

STANDING FISH PRICE-SETTING PANEL

SUMMER SHRIMP FISHERY 2021

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 17, 2021, 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 17, 2021, via Microsoft Teams virtual meeting capabilities. Appearing before the Panel were the FFAW and ASP. The parties, having previously exchanged their final offer submissions, and filed copies with the Panel, (copies attached) supported their submissions in main argument and rebuttal.

The parties and the Panel had the benefit of one market update prepared by Gemba Seafood Consulting as well as information provided by the Department of Fisheries, Forestry and Agriculture, including data on export statistics and recently published articles related to shrimp markets.

Market and price stability, with the possibility of some small, upward movement towards the fall, seems to be the key message in the Gemba market update. In the summary on page 2, Gemba states that:

"Prices for 150-250 pcs/lbs. are approx. 49 DKK/kg in June 2021. The market forecast for September 2021 is stable with a small upward tendency to around 51-52 DKK/kg. The upward tendency is based on a slow reopening of the UK foodservice market and other main European markets in the coming months. The demand for shrimp is not high and many of the UK operators still have inventories left from ultimo 2020".

This is reiterated later in the update as Gemba states on page 7:

"The shrimp prices in June 2021 show that the 150-250 pcs/lbs. are traded around 49 DKK/kg. The price forecast indicates that prices will remain stable for the coming months, with a small upward tendency. The upward tendency will not be strong mainly due to slower reopening of the UK foodservice market than expected".

With respect to Denmark specifically, Gemba notes on page 2: *"The Danish market seems stable with prices at stable level for the coming months".*

Speaking to the lingering effects of the pandemic as it relates to shrimp, Gemba states on page 2:

"The market is not back to normal, and the foodservice sector is still impacted by the pandemic. Some sources underline that up to 10 percent of restaurants and pubs in the UK are expected not to open again. This may reduce the consumption in the food-service sector which will have an impact on demand and prices".

With respect to changes in currency, Gemba explains on page 2:

"The CAD has since the last report gained approx. five percentage points on the USD and EUR. While the GBP has lost approx. two percentage points to the CAD in the same period. This means it becomes more difficult to sell Canadian shrimp in the UK market".

Again, in terms of currency impact, Gemba explains on page 10:

"...the strengthening of the CAD thereby means that it becomes slightly more difficult to sell the shrimp and the strengthening of the CAD thereby means a weakened competitiveness in the shrimp trade".

While inventories are not at levels reported in Spring/Summer 2020, Gemba notes there are inventories remaining. On page 4, it states:

"The situation with building up inventories in the UK in ultimo 2020 due to the expected insecurity around Brexit and a trade deal has now made a slowdown in the exports to the UK. Due to this build-up of inventories in late 2020, there are plenty of 2020 shrimp in the UK market. Among the traders in the market there are no shortages of shrimps and some levels of inventories".

The ASP offer is for \$1.10/lb., a 1.9% increase over the price established in 2020 as a result of the Summer Shrimp reconsideration. They believe that the market is unchanged from 2020. Prices are the same since last years' reconsideration, however, currencies have changed considerably. The CAD has strengthened against the USD and DKK while weakening slightly against the GBP. They believe that the right price is as per the pricing last summer of \$1.08/lb. and insists that the price for 2021 Summer Shrimp must be based off the price established during reconsideration in 2020 and not at \$1.18, the price set in the initial Summer Shrimp hearing. The ASP takes the position that when considering spring 2021 pricing as a reference, the right price is below \$1.00/lb. especially when one factors in the lower summer yield.

The ASP acknowledges the Gemba market update which they claim is a clear indication that things remain problematic in shrimp for summer 2021. They contend that the market is stable at the level it is at with a 'small' upward tendency equivalent to very small price increases that could be negated by currency. They take the position that anticipated future improvements in the market and prices will be addressed during fall negotiations.

The ASP rejects claims by the FFAW that Quebec harvesters are being paid higher prices for shrimp. They believe prices put forward by the FFAW are for larger shrimp and that NL processors pay higher tail costs (WCC, EI, etc.) unlike buyers in Quebec. They also reject suggestions by the FFAW that NL fishers have received offers from NL processors for \$1.15/lb. and higher for Summer Shrimp.

The FFAW maintains that the \$1.18 price established in the initial Summer Shrimp decision in 2020 should be the basis for setting the 2021 summer price. The FFAW offer is for \$1.22/lb., a 13% increase over the price of \$1.08/lb. set during Summer Shrimp 2020 reconsideration. It is their assertion that the market price tables do not reflect the market price but rather are an assessment of how the market has reacted since the previous price was set. The tables do not determine whether the previous price was correct or not. The market tables provide one way of

looking at the market but not the only or best way. The FFAW maintains that parties to negotiation need to also look at exports, yield, sharing and general economic conditions. They contend that yields in shrimp processing put forward by producers are lower than actually realized. They believe that pricing decisions last year, resulted in an overcorrection in price from 2019 to 2020, and that harvesters took a substantial 35% price decline that was not in line with the market decline.

The FFAW contend that most of the shrimp is landed in the summer and exported between June and September. They are of the opinion that greater consideration should be given to the market outlook for later in the year. They note that Gemba does not reference an immediate increase in the market but does speak to an upward tendency that may not become clear until September. They believe the market in September or December will be better than what it is now.

They claim that shrimp harvesters in Quebec and New Brunswick are being paid higher prices than harvesters in NL and that harvesters there are being paid for all shrimp, including broken and those below 2 gram. Deductions to NL harvesters have averaged around 3% over the past three years. They believe Quebec and NB vessels have landed shrimp in NL for reportedly higher prices and that NL vessels have already received offers to fish for between \$1.25 and \$1.35/lb.

The Panel has, on previous occasions, noted that season to season comparisons are the most appropriate and still supports this approach. It takes the position that the Summer Shrimp price of \$1.08/lb. established during reconsideration in 2020 is the right price to which to compare 2021 pricing. Additionally, spring 2021 pricing of \$1.00/lb. cannot be overlooked in the context of summer pricing given the lower yields anticipated during the summer season. The ASP offer provides a slight increase over the 2020 summer price and a 10% increase over spring 2021 pricing at a time when processing yields are acknowledged to be lower.

The Panel notes that there are many similarities between summer 2020 and spring 2021 and the current market conditions. The Panel agrees that the shrimp market is stable with the possibility of an upward tendency in the fall and the appropriate time to explore any future changes in the market would be at that time. While some improvement is likely with the reopening of economies, it is challenging to forecast the pace and timing of any market recovery, particularly in light of the recently announced 4-week delay in the reopening of the UK economy.

In terms of currency, the CAD has strengthened against the USD and DKK and weakened slightly against the GBP. When compared to the 2020 season, the 2021 market appears similar (i.e. stable, flat) and overall currency changes will effectively reduce returns to producers. Another

consideration, as Gemba reports, is that there are no shortages of shrimp in the UK and there are some inventories which point to a slowdown in exports.

With respect to claims by the FFAW that Quebec boats are being paid more for shrimp by NL producers and that NL harvesters have already been offered higher prices in the range of \$1.25-\$1.35, the Panel has not seen or been presented with any solid evidence of this.

It is expected that markets will continue to remain stable through to the fall. While there is the possibility of some upward movement, timing is still very uncertain. In making its decision, the Panel is fully cognizant of the fact that the opportunity for a reconsideration request is there to address any significant market changes that may occur.

In consideration of the above and after a review of the submissions and market information available, it is the decision of the Panel to accept the final offer of the ASP. Effective immediately, the price for the species Summer Shrimp will be:

- \$1.10/lb. for Shrimp landed at the plant
- \$1.07/lb. 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.

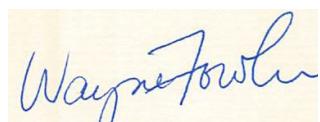
Dated the 23rd day of June, 2021.



Bill Carter



Brendan Condon



Wayne Fowler