Why the European Market Desperately Needs More WCPacific Tuna Supply

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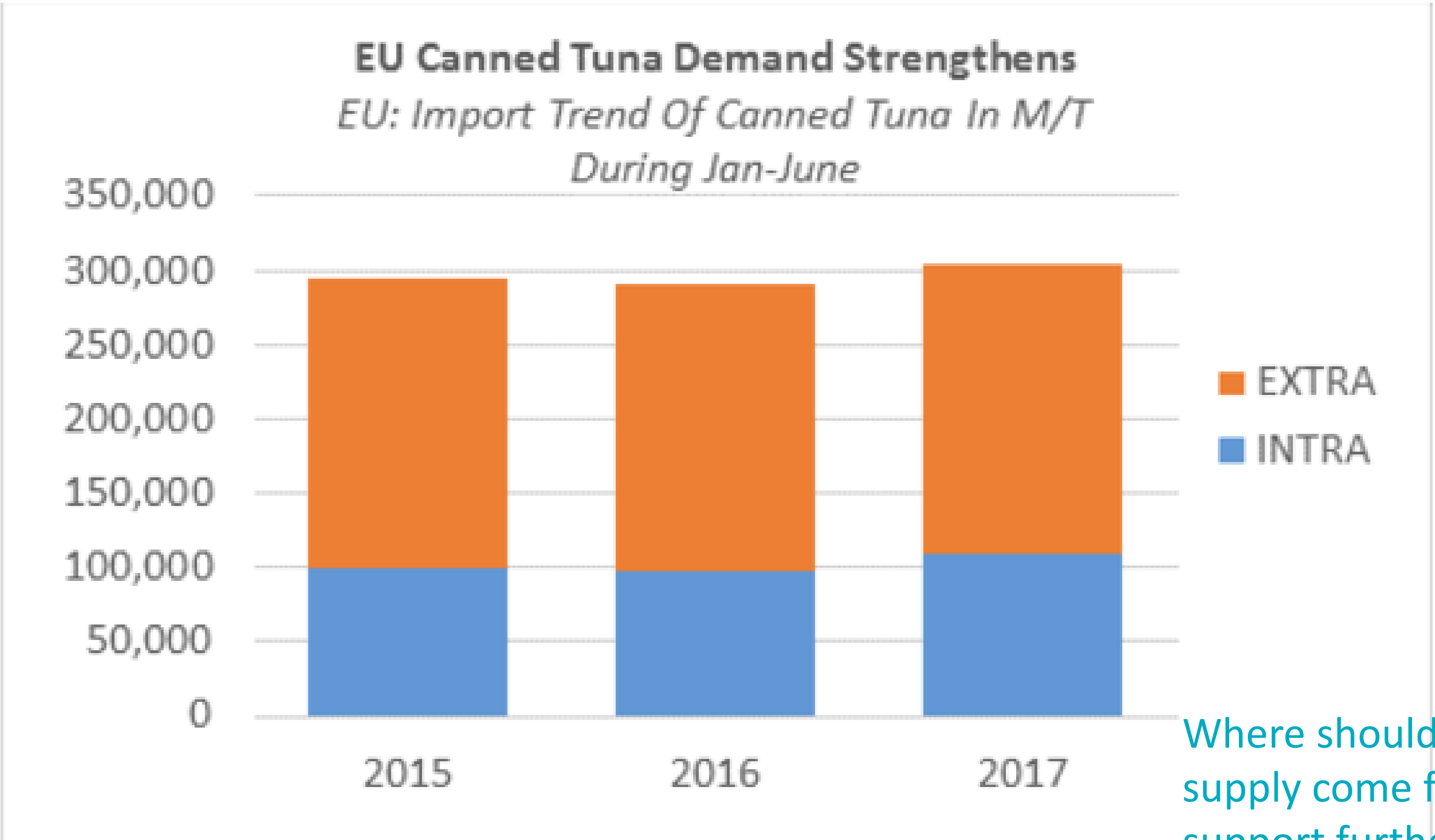
EU's tuna appetite increases



Source: Eurostat

Where should future supply come from to support further growth ?

7 EU Consumer Food Trends

- **More SIMPLE + NATURAL**
- **HEALTHY no longer luxury**
- **HELP me do it right !**
- **Less SUGAR**
- **can I TRUST it ?**
- **High QUALITY– Low PRICES– Convenience**
- **Less WASTE**

There is not one EU Trend !

- Consumption patterns differ greatly per EU Member state

- Mediterranean region – over 2 thousand years tradition of tuna consumption – from Fresh or Dried / Salted to Fresh and Canned today.

- Central – Northern Europe – only starting from 1900 onwards – Canned

SIMPLE + NATURAL

- SIMPLE = positive   SIMPLE = NATURAL
- Trend away from (heavily) processed products
- natural unsaturated fat is good again
- Seeds – Nuts – Coconut – Green Tea – Wild Fish
- No additives or E-numbers
- Based on health considerations
- Signs : Dynamic Organic market (Northern EU)

HEALTHY no longer luxury

- Health - no longer just ABSENCE of illness
- Health = Looking radiant – PREVENTING illness- feeling good
- Related also to aging population (awareness)
- Signs : Discounters ALDI/ LIDL play major role in more healthy foods

Can I TRUST it ?

- What ORIGIN has my food? (re-assurance)
- Trust in TRADITION – or modernized updates of it
- Has it been grown / harvested caught in a RESPONSIBLE + SOCIALLY ACCEPTABLE way ?
- Signs : strong growth in sustainable and fair trade CERTIFIED food products (MSC, ASC Fairtrade, Organic, Rainforest Alliance , UTZ)

What do these Food Trends mean for Tuna ?

- **SIMPLE + NATURAL – tuna , water or olive oil, salt**
- **HEALTHY – Omega3 – Selenium – high protein**
- **HELP me do it right ! – easy to use as ingredient**
- **less SUGAR – negative for tuna in sauces**
- **TRUST – MSC, SA8000/ BSCI, Fairtrade**
- **High QUALITY – LOW PRICES – Convenience – Discounters sell most canned tuna + frozen steaks**
- **Less WASTE – Can is 100% recyclable – smaller servings .**

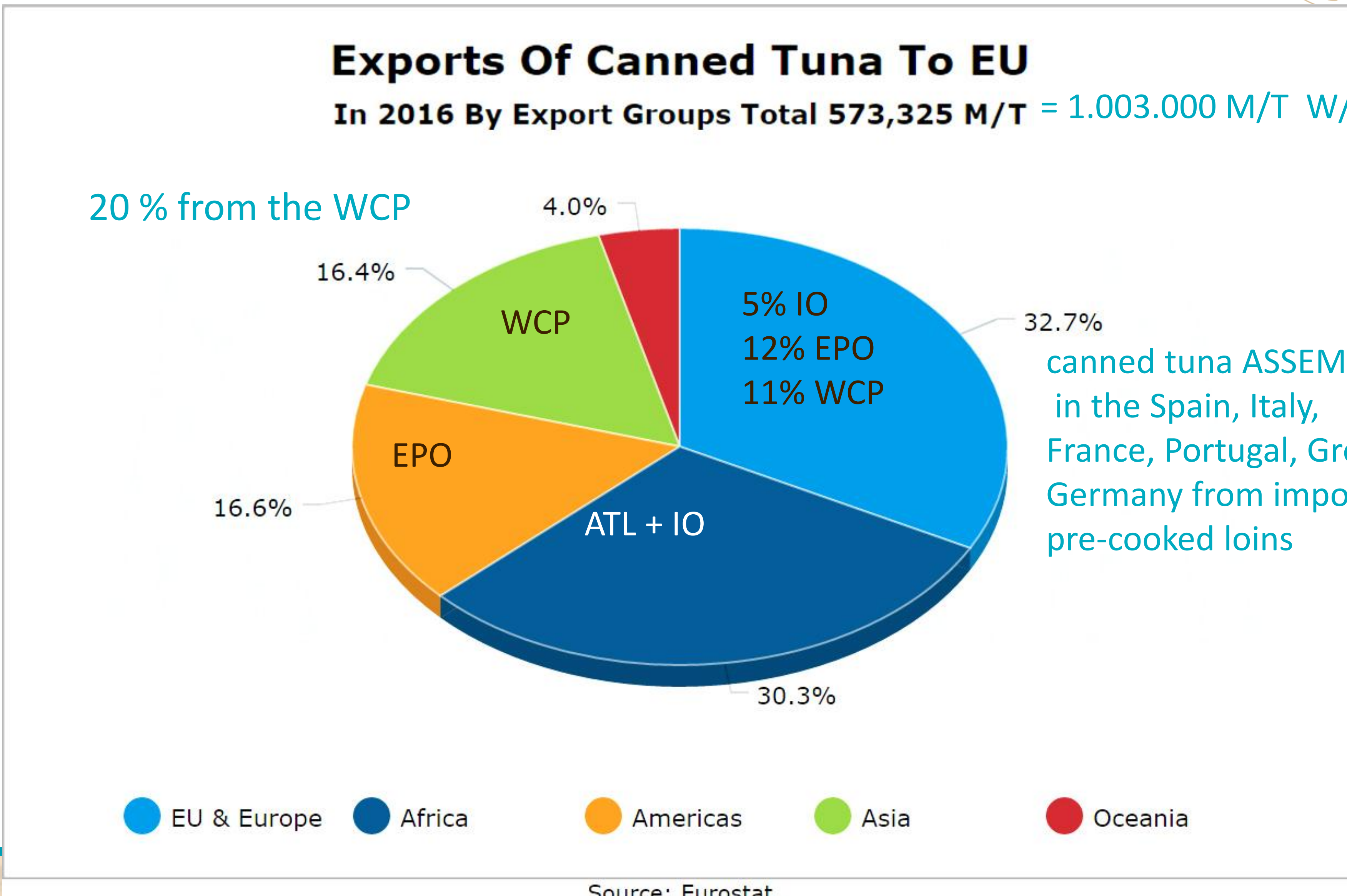
Growth segments within EU

- Fresh chilled salads with tuna as ingredient
- Fresh made tuna baguettes – subs
- Canned tuna with sauces + vegetables – AV
- Simple canned tuna products (home cooking)
- Sushi / Sashimi market – frozen raw loins
- Frozen yellowfin steaks (home cooking)

todays reality in the EU tuna market

- **Weakening USD – Strengthening EUR**
- **Softens Higher raw material prices somewhat**
- **Increasing demand for Sustainable tuna – FADfree**
- **Premium prices paid for MSC and Pole & Line**
- **Expansion of Brands – Private label stagnating**
- **Brands focus strongly on added value products**
- **Social accountability plays larger role**
- **Remains a low price - commodity – promotion product**

31% EU cd tuna caught in WCP

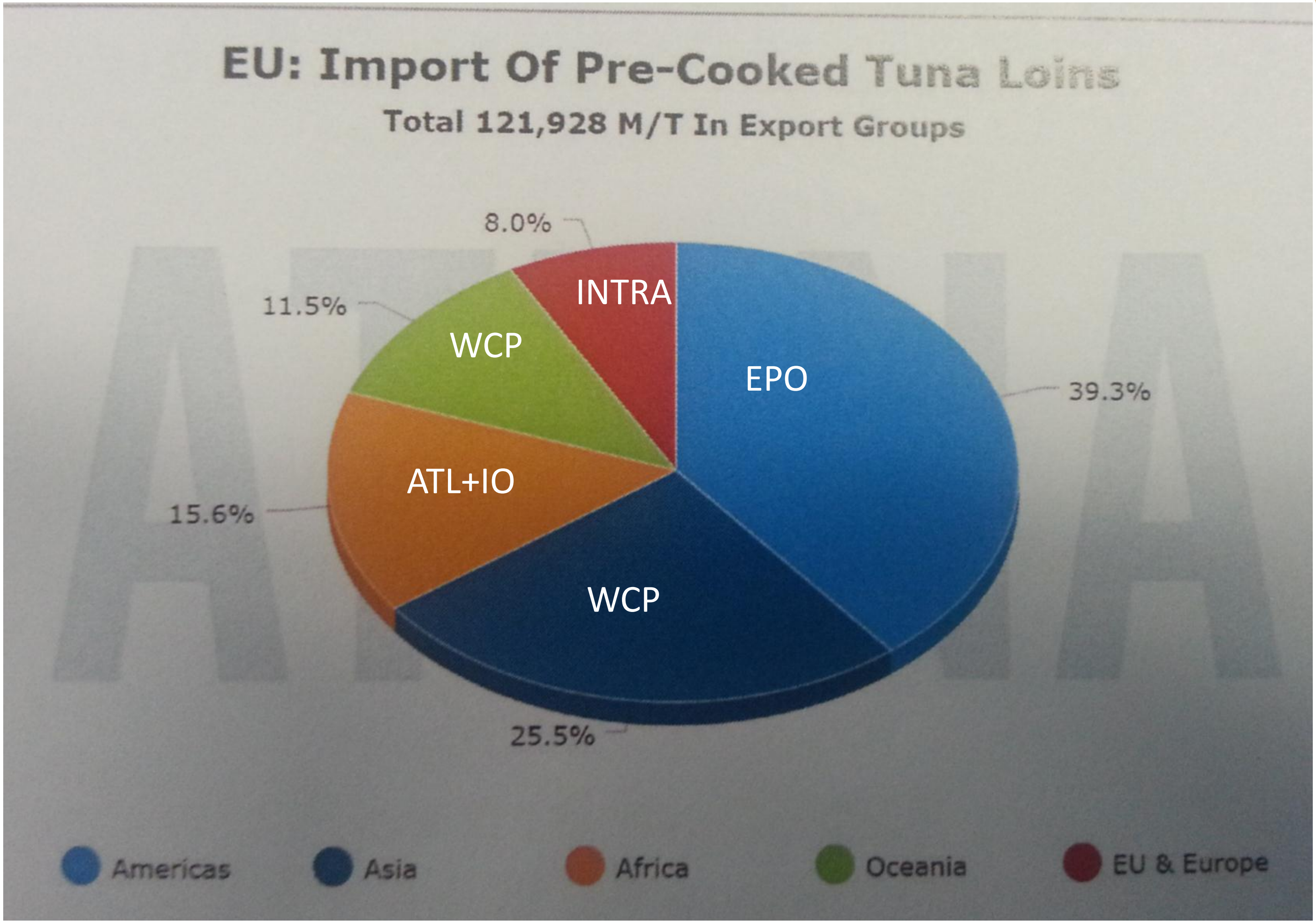


= 1.003.000 M/T W/R

20 % from the WCP

canned tuna ASSEMBLED in the Spain, Italy, France, Portugal, Greece, Germany from imported pre-cooked loins

37 % of cooked loins from WCP



69% of EU canned tuna consumption was NOT caught within the WCP

Only WCP has large volume MSC certification (PNA-Pacifical)

Other oceans lack any MSC certifications with regular supply

Problems in 3 Key Supply Areas

Stock Status of Skipjack Tuna:

Ocean	Regional Management Organization	State of Stock
Indian Ocean		Moderately exploited
Eastern Pacific Ocean		Moderately exploited
Western and Central Pacific Ocean		Moderately exploited
Eastern Atlantic Ocean		Moderately exploited
Western Atlantic Ocean		Moderately exploited

Stock Status of Yellowfin Tuna:

Ocean	Regional Management Organization	State of Stock
Atlantic Ocean		Overfished
Indian Ocean		Overfished
Eastern Pacific Ocean		Fully exploited
Western and Central Pacific Ocean		Moderately exploited

IO + ATL 35% of EU supply

EPO 29% of EU supply

WCP 31% of EU supply

Stock Status of Bigeye Tuna:

Ocean	Regional Management Organization	State of Stock
Eastern Pacific Ocean		Overfished
Western and Central Pacific Ocean		Overfished
Indian Ocean		Moderately exploited
Atlantic Ocean		Overfished

OVERVIEW OF CLOSURES AND EXPECTED REDUCTIONS IN 2nd HALF 2018

	WCPFC/WCPO	IATTC/EPO	IOTC/IO	ICCAT/AO
% Of Global YELLOWFIN Caught Per Region	42%	19%	30%	9%
June			15% YF + Supply vessel reduction	
July	EEZ FAD ban - starts July 1st + High Seas FAD Ban	EPO purse seine closure Session A - starting July 29th	15% YF + Supply vessel reduction	
August	EEZ FAD ban + High Seas FAD Ban	EPO purse seine closure Session A	15% YF + Supply vessel reduction	
September	EEZ FAD ban + High Seas FAD Ban	EPO purse seine closure Session A	15% YF + Supply vessel reduction	
October	EEZ FAD ban 4th month - some fleets	EPO purse seine closure Session A - ends October 8th	15% YF + Supply vessel reduction	
November	High Seas FAD Ban - some fleets	EPO purse seine closure Session B - starts November 9th	15% YF + Supply vessel reduction	
December	High Seas FAD Ban - some fleets	EPO purse seine closure Session B	15% YF + Supply vessel reduction	

Outlook on Oceans 3 yr forward

- **Atlantic and Indian Ocean – reduced and disrupted supply due to FAD ban / FAD reduction and yellowfin quota**
  > NO Short term Outlook on large MSC or FADfree Supply
  > Reduced large yellowfin - More small yellowfin on FADs

- **Eastern Pacific Ocean – reduced and disrupted supply – 2 month ban per vessel – FAD reduction >**
  Mexico – MSC Ecuador - Outlook on MSC in 1-2 years - FADfree Supply

- **Western Central Pacific – relative regular supply despite FAD Ban period – healthy yelowfin stock**
  > Large supply of MSC and FADfree

Reaction in EU Market to problems in YF supply

- **Switch Sales Away from Yellowfin to Skipjack (Spain and Italy) - EU brands + retailers less vulnerable to NGO attacks and less supply.**
- **Often no mentioning of species anymore (downgrade)**
- **Reduce cansizes of yellowfin**
- **Value less related to species + pack – more to what is added (sauces – salads)**
- **Reduced Sales of canned raw pack yellowfin**
- **Traditional high value market segment under threat**

Alternative solutions

- Import more yellowfin products from WCP region which meet three criteria:
- Competively produced – regular supply
- Zero import duty
- Sustainable and Social certified
- Potential sources Canned + Pouch + PC Loins:

  Papua New Guinea, Solomon Islands, Philippines,

  PC loins (only on quota): China, Vietnam, Thailand

EU's Estimated Extra Need from WCP for 2018/2019

- **in 2018/2019 50,000 M/T of whole round weight yellowfin caught (mostly 10 kg up) within WCP**

- **Converted in :**

- **abt 12,500 MT of net weight of Raw Pack Canned (for France) and Regular Canned(for Italy + Spain)**

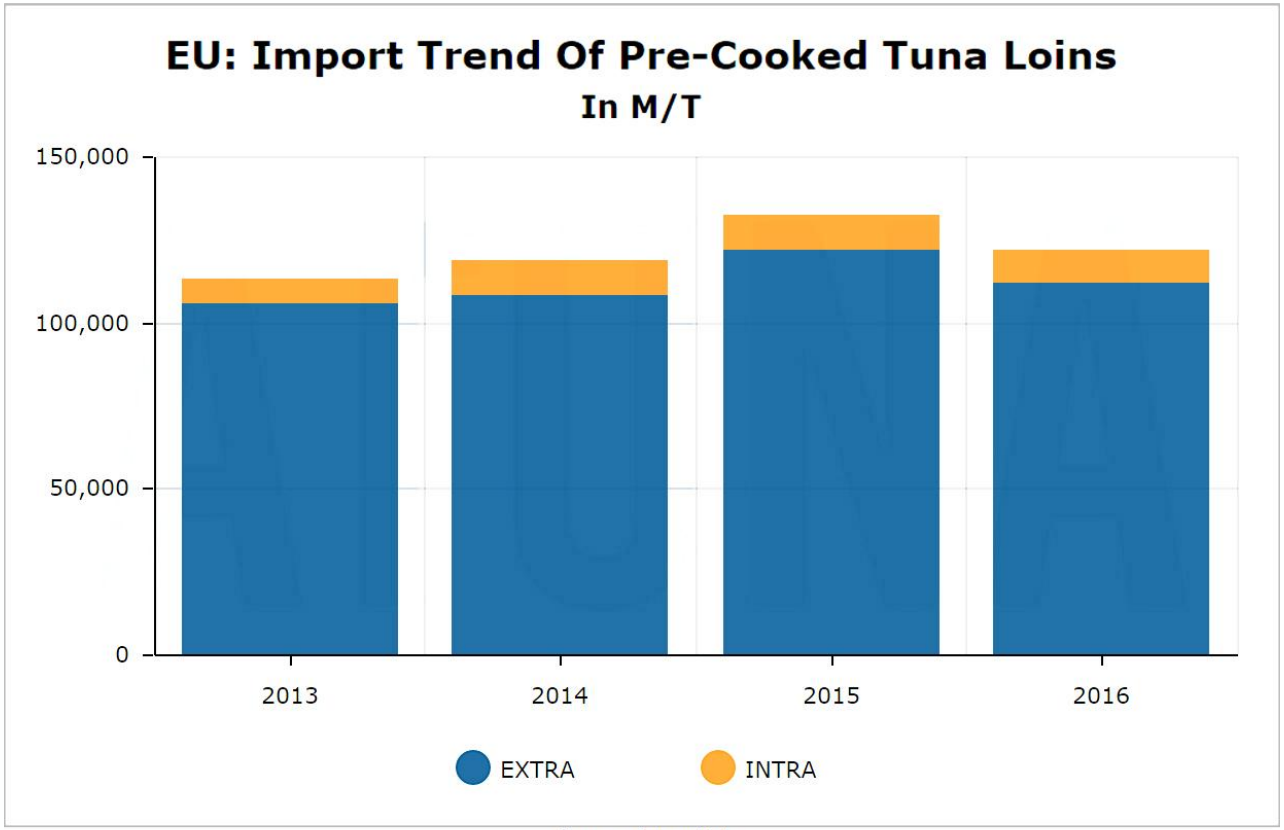
- **abt 10,000 MT of net weight PRE-COOKED Loins (for Italy + Spain + France).**

Who serves the EU canned yellowfin market ?

- **EU 's domestic tuna ASSEMBLY industry**
- **Olive Oil + special packaging easily available**
- **Highly automated – newest filling technology**
- **More EU production Spain, Italy, France , Portugal.**
- **All assemblers rely on frozen pre-cooked loins**

- **Seychelles, Mauritius and French processors for raw pack canned tuna (need yellowfin 10kg up)**

Lack of duty free loin supply slows growth EU tuna assembly industry



Source: Eurostat

so HOW can both Pacific + EU benefit on yellowfin?

- New investment by EU or Thai processors (not fishing companies) in Pacific (zero duty) tuna conversion industry.
- Create attractive investment conditions > governments
- Recognize that efficient CONVERSION is as much a specialized business as FISHING. Each requires expertise.
- Only viable if zero duty into EU market
- Build sector aimed at economic needs of the local Pacific countries and EU tuna assembly industry.
- Concentrate on 4 lines : frozen pre-cooked loins + raw canned + regular canned + pouched tuna products
- Strongly focused at MSC sustainable certified products