



## PREFERENTIAL & FISHERIES TRADE

### Kiribati a step closer to EU market access for tuna

On 16 June 2017, Kiribati became the fourth Pacific Island Country to gain approval from the European Union's Directorate General for Health and Food Safety (DG SANTE) to export fishery products to the EU. Kiribati has successfully established a competent authority, the Seafood Verification Unit, within the Ministry of Fisheries and Marine Resources Development (MFMRD), and the necessary legislation, standards and training, in line with the EU's stringent food safety requirements. Kiribati's Competent Authority staff will be responsible for inspection of fishing vessels and fish processing facilities, sampling of fish products for export and maintaining a traceability system.<sup>2</sup> The next step required is for Kiribati's fleet of tuna fishing vessels, comprised of 13 purse seiners and one longliner,<sup>3</sup> plus its Tarawa-based processing facility, Kiribati Fish Ltd. (KFL) to be inspected by the competent authority to be added to the EU's list of approved establishments for EU export and issued with 'EU sanitary numbers'. After this, Kiribati will have fully met DG SANTE's requirements for tuna exports to the EU.

However, in addition to food safety requirements, Kiribati must also comply with EU requirements under its IUU Fishing Regulation which is administered by the Directorate General for Maritime Affairs and Fisheries (DG MARE). In April 2016, Kiribati was given a 'yellow card warning' by DG MARE for failing to comply with the EU's regulations to fight against illegal, unreported and unregulated fishing. The EU raised concerns about Kiribati's ability to control foreign fleets fishing in its waters and its lack of a robust traceability system for fisheries products to ensure illegally caught fish is not laundered through Kiribati ports.<sup>4</sup> Kiribati is working hard towards addressing shortcomings in its fight against IUU fishing to have the yellow card warning lifted and be officially listed by the EU as 'cooperating'.

Once both the EU's food safety and IUU fishing requirements are met, tuna exports from Kiribati-flagged vessels and/or its processing facility will be eligible to enter EU markets. If rules of origin are met relating to vessel ownership (i.e. 51% owned by Kiribati or EU nationals or companies), Kiribati processed tuna exports will enjoy up to 24% duty exemption. Like Fiji, Solomon Islands and PNG, Kiribati is channelling significant time and resources into gaining EU market access and will be required to do so on an ongoing basis to continue to meet requirements and successfully pass periodic audits by the EU.

## FISHERIES REGULATION

### US government and importers prepare for IUU rule implementation

As reported in prior issues of TIN, on 1 January 2018, a new regulatory program designed to deter illegal, unreported and unregulated (IUU) fishing and seafood fraud from entering the US market will go into effect. The program, known as the Seafood Import Monitoring Program (SIMP) is a traceability program that establishes permitting, data reporting and record keeping requirements for target species, including albacore, bigeye, skipjack, yellowfin and bluefin tuna.<sup>5</sup> Under SIMP, the importer of record holds central responsibility for collecting, submitting and retaining all required data, and thus is the central actor responsible for ensuring that product is eligible for entering the US market. For product to enter into the US market after 1 January 2018, the importer of record must provide all data required by SIMP, *even if the product was caught before 1 January 2018*. This dimension of the rule could be significant for importers and suppliers working with frozen product

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**Once the IUU fishing regulation 'yellow card warning' is lifted, Kiribati's tuna exports can enter EU markets**



and product destined for shelf stable markets and as such, importers, processors and suppliers should begin communicating on data reporting and import management as soon as possible.

Importers, processors and fishing firms supplying tuna to the US market are already subject to data reporting requirements under the Tuna Tracking and Verification Program (TTVP) associated with the 'dolphin safe' label. There is significant overlap between the requirements of the TTVP and those of the SIMP, though the SIMP requires approximately 25 per cent more data, including enhanced reporting on all entities involved at the point of harvest, on the fish itself, and on the vessel and product at the time of harvest.<sup>6</sup> As such, actors across the tuna sector will be familiar with the kinds of requirements that the SIMP reporting system requires for compliance, though there will be significant work and coordination associated with collecting and providing the full set of requirements for compliance. The SIMP is not a labelling program and it does not require any form of government attestation associated with the data reporting process.

A current legal challenge to the rule is under review in US District Court. The new US administration has indicated that it will defend the SIMP in court. In the meantime, the National Oceanic and Atmospheric Administration (NOAA), the agency responsible for its implementation, is preparing for full implementation by the start date of the program (1 January 2018), though several details of requirements and implementation have yet to be finalized. NOAA officials are working with importers and customs brokers to pilot and test data entry interfaces. US government representatives recommend that to prevent disruptions, Pacific Island exporters communicate with their importers of record, ensure that those importers are developing plans to comply with the rule and test their data reporting prior to the implementation deadline, and begin to collect the required data as soon as possible. FFA has commissioned a full study on the rule and its requirements, which is available on the FFA website.

## FISHERIES MANAGEMENT

### Outcomes from the 12<sup>th</sup> PNA Ministerial Meeting<sup>7</sup>

PNA Ministers met in Majuro from 21-23 July 2017 for the 12<sup>th</sup> Annual PNA Ministerial Meeting to consider a range of priority issues concerning the sustainable management and development of PNA tuna fisheries. Some of the key outcomes from the meeting are as follows.

Ministers noted the favourable stock status of skipjack, the primary target species for PNA's purse seine fishery. The latest stock report indicates that the skipjack stock is being maintained around the Target Reference Point (TRP) and hence, is being fished at sustainable levels. Ministers noted that the Purse Seine Vessel Day Scheme (VDS) has been a major element in effectively managing the region's skipjack resources, with effort held within the agreed 2010 level and catches remaining relatively stable. However, Ministers expressed concern about the overfished status of bigeye tuna, a target species for the longline fishery, and called for the WCPFC to adopt management measures in 2017 which will rebuild the bigeye stock within the agreed timeframe of ten years. Ministers also appealed to other Commission Members to recognise the special requirements of Small Island Developing States (SIDS), by not transferring a disproportionate conservation burden, given tropical tuna stocks are primarily harvested in PNA and FFA members' waters and their economies are highly dependent on these stocks.

*All product entering the US market after 1 January 2018 must comply with the new IUU rule regardless of when it was caught*

*Pacific Island exporters should communicate with their importers of record about data management as soon as possible*

Ministers noted the Total Allowable Effort (TAE) and Party Allowable Efforts (PAEs) adopted by the Parties of the Palau Arrangement for the purse seine VDS. In 2017, a total of 44,605 purse seine fishing days will be allowed in PNA EEZs + 985 days in Tokelau EEZ. In 2018, and provisionally for 2019 & 2020, TAE will reduce slightly to 44,033 PNA fishing days + 972 days in Tokelau EEZ. Following a trial period, PNA's Longline Vessel Day Scheme (LL VDS) is now entering into formal implementation, with an annual TAE set of 123,535 fishing days for 2017-2021. Kiribati has opted to apply a catch quota management system as a compatible measure to the LL VDS.

Ministers recommended the development of amendments to PNA Implementing Arrangements and national legislation to enforce compliance with PNA measures relating to FAD tracking and FAD management by 2018. In addition, Ministers agreed to adopt a revision to legal instruments to introduce a ban on high seas bunkering by purse seine vessels as a licencing condition to fishing in PNA member waters in 2018.

PNA Ministers supported the recent UN Oceans Conference Call for Action, noting that if implemented, the almost 1,400 voluntary commitments tabled at the conference will result in substantial progress towards achieving Sustainable Development Goal 14 to 'conserve and sustainably use the oceans, seas and marine resources for sustainable development'. Ministers also noted the adoption of PNA's initiative, World Tuna Day, by the UN as an official global day.

Ministers identified important tuna fisheries-related issues to be brought to the attention of Pacific Island Forum Leaders, including implementation of zone-based longline management arrangements, employment generation including PNA member crewing, rebuilding of the overfished bigeye stock, climate change and strengthening of collaborative arrangements to promote domestic tuna development.

### **IOTC further reduces FAD numbers and supply vessels for yellowfin conservation**

From 22-26 May 2017, the 21<sup>st</sup> Annual Session of the Indian Ocean Tuna Commission (IOTC) was held in Yogyakarta, Indonesia. During this meeting, IOTC's 31 member countries considered 16 proposals for new or amended conservation and management measures (CMMs). While the official meeting record and adopted CMM texts are yet to be published, media reports indicate that 8 out of the 16 CMM proposals were adopted.<sup>8</sup>

In 2016, IOTC adopted a resolution establishing an interim plan for rebuilding the Indian Ocean's yellowfin stock which came into effect on 1 January 2017 (Resolution 16/01). This resolution reduced purse seine yellowfin catch limits by 15% on 2014 levels (5-10% for other gear types) and placed a limit on the number of active drifting FADs per purse seine vessel at 425 per year. It also limited the total number of supply vessels assisting purse seiners with searching and FAD deployment to no more than half of the number of purse seine vessels reported per IOTC member on the IOTC list of authorized vessels. During the latest meeting, IOTC members adopted a further reduction in the number of drifting FADs allowed to 350 per vessel per year. They also agreed to freeze supply vessels at the current level and then introduce a phased reduction starting in 2017 until 2022 to eventually reach two supply vessels for not less than five purse seiners of the same flag.<sup>9</sup> Seychelles was also successful in lobbying for 2015 to be used instead of 2014 as the baseline year to reduce yellowfin catches. According to Seychelles, 2014 was a "piracy year" with few operational fishing vessels. As such, use of 2014 as the baseline year for

***PNA Ministers  
call for WCPFC  
management  
measures  
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overfished  
bigeye stocks  
within ten years***

***By 2018,  
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instruments for  
purse seine FAD  
tracking and  
management  
and a high seas  
bunkering ban***

yellowfin catch reductions would place severe hardships on the Seychelles' economy, a Small Island Developing State, and its purse seine fishing fleet.<sup>10</sup> The decision to reopen and amend Resolution 16/01 before reaching the end of its first year of implementation and prior to a review being conducted of its impacts to date has received some criticism as it may reduce the impact of the rebuilding strategy<sup>11</sup>, but was also widely supported as a tangible example of the need for Resolutions to account for the special requirements of small island developing States.

Partial progress was made on shark conservation, with the IOTC adopting an EU proposal on shark finning, requiring fresh sharks to be landed with their fins naturally attached. This marks the first RMFO requiring shark fins to be naturally attached to carcasses. Despite repeated proposals over the years, WCPFC is yet to adopt such a measure. For now, IOTC will still retain a fin-to-carcass weight ratio for frozen sharks, despite difficulties in implementation, enforcement and monitoring.<sup>12</sup>

One of the concerns raised by an observer, is a growing trend of members threatening to use the IOTC's objection procedure as a negotiating tool. IOTC permits members who object to a measure to not be bound by it. The concern is that enabling members to opt out of implementing measures reduces the incentive to negotiate to reach an agreed consensus or use the voting procedure and in turn, risks effective implementation of IOTC's conservation and management measures. In addition, calls have been made for strengthened monitoring, control and surveillance in areas such as catch and effort reporting, observer coverage and vessel monitoring.<sup>13</sup> Concerns were also raised about the inability of IOTC to adopt management measures proposed for neritic tunas and billfish, despite IOTC Scientific Committee recommendations for urgent action.<sup>14</sup>

### Seychelles experiments in 'blue economy' investments; general interest growing

As reported in prior issues of the *Trade and Industry News*, there is growing interest in using financial tools to incentivise marine conservation, though few specific projects have been implemented. Recently, however, Seychelles has experimented with two such programmes. First, in 2016, the government announced a 'debt for nature swap' orchestrated by eNGO The Nature Conservancy's Nature Vest branch. In the deal, Seychelles will be able to restructure over US\$20 million in debt to Paris Club creditors with US\$15.2 million in impact capital loads and US\$5 million in grants. The cash flow from the restructured debt is payable to and managed by an independent, nationally based, public-private trust fund created for the programme and called the Seychelles Conservation and Climate Adaptation Trust (SeyCCAT). The deal requires the government to engage in a marine spatial planning exercise in its entire EEZ and in that process, to expand its marine protected areas and no-take zones where fishing, mining, drilling and extraction are forbidden. The deal will ensure approximately 400,000km will be managed for conservation as marine protected areas within five years. NatureVest indicates that it intends to scale the model and has identified Palau and The Marshall Islands as candidates for similar programmes. One of the central challenges for such projects is attracting impact investors that are key to the model.<sup>15</sup> Another is that the \$21 million debt relief is a small fraction of the total Seychelles debt, but requires large-scale and long-term commitments and investments from the government about the management of its entire sovereign EEZ.

More recently, the government of Seychelles has built on this effort, announcing plans to issue a 'blue bond' valued at over US\$15 million over ten years to support

**IOTC is the first RFMO to require shark fins remain naturally attached to the carcass**

**IOTC's objection procedure may reduce the effectiveness of CMMs**

**Seychelles' blue economy plans combines finance capital and marine management goals**



the transition to sustainable fisheries and to complement the debt for nature swap. The bond will be backed by guarantees from the World Bank and the World Bank Global Environmental Facility and was designed with financial advice from the Prince Charles Charities International Sustainability Unit. Selected as a winner of the Ocean Innovation Challenge presented at The Economist World Ocean Summit in February 2017, the proceeds of the blue bond will be used as grants for fisheries management planning activities and as loans to encourage local public and private investment in activities consistent with sustainable fishing such as post-harvest value-adding opportunities and employment and protection of ocean resources. The blue bond proceeds are to be disbursed on a competitive basis through the SeyCCAT and the Development Bank of Seychelles and proceeds will complement other sustainable fisheries projects, as well as the marine spatial planning exercise that emerged from the debt-for-nature swap. The project aims to support improved governance of fisheries with key objectives including ending open access, stock rebuilding, addressing overcapacity and the adoption of rights-based approaches to fisheries management.<sup>16</sup> The government indicates that these 'interventions in marine and fisheries governance will provide a foundation for the development of seafood value chains, which are a cornerstone of the country's blue economy strategy.'<sup>17</sup>

A broader interest in developing mechanisms for investments in a range of 'blue economy' financial assets is reflected in a new effort to standardise criteria for blue bonds. The goal of marine bonds is to catalyse increased investment, both by private and public bodies, in material marine-based climate mitigation, adaptation and resilience interventions. An organisation called the Industry Working Group for Marine Renewable Energy investments, consisting of organisations from marine, investor and verifier/auditing groups, has developed a suite of criteria specifically for marine renewable energy bonds. The criteria, which have been publicly released for review, but are not yet finalised, are designed to be used by bond issuers who specialise in ecologically friendly investments and are seeking Climate Bonds Certification. This Certification is a tool to assist investors and issuers in prioritising investments that contribute to addressing climate change.<sup>18</sup>

## TUNA INDUSTRY

### Major industry players commit to full tuna traceability by 2020

From 5-9 June 2017, a high level United Nations Ocean Conference co-hosted by Fiji and Sweden was held in New York themed 'Our Oceans, Our Future: Partnership for the Implementation of Sustainable Development Goal 14'. The conference resulted in an agreed inter-governmental "Call for Action" declaration, co-chair's summaries on seven different partnership dialogues, as well as a list of voluntary commitments (currently totalling 1,376) to support the implementation of SDG 14 to 'conserve and sustainably use the oceans, seas and marine resources for sustainable development'.<sup>19</sup>

One notable voluntary commitment relating to the tuna industry has been convened by the World Economic Forum (WEF) entitled 'Tuna 2020 Traceability Declaration: Stopping illegal tuna from coming to market'. Over 60 of the world's largest retailers, tuna processors, marketers, traders and harvesters, together with 20 civil society organisations and six governments have committed to traceable, social and environmentally responsible tuna supply chains.<sup>20</sup>

Specifically, signatories are committed to having full end-to-end traceability in place for all commercial tuna into major markets by June 2020, where the supplying vessel/s' name and trip dates will be made available at Point of Sale. Any form of slavery will

*Efforts are emerging to standardise blue bond investment criteria*

*1,376 voluntary commitments have been made to support the implementation of SDG14*



be eliminated and suppliers will at least meet minimum internationally recognised social standards. Tuna will be sourced from fisheries that have robust science-based management plans which include harvest strategies intended to maintain stocks at maximum sustainable yield and have measures to ensure that environmental impacts of fisheries are sustainable, including by-catch mitigation. In doing so, signatories will continue to increase volumes sourced from certified sustainable tuna fisheries by schemes that are internationally recognised by the Global Sustainable Seafood Initiative (GSSI). The industry leaders will also undertake to call on and work in partnership with governments to implement harvest strategies for all RFMO's tuna stocks, establish traceability and transparency measures to restrict illegal seafood and build capacity to establish and manage information systems in line with the FAO Code of Conduct and Port State Measures Agreement which account for fishing fleets, landings, enforcement and seafood trade.<sup>21</sup>

Some of the prominent industry players in the WCPO tuna supply chain who have endorsed the declaration include Bumble Bee, Chicken of the Sea, Starkist, Bolton Alimentari, Simplot Australia, Tri Marine Group, Thai Union, Sea Value, General Tuna and Dongwon Industries. Solomon Islands, Marshall Islands, Nauru, Palau and FSM represent five out of the six governments who have committed to implement harvest strategies in line with this declaration. Some of the civil society signatories include the Marine Stewardship Council, International Seafood Sustainability Foundation, Fish Wise, Monterey Bay Aquarium and Pew Charitable Trusts.<sup>22</sup>

### **Bangkok skipjack price reaches \$1,900/mt**

Since December 2016, the Bangkok skipjack price has consistently been at US\$1,500/mt or above, rising as high as \$1,875/mt in June, with July contracts closing at US \$1,900/mt. Several Thai sources anticipate prices could even exceed US \$2,000 in the next two months.<sup>23</sup>

The consistently high Bangkok skipjack price for the past 6-7 months relates largely to poor purse seine catching conditions in the Pacific and Indian Oceans. The most recent price hikes from \$1,500/mt in April to over \$1,700/mt in May and then \$1,875 in June also factors in anticipated reductions in supply relating to the four-month FAD closure in the WCPO.<sup>24</sup>

In line with Bangkok, Ecuador prices also rose to US \$1,500-1,600/mt in the first quarter of 2017 and have now increased to US \$2,000/mt, likely due to anticipated drops in supply associated with the first 2017 'veda' seasonal closure in the Eastern Pacific Ocean, where half of the EPO purse seine fleet will tie up for 60 days in June-July.<sup>25</sup> Ecuadorian tuna canneries have been taking the opportunity while the Bangkok price is markedly higher to recover profit margins and regain lost market share to Thai canneries in Latin American markets.<sup>26</sup>

A well-cited industry 'rule of thumb' is when the Bangkok skipjack price is around US \$1,500/mt, both fishing vessels and processors make money. Higher tuna prices beyond this level are particularly challenging for canners, as profit margins are squeezed and brand owners/retailers reduce or suspend orders. Thai canners are responding to current high prices by reducing finished goods production for human consumption and diversifying to focus more on value-added and pet food products. Canners may also reduce the volume of raw material purchased, relying on lower-cost inventory kept in cold storage.<sup>27</sup>

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*The July  
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skipjack price  
may reach US  
\$1,950*

*Ecuadorian  
canneries are  
attempting  
to regain lost  
market share  
while the  
Bangkok price  
is high*

## A tale of two sushis: Soon Yi and Sushi Zanmai

Sushi has been around for centuries and is thought of as a uniquely Japanese dish. Made in the form known as *nigiri*, an elongated rice ball topped with fresh fish or other marine products, sushi has its modern roots in the early 19<sup>th</sup> century. As the story goes, in 1824 a Japanese man named Hanaya Yohei was the creator of modern nigiri sushi in Edo (Tokyo). His creation was the ‘fast food’ version of sushi that had been prepared for centuries in a much more time-consuming manner. The creation was well received, and nigiri became the new standard in sushi preparation. Since 1824 the substance and presentation of tuna in nigiri sushi has remained essentially the same, although sources, preparation, and marketing have changed over the years.

In Taiwan, the use of tuna as sashimi and sushi on a commercial basis goes back at least to the period of Japanese control that lasted from 1895 to 1945. One company that has flourished in Taiwan the last few years is the Soon Yi chain of sushi/sashimi restaurants. Soon Yi is part of LS Holdings Group, a large, vertically integrated seafood company based in Kaohsiung that consists of more than a dozen companies. The group owns its own fleet of 14 large-scale distant water longline vessels that freeze the catch at -60°C, several distant water squid vessels and a joint venture employing PNG-registered tuna purse seiners. The company engages in trading as well as processing and cold storage facilities for a variety of marine products, with facilities located in Taiwan and the US. The company holds a small quota for southern bluefin as well as bigeye in the Atlantic and Pacific, and exports a portion of the catch to high end markets in Japan and elsewhere.

The company’s Kaohsiung processing factory processes tuna caught by their vessels and brought from elsewhere, as well as processing bycatch to make maximum use of the catch. For example, the Kaohsiung factory produces smoked blue shark, smoked tuna stomachs, and processed escolar roe that are sliced and presented well at the restaurant. According to Chih Yuan Wang, the restaurant chain’s managing director and son of the company’s founder, the company prides itself on as much full utilization of the catch as possible. The company’s business model ensures that the Soon Yi restaurants in Taiwan have a steady supply of fish with known traceability for their restaurants. Based on the fast-food concept of ‘order here/pick up here’, the Soon Yi restaurants are unpretentious but offer a variety of products for eat in and take out as well as having a presence in e-commerce online.<sup>28</sup>

In Japan, the availability and presentation of sushi was assisted by Osaka inventor and entrepreneur Yoshiaki Shiraishi who opened the first *kaiten sushi-ya* (conveyor belt sushi restaurant) in 1958.<sup>29</sup> The existence of kaiten sushi restaurants exploded after about 1980, often using lower-value tuna species including albacore in recent years. In spite of the popularity of kaiten sushi-ya, many sushi restaurants in Japan retain the familiar counter where patrons can sit and choose from a visible display of ingredients that are then hand-made by chefs in full view. A business that retains the traditional Japanese sushi restaurant flavour is the flagship *sushi-ya* of Sushi Zanmai, located close to the Tsukiji fish market in Tokyo.

The owner of Sushi Zanmai, Kiyoshi Kimura, has risen from humble beginnings preparing and selling *bento* (single-serve lunch boxes with rice and a small variety of ingredients) to now owning a chain of 50 sushi restaurants. You can still get a bento, but higher end sushi and sashimi are the mainstays of the restaurants. Kimura has made headlines every year for the past six years by purchasing a Pacific bluefin for eye-popping prices at the year’s first auction at Tsukiji. Done essentially for the publicity it brings, Kimura recently paid 74.2 million yen (\$632,000) for a 212 kg (466 lb) bluefin. At that price it has been estimated a single piece of would cost around

*The modern form of nigiri sushi is said to have first appeared in Tokyo in 1824*

*The first conveyor belt sushi restaurant in Japan opened in 1958*

9,000 yen (about \$82), or around 22 times the regular price of 400 yen.<sup>30</sup>

Sushi restaurants of course offer many more marine products than just tuna, and the owner of Sushi Zanmai has estimated that tuna comprises about 30 percent of the business volume with a specialty of bluefin. Tuna supplies are sourced from the Pacific, Indian and Atlantic oceans, with the latter providing the greatest volume, including larger sizes of farmed bluefin.

Rather than having their own vessels, Japanese sushi specialty restaurants typically source tuna from a variety of sources depending on volumes and quality required. Sources can include independent overseas producers, traders, and at auctions such as Tsukiji. The latter provides fresh and frozen whole round for companies with their own processing facilities. Those restaurants without such facilities source supplies from intermediary traders and processors within and outside the auction. No matter the source, quality is assured through a long history of involvement in the trade and serving the public a quality product.

### Seafood in China's Business-to-Consumer (B2C) E-commerce

E-commerce, commonly described as the buying and selling of goods and services over the internet, is increasingly becoming a part of the global business landscape for a variety of commodities and products. Transactions occur in several e-commerce segments, with business-to-business (B2B) and business-to-consumer (B2C) being two of the fastest growing segments. Of the two, B2C has the greatest potential to increase consumer demand by providing domestic and foreign retailers a platform to sell their products directly to consumers.

Consumers in China have taken to B2C in a big way and the sector continues to grow. According to the Chinese market research firm iResearch Consulting Group, China's B2C sales totaled 4.7 trillion Yuan (approximately US\$723 billion) in 2016, which is more than two and a half times the 1.9 trillion Yuan in 2013.<sup>31</sup> In the bigger picture, the level of B2C in 2016 represented only about 23 percent of the 20.2 trillion Yuan gross merchandise value of all Chinese e-commerce, with B2B and other segments making up about three-quarters of gross merchandise value.<sup>32</sup>

Various analyses of the current e-commerce scene in China indicate that Chinese consumers are becoming more sophisticated in their purchases and are driven by a desire for a more convenient way to purchase and receive various products. Electronics, cosmetics, clothing, some luxury goods and dry goods currently predominate in B2C in China, but fresh food products are increasingly becoming more available as cold chain logistics improve. The Canadian government's Market Access Secretariat points out that mobile internet retailing is booming in China as consumers increasingly use mobile devices to compare prices and make purchases at any time.<sup>33</sup>

China's activity in B2C e-commerce is dominated by relatively few companies. According to data collected by iResearch, Alibaba's B2C marketplace Tmall.com far outpaced its competitors with a 56.6 percent share of retail e-commerce sales in 2016, with JD.com in second place with 24.7 percent.<sup>34</sup>

The potential for increases in seafood sales through B2C platforms is thought to be large with more expensive items in high demand during holiday periods. For example, during the 2017 Spring Festival period JD.com reported a fourteen-fold increase in sales of imported fresh produce over 2016. Seafood products do not lead the segment but appear to 'ride the wave' of consumer desire for high-end imported

*China's B2C e-commerce is dominated by two companies that have a combined 81% share of retail e-commerce sales in 2016*

fresh products. In the case of JD.com's New Year promotions, the company reported that items such as North American lobsters and premium prawns from Argentina and Ecuador were popular.<sup>35</sup>

JD.com's online platform for fresh food items, Fresh.JD.com, is reported to have listed more than 12,000 seafood products in May, 2017.<sup>36</sup> Imported items are popular and offer much greater variety than can be found with purely domestic products. Sales of imported seafood through e-commerce are likely seasonally assisted by the annual closure of China's domestic coastal fisheries that this year increased domestic fish prices by an estimated 30 percent.<sup>37</sup>

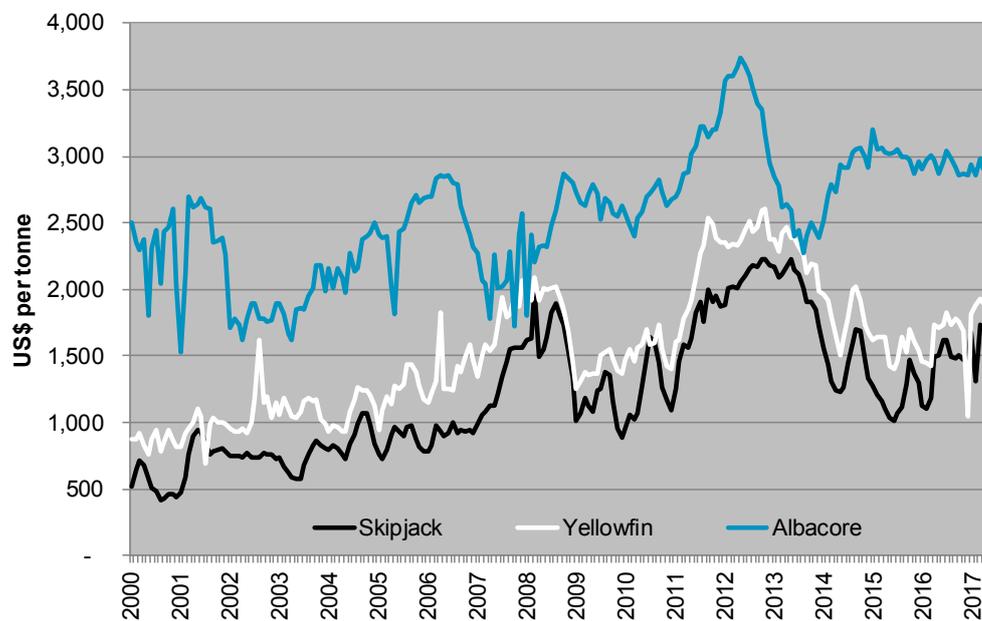
Given the need to efficiently deliver fresh products, a major constraint to growth continues to be China's limited logistics and cold chain infrastructure, a problem even in large cities. In spite of the hurdles, the increases in B2C are hard to resist and various marine products companies are either entering the market on their own or forming strategic alliances that can assist in marketing their products online. Thai Union has recently signed up with Alibaba's Tmall.com to market fresh chilled fish products in China. A Thai Union press release on June 21, 2017 cited demand in China for quality lobster, shrimp, and salmon as providing the impetus for its Chicken of the Sea brand to provide 'the highest quality seafood available directly to the consumer.'<sup>38</sup>

Meanwhile, a recent episode involving JD.com and an Australian supplier of southern bluefin tuna has highlighted an increased sensitivity to publicity linked to sustainability issues by the e-commerce company, which has touted a 'strategic partnership' with WWF. In early June, 2017 JD.com's announcement of an arrangement with an Australian company to sell farmed southern bluefin in China brought strong objections from several Chinese environmental NGOs who publicly complained to WWF. This resulted in JD.com's announcement that it would not offer the product for sale on its self-operated online store, even though the fish's origin was 'farmed'. However, the way B2C works, there are apparently still third party vendors carrying the product on the JD.com platform as well as on that of Tmall.<sup>39</sup>

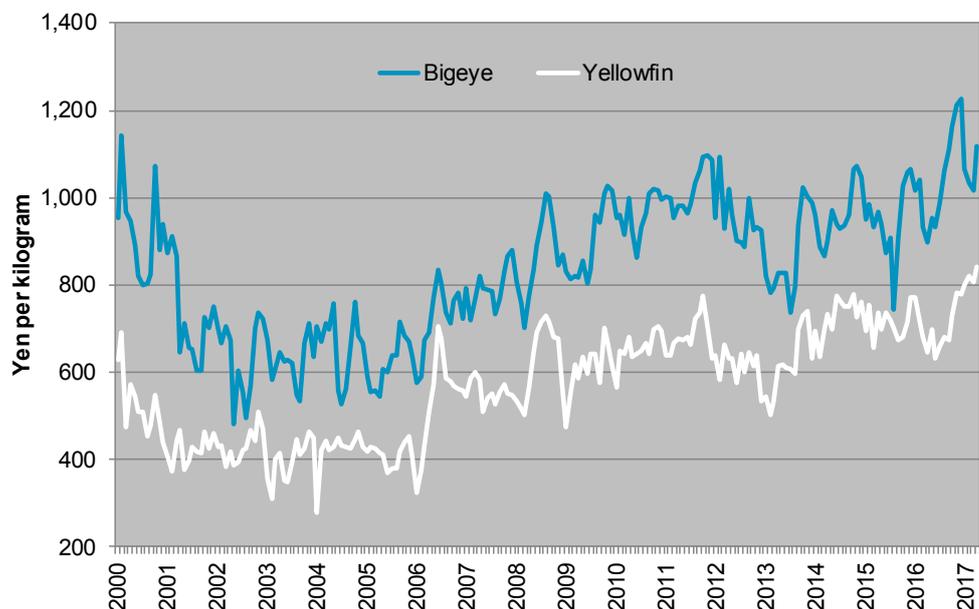
*Lack of  
cold chain  
infrastructure is  
a limiting factor  
in fresh food  
B2C commerce*

## TUNA PRICE TRENDS<sup>40</sup>

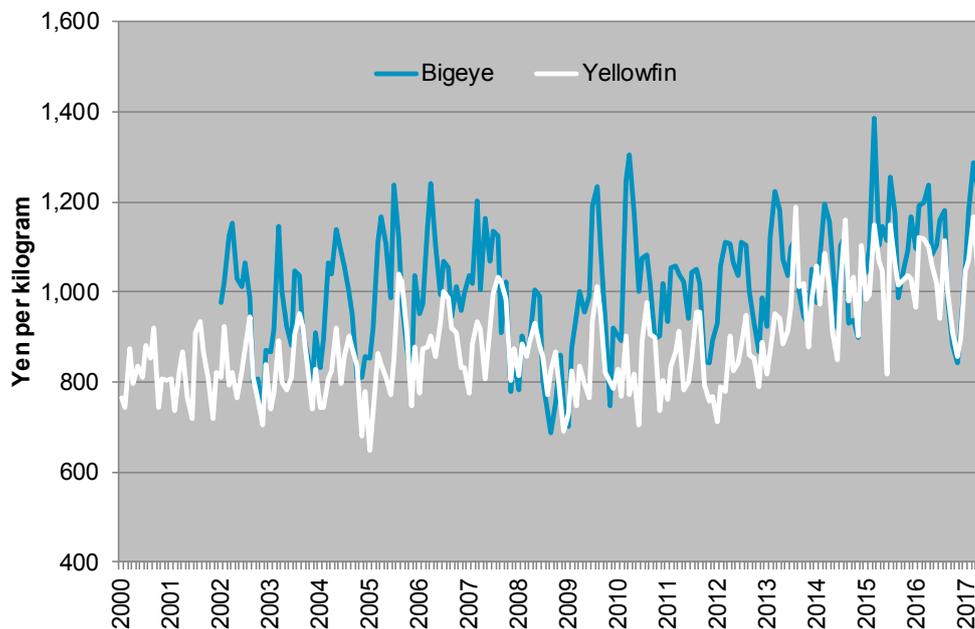
Bangkok canning-grade prices to April 2017<sup>41</sup>



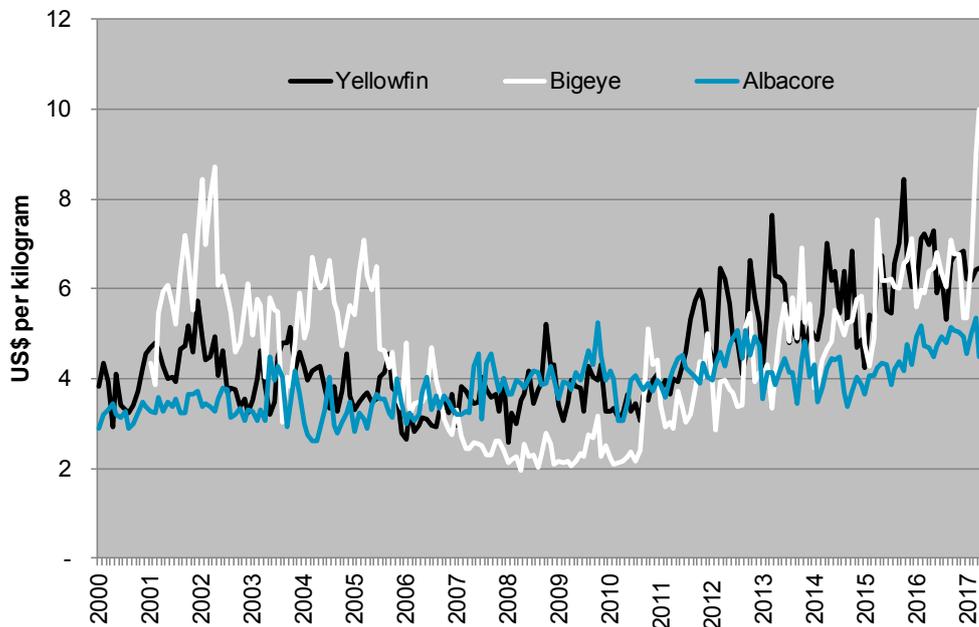
Japan frozen sashimi prices (ex-vessel, Japanese ports) to April 2017<sup>42</sup>



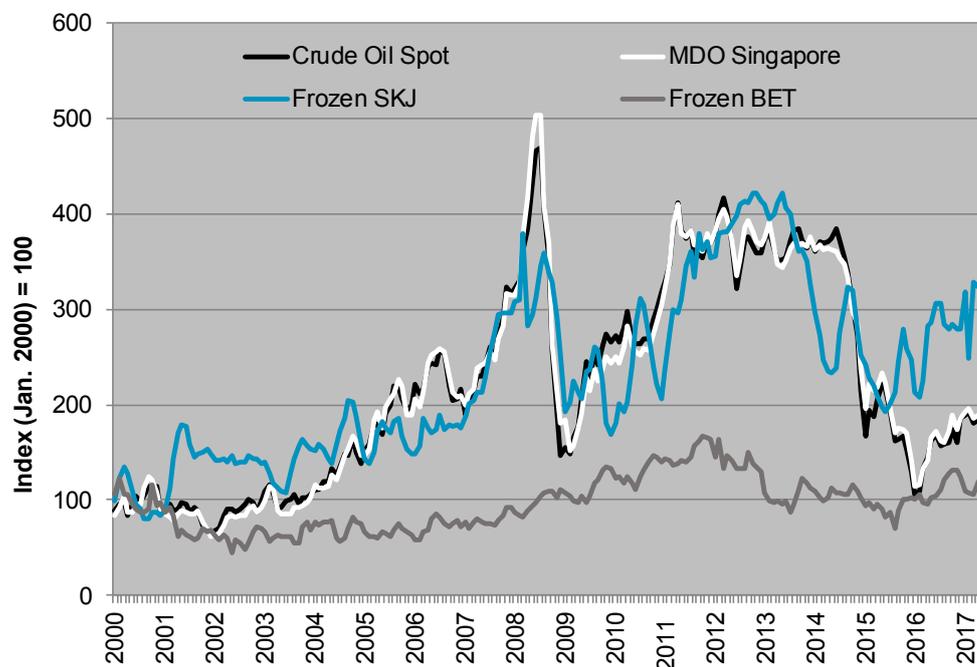
Japan fresh sashimi prices (origin Oceania) to April 2017<sup>43</sup>



US imported fresh sashimi prices to April 2017<sup>44</sup>



### Crude oil, canning-grade frozen skipjack (SKJ) and frozen bigeye (BET) price index to April 2017<sup>45</sup>



<sup>1</sup> Prepared for the FFA Fisheries Development Division by Dr Liam Campling, School of Business and Management, Queen Mary University of London, Dr Elizabeth Havice, University of North Carolina at Chapel Hill and Mike McCoy, independent consultant, all Consultant Fisheries Trade and Market Intelligence Analysts, Fisheries Development Division, FFA. Desktop publishing by Antony Price. The authors would like to thank Mike Batty for his input on an earlier draft of this briefing. The contents of this briefing (including all analysis and opinions) are the responsibility of the authors and do not necessarily reflect the positions or thinking of the FFA Secretariat or its Members.

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