

**STANDING FISH PRICE-SETTING PANEL
RECONSIDERATION DECISION
SUMMER SHRIMP FISHERY - 2020**

In the matter of the Fishing Industry Collective Bargaining Act, hereinafter referred to as the “Act”, and an application by the Association of Seafood Producers, hereinafter referred to as “ASP”, requesting that, pursuant to Section 19.14 of the Act, the Standing Fish Price-Setting Panel reconsider its decision of July 2, 2020, setting price and conditions of sale for the species Summer Shrimp.

The Panel received an application from the ASP, dated July 10, 2020, requesting that the Panel reconsider its decision dated July 2, 2020, concerning the price and conditions of sale for Summer Shrimp in 2020. The application is based on the assertion that current market factors have significantly changed compared to those that were known and anticipated at the time of the initial Panel decision on July 2, 2020.

The Panel conducted a preliminary review of the ASP and FFAW perspectives and market information available on short notice. The parties were advised by the Panel on July 12, 2020, that we were prepared to reconsider our 2020 Shrimp pricing decision. The parties were requested to meet, with the assistance of the Facilitator, to exchange perspectives on the market and positions on pricing, going forward in 2020.

In the event the parties were unable to agree on a common position through negotiation, a Summer Shrimp hearing was scheduled to take place at 2:00 p.m. on Monday, July 13, 2020, via Microsoft Teams virtual meeting capabilities.

The Panel, pursuant to Section 19.14(1) of the Act also requested that the FFAW and the ASP, the parties to the decision of the Panel on July 2, 2020, provide their price positions for Final Offer Selection by 11:00 a.m. on Monday, July 13, 2020.

The Regulations made pursuant to the Act state at Section 3(3):

“A decision respecting reconsideration shall be made by the Panel within 96 hours from the time the Panel has acknowledged receipt of the application for reconsideration.”

The Act and Regulations also stipulate that in making a decision under Section 19.14(2) of the Act:

“...final offer selection shall be the only form of arbitration used.”

The Panel convened its hearing on the application at 2:00 p.m. on Monday, July 13, 2020. Appearing before the Panel were representatives of the parties who supported their written submissions (copies attached) in argument and rebuttal.

The ASP offer is \$0.85/lb., which is a \$0.15 improvement over their original offer on June 26, 2020. It is also a 48% reduction from the minimum price in 2019. The ASP points to two key factors that warrant a Panel reconsideration. The first being a decline in Urner Barry pricing in the US and a further softening of prices in the UK. They also point to the fact in recent weeks the issue of the need for a Canada/UK deal to replace CETA at the end of 2020 has become a concern in the marketplace. The market is aware there are significant risks that a deal might be ready for 2021 and UK tariffs on shrimp could come into play. ASP contends this has put a further damper on the market sentiment in the UK. They claim there is also risk that China may impose restrictions on shrimp imports to address COVID-19 health concerns. ASP feels this adds to an already difficult situation caused by processors overpaying, albeit mostly through agreement, for shrimp in 2019.

The FFAW offer is \$1.08/lb., which is a \$0.10 reduction from their original offer on June 26, 2020. It is also a 34.5% reduction from the minimum price in 2019. They still contend that a summer to summer comparison of market returns is appropriate in establishing 2020 pricing. The FFAW feels strongly that markets have not significantly changed since the earlier decision of July 2, 2020, and the Panel should have denied the ASP request for reconsideration. The FFAW points to the fact that there has been much agreement between the parties on pricing levels in the past couple of years and the 2019 summer price of \$1.65 was based upon the acceptance of the ASP offer at that time. They also pointed out that since the July 2, 2020 decision exchange rates have marginally improved.

In making its decision to hear the reconsideration, the Panel considered the information contained in the ASP request and the FFAW letter arguing against it. The Panel concluded that market factors had significantly changed. In its original decision of July 2, 2020, the Panel concluded that shrimp markets had likely ‘bottomed out’ and as per the Gemba market report there was possibility of some marginal improvement. As the ASP request pointed out, in the intervening period shrimp prices in the US and UK had declined, changing the market trajectory. The Panel also took note of the new information pertaining to the chill in the market related to the possibility of shrimp tariffs in the UK. For these reasons, the Panel felt it appropriate to explore both these significant changes through a detailed reconsideration process.

At the reconsideration hearing, the main arguments articulated in the July 2, 2020 decision were reiterated by the parties. (Thus, understanding this decision report would be enhanced by reading the earlier decision). There is agreement between the parties that the 2020 market is down significantly. However, the parties continue the disagreement over the right comparison and data to use to guide 2020 pricing decisions. ASP argued that markets were further deteriorating since the original decision, while the FFAW documented only marginal pricing changes that they felt were largely offset by currency improvement during the intervening period. Irrespective of the arguments on the extent of decline in the market, the Panel feels the 2020 shrimp market is poor, as is reflected in the reduction of the price offers by both parties. However, both parties maintained they improved their offers to better enhance their chances in final offer selection.

The Panel has again focused on where markets are likely to be in 2020 and the appropriate sharing of market returns between the sectors. In addressing sharing, the Panel has considered whether comparison to summer 2019 or earlier years (2014 or 2017) is more appropriate and whether a recalibration is warranted. In using different methodologies and reference years for 2020 price comparisons, the parties have made offers which are still some distance apart, although much closer than on June 26, 2020. The Panel feels the ‘right price’ may still be in between the two offers. The question for the Panel remains, which offer is closest to the 2020 market reality.

As reiterated in the July 2, 2020 decision, the Panel feels that season to season comparisons are more appropriate and there is no conclusive analysis that demonstrates the 2014 or 2017 minimum price levels represents the appropriate sharing of return for the current year. Since 2016, the Panel decisions and agreements between the parties have been well balanced.

The Panel continues to be concerned that the FFAW offer may put considerable pressure on the viability of Shrimp processors in 2020, particularly if bonus payments continue to be in play in the competitive port market environment. However, the Panel must pick the offer it feels best shares the current market downturn between the two sides.

In consideration of this and a review of the submissions, it is the decision of the Panel to accept the FFAW offer. Effective midnight on July 14, 2020, the average price for the species Shrimp, based upon 2019 summer size distribution, will be:

- \$1.08 per pound for shrimp landed at the plant.
- \$1.05 per pound for trucked shrimp.

These prices will form a collective agreement or part of a collective agreement binding on all processors that purchase the species Summer Shrimp.

Dated the 14th day of July, 2020.



Wayne Follett



Bill Carter



Brendan Condon