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STATUS REPORT ON THE OPERATION OF PHILIPPINE FLAGGED GROUP SEINE VESSELS OPERATING IN HIGH SEAS POCKET 1

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Paper by Philippine

Republic of the Philippines
Department of Agriculture
Bureau of Fisheries and Aquatic Resources
PCA Compound, Elliptical Road, Diliman, Quezon City
Tel. Nos. 929-95-97 • 929-80-74

November 6, 2014

DR. LARA MANARANGI-TROTT
OIC, WCPFC/Compliance Manager
Western and Central Pacific Fisheries Commission
Kaselehlia, Kolonia, Pohnpei 96941
Federated States of Micronesia

DEAR DR. TROTT,

Please be informed that out of 36 authorized Philippine registered traditional group seine fishing vessels granted access to HSP1-SMA, only 28 group seine fishing vessels are deployed from October 1, 2014 to present while the remaining 8 vessels shall follow anytime upon completion of ongoing drydocking, repair, maintenance works and documentation activities.

Based on the 2012 to June 2014 operations, a total of 38,277.090 metric tons of various tuna fish species were harvested. However, it was observed that substantial amount of the catch has a significant spoilage totaling to 6,206.17 metric tons representing more than 16% of poor quality/trash fish which is attributed to the traditional practice of chilled icing practices in maintaining the quality of fish catch while being transported from the fishing grounds of HSP1 to General Santos Fishport. Having said experienced the valuation of low value fishery products and trash fish totaled to Ph 55,035,767.10

The negative impact on the economics and benefits from the fisheries is considerable, with records from HSP1 in 2012-June 2014 indicating the low value trashfish ranged from about 11 to 20% of the total catches, and the opportunity lost was estimated to be about Php 380M (USD 8.84M) (please see attached report).

In view of the above information may we take this opportunity to notify the Commission that the Philippines is authorizing the use of Refrigerated Carrier Vessels as alternative to the traditional ice chilled vessels in transporting the catch to the landing site. This policy intends to improve the quality of fish caught by the fleet, thereby enhancing product value and utilization. This policy is also consistent with the principles and objectives of the Code of Conduct for Responsible Fisheries and with other Instruments in maintaining the quality, nutritional value, and safety of fish and fishery products.

Similarly, please be informed further that necessary conservation and control measures remain in place in managing the fleet, such as those set by Fisheries Administrative Orders (FAOs) 240, 241, 244 and 245 and relevant WCPFC CMMs.

Very truly yours,

ATTY. ASIS G. PEREZ
OIC, Undersecretary for Fisheries and Director,
DA-BFAR

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Prepared By:

Ms. Rosanna Bernadette B. Contreras, Executive Director SFFAII
Dr. Alma C. Dickson, Chief, BFAR-NMFDC
and
Mr. Isidro Tanangonan, Fisheries Observer, BFAR

BACKGROUND

The Philippine is one of the members of the Western and Central Pacific Fisheries Commission (WCPFC) which implements CMM 2008-01 in which Purse Seine fishing in FADs at High Seas Pocket 1 (HSP1) has been temporary closed from 2009 until 2011. In 2012 Philippine-flagged boats was given access by the Commission under a Special Management Area in consonance with the Western and Central Pacific Fisheries Commission (WCPFC) Conservation Management Measures (CMM) 2011-01, CMM 2012-01 and CMM 2013-01 respectively, 36 traditional ice-chilled purse seine/ring net catcher boats no more than 250 gross tonnage and its support crafts were allowed to conduct group seine operation in HSP1 to fish for not more than 9,846 fishing days. These boats target mainly skipjack tuna intended for canneries and wet markets.

The boats operating in HSP1 area were installed with vessel monitoring system/ALCs and also with 100% Regional Observer coverage. Results of operations from Day 1 are shown in Table 1 based for the Observer Data.

Table 1: Result of HSP1 Operations

	No. of Companies	No. of PS/RN Fleets	Fishing Days	Catch Rate per set	Total Catch (in Metric Tons)
2012	6	10	211	9.695	2,045.585
2013	11	22	1,352	9.857	13,326.449
2014 (Jan-Jun)	19	35	2,086	10.956	22,855.06
Total			**3,649**	**10.476**	**38,227.090**

Source: BFAR National Marine Fisheries Development Center records

The Philippine being a coastal state derives its protein source on fish. With this level of tuna catch from HSP1, it has potential to provide protein source for 1.847 million Filipinos using the estimated per capita fish consumption in 2009 at 20.7 kilos according to the "The State of World Fisheries and Aquaculture 2012" by the Food and Agriculture Organization of the United Nations. This level of production can provide fish requirement of four-folds the population size of General Santos City, thus remarkably improving food security in the area.

However, a notable substantial amount of poor quality fish have been observed over the years. Thus, the need to evaluate the economic impact of the production in relation to ice-chilling preservation method being used by Philippine-Flagged boats operating in HSP1.

It has been monitored that enormous volume of fish landed by pelagic fisheries are spoiled/damaged due to poor handling. Despite the value added preservation efforts applied into smoked, dried fish and fish meals, the overall results on the prices of said products are still low value produced fish. Hence, the said situation needs intervention on how to improve the quality value of fish catch landed at the General Santos Port.

CATCH SUMMARY

Table 1 shows the catch summary of Philippine flagged fishing vessels that were able to operate in HSP1 from October 2012 to June 2014 based on Fisheries Observer data. Total catch includes all fish species caught on purse seine and ringnet vessels. Majority of species caught were oceanic tuna(Yellowfin, Bigeye and Skipjack Tuna) comprising more than 90% of the total catch while the remainder of the catch were mixtures of other species like mackerel scad, kawa-kawa, frigate tuna, bullet tuna, rainbow runner, bigeye scad, etc.

All of the fish catches were loaded into fish carriers which brought them to General Santos City Fishport for unloading to canneries and wet markets. The remaining low

quality fish due to spoilage and damaged during handling were processed into other products such as smoked, dried or fishmeal.

Data also shows an increased catch rate from 2012 to 2014 despite an increased number of fishing fleet from 10 catchers to 35 catchers respectively. In 2012 average catch per set is 9.695 metric tons, increased to 9.857 metric tons in 2013 and 10.956 metric tons in 2014. Said outcome indicated that over the years volume of catch increase.

ANALYSIS OF CATCH PRODUCTION IN HSP1

For the purpose of analyzing the economic impact of low-value/trash fish level in relation to ice-chilling method being used by Philippine-flagged boat operating in HSP1, we use the present context of low value/trash fish as commercially-important food fish landed by pelagic fisheries that are spoiled and/or damaged (due to rough handling and poor post-harvest practices) that could still be used for industrial purposes.

An analysis of quality of fish landed in General Santos City from HSP1 indicated that there has been an increasing trend in the level of low-value/trash fish. Low-value/trash fish are not acceptable for canning and for table fish consumption, thus end up for smoking, fishmeal processing or drying with significantly lower prices compared to highest prevailing market price for canning-grade tuna.

Table 2. Comparison of Low Value/Trash Fish to Total Catch from 2012-2014.

YEAR	TOTAL CATCH(mT)	LOW VALUE/TRASH FISH(mT)	Percentage
2012	2,045.585	159.76	7.81%
2013	13,326.449	1,452.18	10.90%
2014 (Jan-Jun)	22,855.056	4,594.23	20.10%
TOTAL	**38,227.090**	**6,206.17**	**16.24%**

Based on Table 2, for 2012, low-value/trash fish was 7.81% of estimated catch which increased in 2013 to 10.90% of landings. During the first half of 2014 landings already

posted an alarming two-fold increase of low-value/ trash fish at 20.10% resulting to low-value/trash fish rate of 16.24% from Day 1(see Fig. 1).

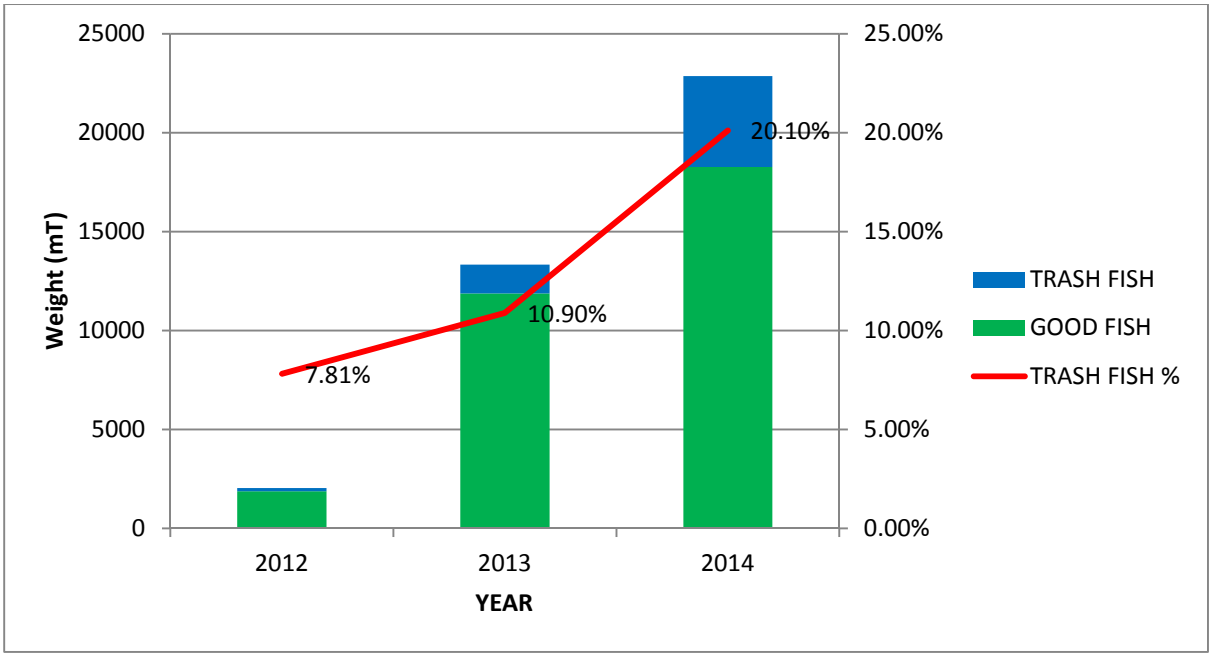


Fig 1. Fish Quality Landed in General Santos City

The increasing trend of low-value/trash fish can be attributed to the distance of the fishing ground from the landing site. The first batch of purse seine/ring net fleets in 2012 were able to locate their operations in HSP1 relatively closer to landing site compared to those who started later. Thus, with more fleets going farther in HSP1, the more low-value/trash fish landed in General Santos City. Considering the time to and distance of the fishing ground, post-harvest handling to preserve fish quality is very vital.

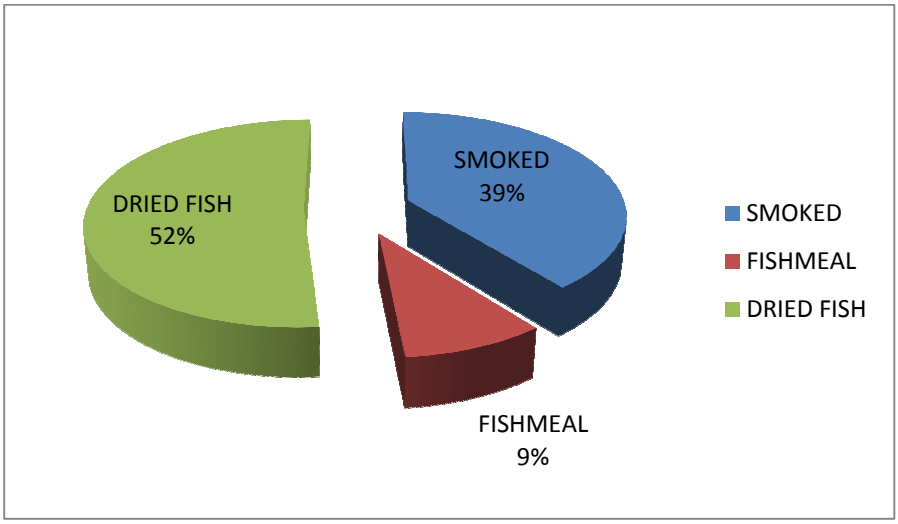
Table 3. Breakdown of Low-value/Trash Fish for October 2012-Jun 2014

YEAR	SMOKED(mT)	FISHMEAL (mT)	DRIED FISH(mT)	TOTAL(mT)
2012	73.89		85.87	159.76
2013	785.66	89.63	576.89	1,452.18
2014(JAN-JUN)	1,581.5	480.86	2,531.87	4,594.23
TOTAL	**2,441.05**	**570.49**	**3,194.63**	**6,206.17**

Source: Industry Submitted data

Further analysis, shows that majority of low-value/trash fish end up for drying at 52% followed by smoked at 39% and Fishmeal at 9%.

Figure. 2. Trash Fish by Product Composition (October 2012-June 2014)



A valuation of low-value/trash fish using the validated average price per metric ton for the past 3 years for smoking at Php 18,000, for fishmeal at Php 4,500 and Php 2,670 for drying is estimated to total to **Php 55 Million.**

Table.4. Valuation of Trash Fish, for October 2012-June 2014 (in Philippine Pesos)

YEAR	SMOKED	FISHMEAL	DRIED FISH	TOTAL
2012	1,330,020.00	-	229,272.90	1,559,292.90
2013	14,141,880.00	403,335.00	1,540,296.30	16,085,511.30
2014 (Jan-Jun)	28,467,000.00	2,163,870.00	6,760,092.90	37,390,962.90
TOTAL	**43,938,900.00**	**2,567,205.00**	**8,529,662.10**	**55,035,767.10**

ECONOMIC COST OF LOW-VALUE/TRASH FISH FROM HSP1 CATCHES

The drop in quality of fish landed from HSP1 brought about by the nature of current operation using ice chilling method has a cost. The value of 6,206.17 metric tons of low-value/trash fish from HSP1 if hypothetically considered good is estimated at **Php 435 Million** (See Table 7). This results to an estimation of opportunity cost at around **Php 380 Million** (See Table 8) using the following assumptions:

1. Prices used are based on Bangkok's price of Skipjack derived in Table 5.

Table 5: Average Price per Metric Ton of Skipjack, for 2012-(Jan-Jun)2014 (in US$)

	Average Price per MT	Derivation/Source
2012	US$ 2,074.00	As reported in WCPFC-SC9-2014/GN-WP-1
2013	US$ 1,908.08	WCPFC-SC10-2014-GN-WP-01 reported 8% reduction
Jan-Jun 2014	US$ 1,483.33	Data fromWCPFC-SC10-2014-GN-WP-01. Average of End of 2013 Price at $1500, lowest price in April at $1150 and rebounded price by July at $1800

2. Foreign exchange Conversion average rates of US$ to Philippine Pesos based on Bangko Sentral ng Pilipinas website, http://www.bsp.gov.ph/dbank_reports/ExchangeRates_1.asp?freq=Annual

Table 6: Average Conversion Rate of US$ 1, for 2012-(Jan-Jun)2014 (in Philippine Pesos)

YEAR	**USD-PHP Conversion Rate**
2012	42.2288
2013	42.4462
Jan-Jun 2014	44.4993

Table 7: Valuation of Low-Value/ Trash Fish from HSP1 if Hypothetically Considered "GOOD", for October 2012-June 2014 (in Philippine Pesos)

YEAR	SMOKED	FISHMEAL	DRIED FISH	TOTAL
2012	6,471,473.23	-	7,520,711.95	13,992,185.18
2013	63,631,188.95	7,259,200.50	46,722,751.05	117,613,140.50
2014 (Jan-Jun)	104,390,583.96	31,740,282.14	167,121,965.10	303,252,831.20
TOTAL	174,493,246.14	38,999,482.64	221,365,428.11	434,858,156.89

Table 8: Differential Valuation of Low-Value/Trash Fish from HSP1, for October 2012 – June 2014 (in Philippine Pesos)

	SMOKED	FISHMEAL	DRIED FISH	TOTAL
2012	5,141,453.23	-	7,291,439.05	12,432,892.28
2013	49,489,308.95	6,855,865.50	45,182,454.75	101,527,629.20
2014 (Jan-Jun)	75,923,583.96	29,576,412.14	160,361,872.20	265,861,868.30
TOTAL	130,554,346.14	36,432,277.64	212,835,766.01	379,822,389.79

The opportunity cost of Php 380 Million or US$ 8.54 Million is the income deprived of the players of HSP1. With the current income sharing scheme where 60% of net income goes to fishers and crew onboard the boats and 40% goes to boat owners-operators, an estimated loss in income of Php 228 Million and Php 152 Million, was incurred respectively.

The total loss is equivalent to income of 3,087 average Filipinos using 2013 per capita income of US$2,765 or income of 2,110 families using 2012 average household income which support the living of 9,706 Filipinos.

RECOMMENDATION

Based on the foregoing analysis of low-value/trash fish from HSP1, it is recommended that purse seine/ring net fleets in the High Seas Pocket 1 of the Western and Central Pacific Ocean be allowed to use carriers with freezing capacity in order to preserve the quality of fish thereby maximizing the income potential of the operations. Frozen fish commands price differential ranging from Php 8-15 per kilo or about US$180-337 per metric ton. Necessary conservation measures will still be in place with the same catcher capacity limit of 250 gross tonnage and the same limits to fishing days. This move will significantly improve the quality of fish landed in General Santos City.