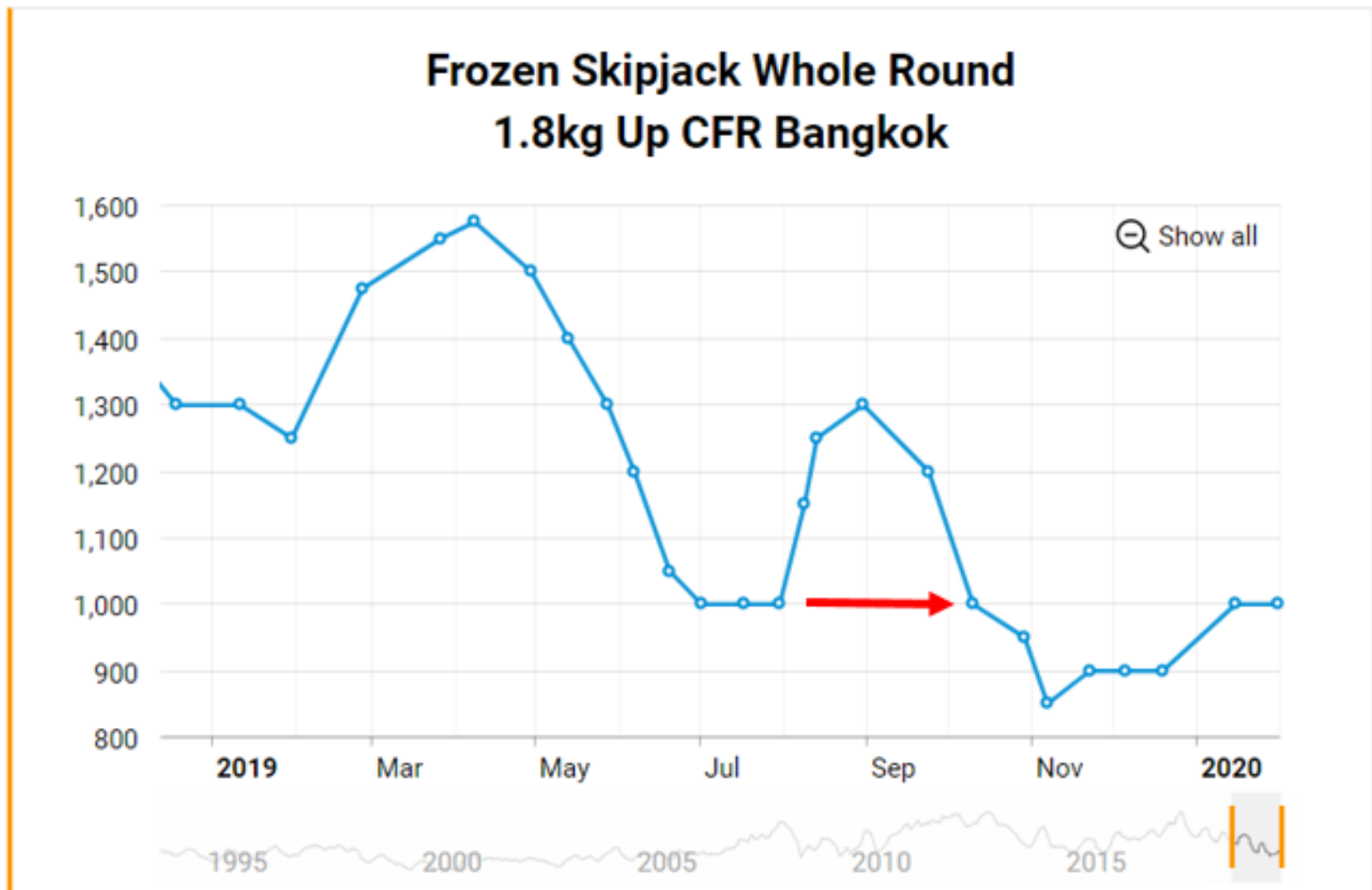
Will We See The End Of The \$ 1000 / MT Decline In 2020 ?

SKJ1.8:BKK

**Frozen Skipjack Whole Round
1.8kg Up CFR Bangkok**



Artificial Price Increases – Market manipulation ?



Thailand 2019 Imports Down 3%- Price minus 18%

Thailand: Import Of Frozen Skipjack Tuna In M/T

Divided Into Major Orgins, CFR USD Per 1 M/T In Full Year

	2017		2018		2019		Diff. %	
	M/T	CFR	M/T	CFR	M/T	CFR	M/T	CFR
Taiwan	70.984	\$1.903	74.635	\$1.579	87.275	\$1.276	17%	-19%
Korea	49.511	\$1.960	67.598	\$1.661	82.357	\$1.319	22%	-21%
PNG	51.132	\$1.750	63.781	\$1.660	30.252	\$1.293	-53%	-22%
Micronesia	29.157	\$1.823	37.442	\$1.613	61.303	\$1.440	64%	-11%
Kiribati	45.827	\$1.927	43.408	\$1.630	35.648	\$1.305	-18%	-20%
USA	55.666	\$1.532	28.693	\$1.634	33.519	\$1.283	17%	-22%
Maldives	32.460	\$2.159	20.796	\$1.857	30.002	\$1.548	44%	-17%
Japan	14.859	\$2.074	30.123	\$1.594	20.501	\$1.322	-32%	-17%
Indonesia	35.739	\$1.971	17.280	\$1.702	7.032	\$1.438	-59%	-16%
Marshall Is.	9.498	\$1.917	16.093	\$1.571	19.260	\$1.435	20%	-9%
Others	74.885	\$1.906	92.665	\$1.579	71.594	\$1.307	-23%	-17%
Grand Total	469.719	\$1.875	492.514	\$1.628	478.744	\$1.340	-3%	-18%

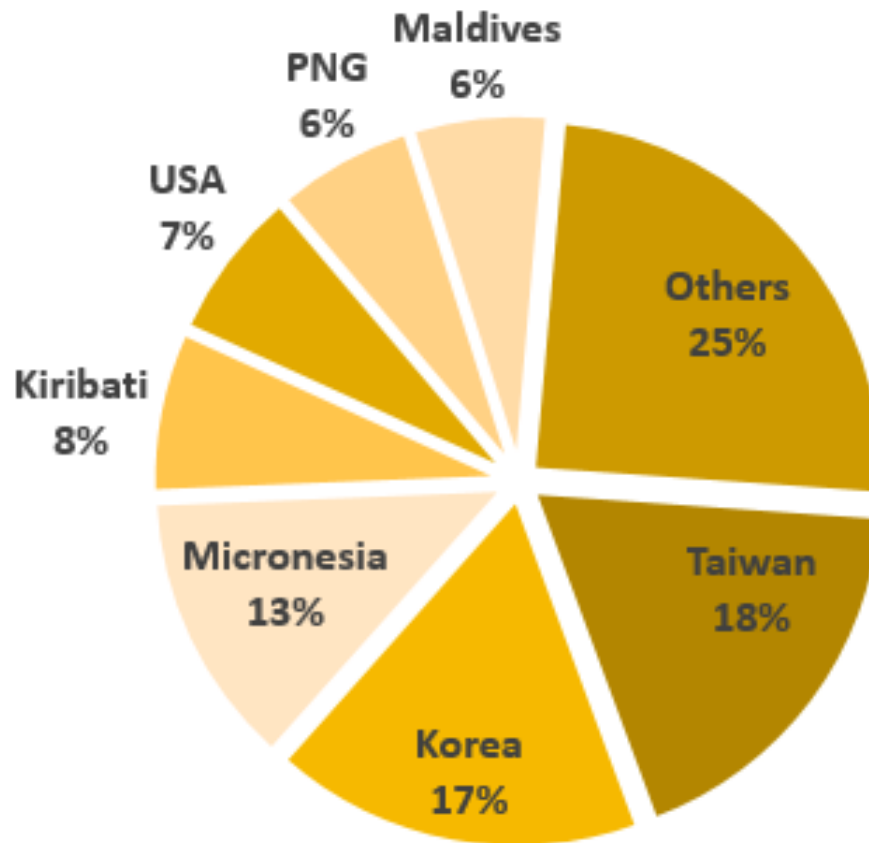
Currency used 1 USD = 32.29 BAHT

Source: Thai Customs

Powered By Atuna Analyst

About 89% comes from the Western Pacific Ocean

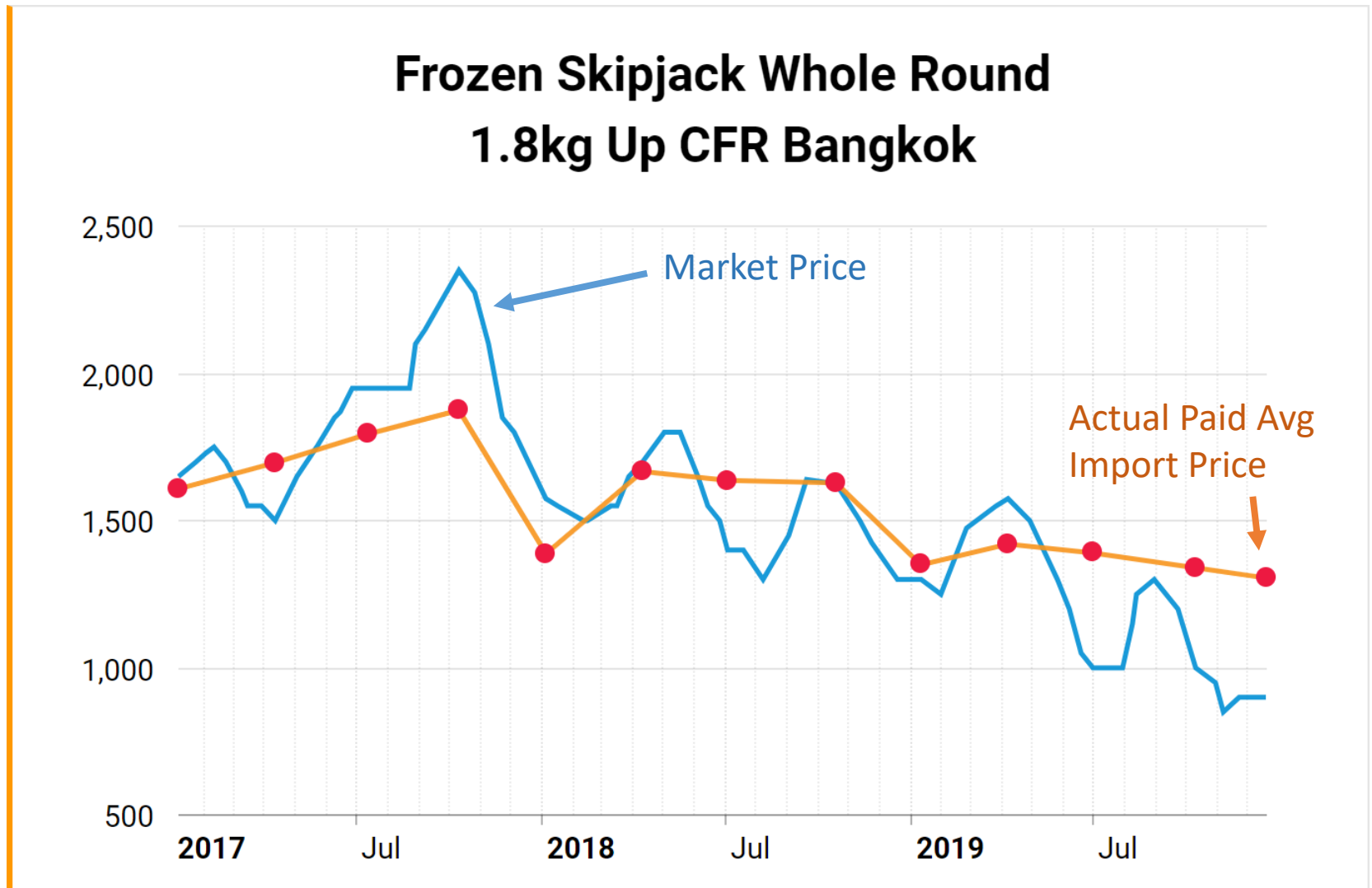
Thailand: Import Of Frozen Skipjack Tuna In 2019 Full Year
Total 478,743 M/T Divided Into Major Origins



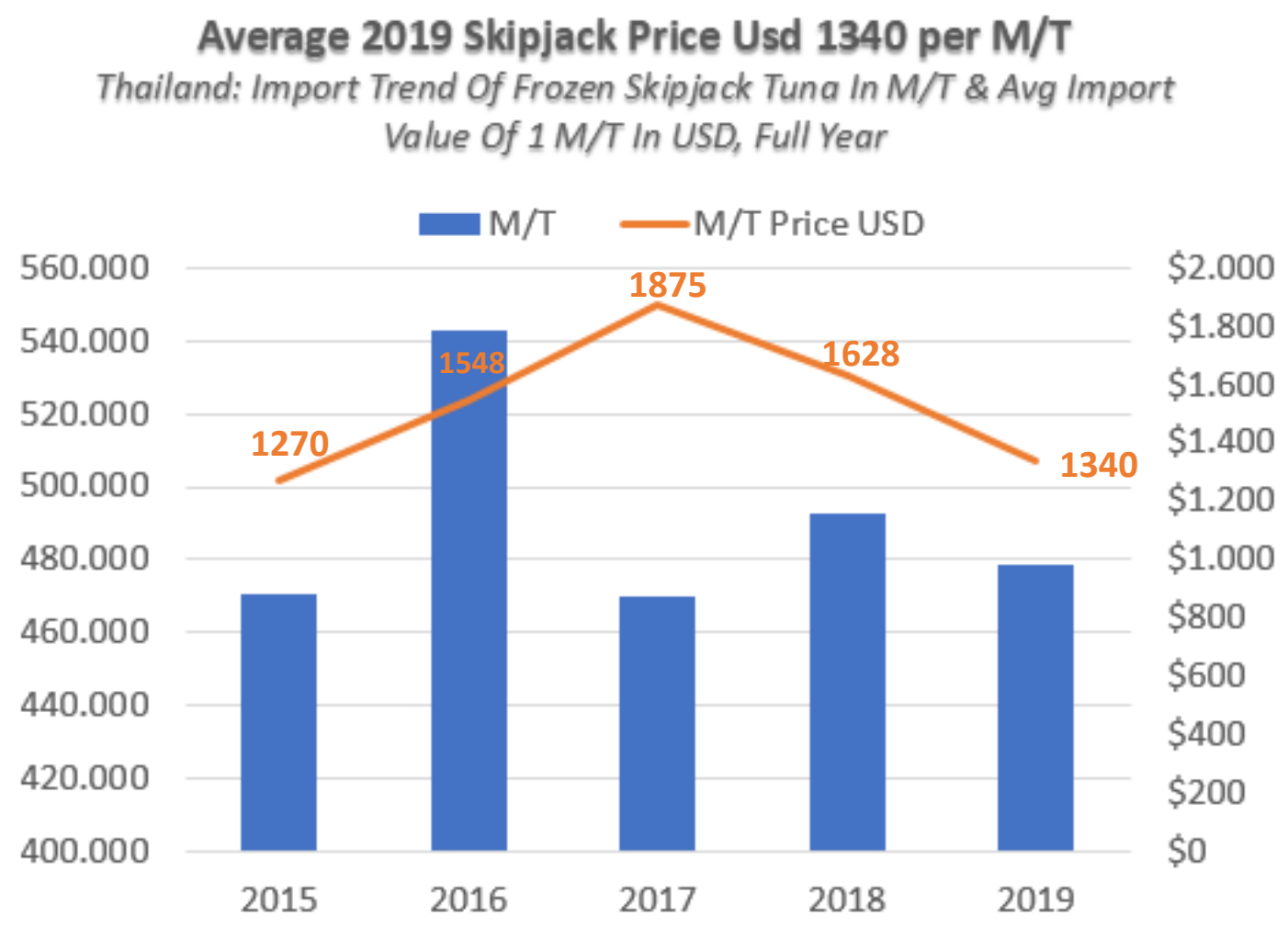
Powered By Atuna

Source: Thai Customs

Quarterly BKK Average Skipjack Import Price



No Correlation AVG/YR Import Price + Import Volume



Consistently Thai Cannery Imports Least in Q3 – Before Peak Supply Arrives in Bangkok

BKK Skipjack Imports W/F		2017	2018	2019	
Q1		122.574	193.673		
Q2		145.595	161.566	274.800	Q1+Q2
Q3		99.490	33.991	80.144	
Q4		102.059	103.285	123.800	
Total Year		471.736	494.532	478.744	

Jul – Sept 15% Cut in Bangkok Raw Mat Intake

Thailand: Import Of Frozen Skipjack Tuna In M/T

Divided Into Major Orgins, CFR USD Per 1 M/T In 3Q

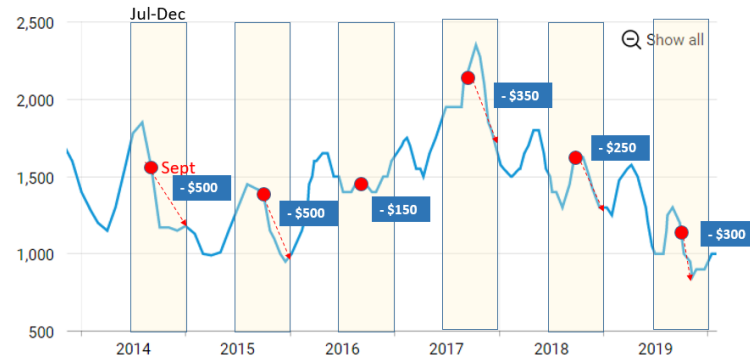
	2017		2018		2019		Diff. %	
	M/T	CFR	M/T	CFR	M/T	CFR	M/T	CFR
Taiwan	60.094	\$1.843	57.936	\$1.576	65.506	\$1.289	13%	-18%
Korea	36.863	\$1.907	55.766	\$1.677	59.150	\$1.392	6%	-17%
PNG	45.384	\$1.699	52.299	\$1.673	20.961	\$1.363	-60%	-19%
Micronesia	24.490	\$1.782	30.323	\$1.621	49.671	\$1.460	64%	-10%
USA	51.905	\$1.484	25.320	\$1.631	23.660	\$1.337	-7%	-18%
Kiribati	36.685	\$1.861	36.699	\$1.663	24.524	\$1.385	-33%	-17%
Maldives	26.475	\$2.117	20.221	\$1.857	27.269	\$1.573	35%	-15%
Japan	7.893	\$1.960	23.144	\$1.586	16.363	\$1.346	-29%	-15%
Marshall Is.	6.283	\$1.748	14.611	\$1.583	14.643	\$1.424	0%	-10%
Solomon Is.	9.904	\$1.871	11.057	\$1.630	12.025	\$1.373	9%	-16%
Others	61.683	\$1.805	61.851	\$1.583	41.173	\$1.397	-33%	-12%
Grand Total	367.659	\$1.794	389.229	\$1.637	354.944	\$1.390	-9%	-15%

Currency used 1 USD = 32.29 BAHT

Source: Thai Customs

Powered By Atuna Analyst

Today's Reality



- Canned tuna buyers all over the world start anticipating this trend
- Withholding and postponing their purchases till Nov-Dec.
- Thai Cannerys minimize their raw material buying during Q3 - anticipating high supply and much lower prices in Q4
- Stimulates speculation and favors those with huge financial capacity and largest cold storage capacity.
- Enables more market manipulation

Who or What is to Blame ?

- WCPFC FAD ban and 1st IATTC Veda Coincide
Agreed By Fishing Nations + resource owners

July	FAD ban	EPO purse seine closure Session A - starting July 29th
August	FAD ban	Session A
September	FAD ban	Session A
October	FAD ban 4th month	Session A - ends October 8th

- Disrupts the market – from low supply to peak supply within one month
- Buyers anticipating the situation strengthen the effect of the peak supply – by withholding buying
- But really it are the Seiner Owners who are creating the over supply !!
- Over- capacity in Fleets + lower prices + higher license costs (VDS) – pushes many operators to maximize their catches instead of their earnings.
- So how do we get out of this destructive cycle and turn this around ??

Create a SET-CREDIT system

- End the WCPFC FAD ban and IATTC VEDA's
- Start a new system based MSY catch per each species + by-catch
- Determine how many maximum FAD and Free school Sets should be allowed to take place within the RFMO area.
- Assign each currently active + registered purse seiner – based on their capacity – a Total Allowable Amount of FAD and Free School Sets
- Define this effort as FAD Set Credit and Free School Set Credit
- Allow seiner operators to trade these Set-Credits on a blockchain based online platform
- Only workable with 100% observer coverage and VMS + AIS monitoring
- In combination with FAD buoy registration and 24/7 FAD buoy tracking

Advantages SET-CREDIT system

- Much more stability in year around tuna supply
- No Problem of slump and peak supply due to conservation measures
- More spread of catch effort over the year
- Maximum amount of Set-Credits discourages fleet expansion
- Sets a limit to FAD sets and their negative impact on eco-system
- Free school concentrated fleets can sell their FAD-set Credit to FAD focused operators and visa versa.
- Value of a FAD or Free School Set credit will be determined by costs related to each set.

SET-CREDIT SYSTEM = Better skipjack prices

- Creates a healthier eco-system and tuna stocks
- Easier to manage – stops IUU
- Removes the predictability of the raw material price trend Jul to Dec
- Likely to provide more price stability – and less speculation
- Healthier eco-system and stocks + better prices provide an economically sustainable future for boat owners.
- Creates a better functioning and better flow within the global tuna supply chain.
- Providing more stability in consumer pricing of canned tuna

Creates Opportunity to get FADs MSC Certified

- IF FAD Set Credits are only issued for use on 100% non-entangling bio-material FADs
- IF FADs are registered and made fully traceable by RFMO
- IF FAD set criteria are very well defined
- IF 100% on board observer coverage is available
- **We can make FAD Fishing Sustainable and Obtain Better Prices !**

THANK YOU !