

PNG's onshore fish processing industry has expanded considerably in the past 10 years.

Great catch for investors

Intense investment in onshore processing facilities is turning PNG into a regional powerhouse.

About 10% of the world's tuna catch is caught in Papua New Guinea's 2.4 million square km exclusive economic zone. Frozen and unprocessed tuna are mainly exported to the European Union, Japan, Thailand, Philippines and other countries where there are canneries. Canned and other processed tuna are exported to the European Union (EU). PNG has an Economic Partnership Agreement (EPA) with the EU that gives it tariff-free access to the EU trading zone.

'The worldwide market for tuna is US\$7 billion, and the EU as a block is the largest buyer of tuna,' notes Pete Celso, Chairman of the PNG Fishing Industry Association. PNG hopes to ink an agreement similar to the EPA with the United States.

PNG's coastal fishing industry focuses on prawns, lobsters, barramundi, beche-de-mer, trochus shells, pearl shell and green snail. Some trout and carp farms are located in the Highlands region.

Growth in processing

The bulk of the tuna catch is still exported in raw or frozen form, due to the lack of local processing facilities, although there is also a healthy local market for tuna in PNG. There is capacity for more onshore processing. Onshore tuna processing in Lae, Madang and, to a lesser extent, Wewak has drawn increasing interest from foreign investors, mostly from the Philippines, Taiwan and Thailand. The processing sector is likely to be transformed by the Pacific Maritime Industrial Zone in Madang on the northern coast of the country's mainland.

In the zone

The US\$300 million Pacific Marine Industrial Zone, announced in June 2009, is set to be the flagship of PNG's fisheries industry as well as a major processing centre for fish caught in the Pacific region. The 215-hectare site will provide wharfing, berthing, processing and other facilities and infrastructure to national and regional fishing operators.

Once the PNG Government develops infrastructure on the site, operations will be undertaken by the private sector. Proposed infrastructure includes auction halls, dry docks, an ice-making plant, cool rooms and blast freezers, net repair facilities, fuel depots, commercial buildings and residential facilities.

'A lot of new players are coming in. There are vast opportunities to expand and achieve scale and thereby minimise the cost of production,' says Pete Celso, who is also the Managing Director of R D Tuna, a key

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player in the fisheries sector. Its canning facility is located in Madang.

Incentives for investors

Incentives being offered to investors in the fishing sector are currently being revised under the PNG Government's proposed Economic Zone law. While not finalised at the time of writing, these are likely to include such measures as accelerated depreciation of plant, double deductions for export market development costs and staff training, and tax holidays.

PNG's Government is looking at privatisation opportunities in its coastal fishing sector, including handling, processing and marketing of fisheries products, craft construction, repairs and maintenance, engine sales, ice and fishing equipment sales.

Key players

The growth in PNG's fisheries sector is the result of robust foreign investment, particularly from Asia. Besides R D Tuna, a Philippines-owned fishing and cannery operator, the major players include the International Food Corporation, which has been making and distributing Besta canned mackerel in PNG since 1992. Chief Executive Rosedean Zailly Dzulkfli says IFC has embarked on an onshore tuna processing project under its diversification program. Production began in October 2010 with 5% to be sold locally, and 95% exported overseas as tuna loin.

There's also the Frabelle Fishing Corporation, which is building a canning operation in Lae that is set to be the largest in the southern hemisphere. It will process a projected 350 metric tonnes per day and employ 6000 people once it starts operations at the end of 2011.

South Pacific Seafood, a 75% PNG-owned/25% Philippines-owned company, has announced plans to invest in fishing port facilities in Central Province, West New Britain, Morobe, Milne Bay and Manus. Ailan Seafood Ltd, a fish processing company based in Kavieng, New Ireland Province, is a smaller player.