

STANDING FISH PRICE-SETTING PANEL SUMMER SHRIMP FISHERY 2019

The Shrimp Schedule, which forms part of the Master Collective Agreement between the Association of Seafood Producers, hereinafter referred to as “ASP”, and the Fish, Food and Allied Workers’ Union, hereinafter referred to as “FFAW”, states in part:

“In the event there is no agreement on the price for summer or fall periods, the parties agree to refer the matter to the Standing Fish Price-Setting Panel, hereinafter referred to as “the Panel”, for binding resolution in accordance with the provisions of the Fishing Industry Collective Bargaining Act, hereinafter referred to as the “Act”.

The Act, Section 19.11, and the Regulations provide that the Panel decide on matters relating to “price and conditions of sale” by final offer selection. The FFAW and ASP were not able to agree on prices to be paid to harvesters for the Summer Shrimp fishery. At the request of the parties, the Panel set Thursday, June 20, 2019, as the date for a hearing to set a collective agreement binding on all processors in the province that process Summer Shrimp.

The Panel convened its hearing for the species Summer Shrimp at 10:00 a.m. on Thursday, June 20, 2019 at the Ramada Hotel, 102 Kenmount Road, St. John’s. Appearing before the Panel were the FFAW and ASP. The parties, having previously exchanged their final offer submissions, and filed copies with the Panel, supported their submissions in main argument and rebuttal.

The parties and the Panel had the benefit of export statistics, recent market articles and two market update reports provided by the Department of Fisheries and Land Resources. One update was prepared by Gemba Seafood Consulting, hereinafter referred to as “Gemba”, and provides an update on the supply, demand, currency and market situation in Europe.

The other market update was prepared by Janet Farmer and Associates, hereinafter referred to as “Farmer”, and provides an update on the UK economic situation and cold water shrimp. Farmer notes on page 7 of their report that:

“The UK market retail and foodservice markets continue to be under pressure, driving the search for affordable supplies. CWP sales continue their long decline in the face of cheaper WWP and other proteins. While only limited offers of Newfoundland and Labrador product have been seen so far this season concern has been expressed by UK buyers that prices are higher than from other sources and that commitments on price and volume are not long enough to mesh with supermarket contracts. The decline of the Pound sterling against the Canadian dollar should also be noted”.

The Gemba report provides a more detailed update on the current price situation and provides a price outlook for the cold water shrimp (*pandalus borealis*). It is based on information on prices, inventories, supply/demand, and expected buying patterns among traders and processors and is focused on the shrimp markets of UK and Denmark.

Gemba notes that the market for *Pandalus Borealis* Shrimp remains much the same as in the spring with some downward pressure in the outlook. With respect to price, Gemba notes on page 2 of their report that:

“The prices for 150-250 pcs/lb. have decreased to 75-76 DKK/kg since the last reporting in April 2019. It is expected that the prices will stay stable, however, the development in GBP might bring less buying power to the UK market and push down the prices”.

Gemba also notes that while inventories are low there is no shortage of shrimp in the market. This is in part due to some additional substitute products from Russia and Chile. It also suggests that the forecast is weakened due to the political uncertainty in the UK. On page 2 of their report, Gemba notes that:

“The forecast for September 2019 is hence a stagnated shrimp price of 75-76 DKK/kg or a further decrease to around 73 DKK/kg. for the 150-250 pcs/lb. count depending on the currency situation of GBP. Political instability in the UK is directly linked to the GBP performance and the day-to-day rates shows a 4% loss in exchange rate compared to the CAD over the period from May 5 to June 7, 2019”.

The ASP offer is for a summer average price of \$1.65 versus the \$1.78 spring price, which was agreed to April 2019. This represents an effective 9.6% decrease of prices by size category when summer size distribution is factored into the average price. ASP feels this is warranted based on a softening market and a significant decrease in yield during the summer fishery. ASP feels that given the pace of the fishery, and with over 10 million pounds left to be landed, the fishery will last through the summer period when yields are at their lowest.

The FFAW offer is for a smaller decrease with summer prices of \$1.74 versus the \$1.78 spring price (which was a record price for the spring fishery). This represents an effective 4.4% decrease of prices by size category when size distribution is factored into the average price. The FFAW feels that while there is a slight decline in prices, markets are stable. They believe that 90% of the remaining shrimp will be caught in the next 2-3 weeks and hence a significant summer yield decrease will not occur.

Both parties offered WAMP comparisons to support their positions but did not agree on data inputs or the comparison to use. The ASP believes that summer 2018 to summer 2019 is the appropriate comparison and points to the fact the Panel has endorsed season to season comparisons in past decisions. The FFAW takes the position that comparing the spring 2019 to summer 2019 WAMP is appropriate this year (with the exception the summer WAMP should not account for the full yield adjustment normally associated with the summer fishery).

In its deliberations, the Panel shared the view that the market has recently declined slightly. It is showing some downward pressure as identified by Gemba. In their WAMP comparisons both parties also document a slight decline in market returns. It is reasonable to expect that processors sales return from the market during the rest of the year will decline compared to those of the past few months. The main question remaining for the Panel is to what degree shrimp yields will decline during the summer fishery.

As discussed in the fall decision, there is little recent information or agreement on actual shrimp yields in the modern day fishery. However, previous studies indicate that shrimp yields start at the highest point

in the spring, drop to their lowest point in early August and improve again into the fall. This was the basis of the original agreement to negotiate different prices for shrimp landed during the three seasons. A 2002 study of the shrimp industry commissioned by the Province of Newfoundland and Labrador, provided an independently calculated yield index which showed average shrimp yields in July and August to be approximately 16% lower than those in May and June.

To date, 52% of 2019 shrimp quotas has been taken. There are approximately 11.5 million pounds left to be landed. A review of weekly landings patterns in 2018 and to date in 2019 suggests it is highly probable the summer fishery will last well into August. The Panel believes that while it is not possible to quantify with precision, it is reasonable to expect that shrimp yields will materially decline during the 2019 summer fishery. With lower market returns and summer yields, net returns to processors will decline. An appropriate sharing of this reduction by fish harvesters would appear to be more in line with the price level proposed by the ASP than that proposed by the FFAW.

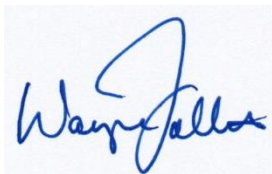
After careful consideration, it is the decision of the Panel to accept the ASP offer. Effective midnight on June 25, 2019, the average prices for the species shrimp will be \$1.65 per pound as per the following schedule.

| Size Category | |
|---------------|---------|
| 2.0-2.9 | \$0.577 |
| 3-3.9 | \$0.976 |
| 4-4.9 | \$1.192 |
| 5-5.9 | \$1.410 |
| 6-6.9 | \$1.661 |
| 7-7.9 | \$1.780 |
| 8-8.9 | \$1.906 |
| 9-9.9 | \$2.088 |
| >10 | \$2.144 |

- Prices for trucked shrimp are 3¢/lb. less.

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

Dated the 25th day of June 2019.



Wayne Follett



Bill Carter



Brendan Condon