STANDING FISH PRICE-SETTING PANEL
TURBOT FISHERY 2021

The Standing Fish Price-Setting Panel, hereinafter referred to as "the Panel", issued its Schedule of Hearings for 2021, on February 25, 2021. Pursuant to Section 19 of the *Fishing Industry Collective Bargaining Act*, hereinafter referred to as the "*Act*", the Panel set Friday, June 24, 2021, as the date by which collective agreement(s) binding on all processors in the province that process Turbot must be in effect.

The Panel also noted, at that time, that it had been advised by the Department of Fisheries, Forestry and Agriculture that the Association of Seafood Producers, hereinafter referred to as "ASP", represented processors that process the majority percentage of the species Turbot. As a result, under Section 19(11) of the Act, should a hearing be required for Turbot, the parties appearing before the Panel would be the Fish, Food and Allied Workers' Union, hereinafter referred to as the "FFAW", and ASP. Section 19.11(1) of the Act, and regulations made pursuant thereto, require that the decision of the Panel must be in accordance with one of the positions on price and conditions of sale submitted to the Panel by the parties at the hearing. The Panel further advised that no other positions would be accepted by the Panel and should other representatives of this species wish to attend the hearing, concurrence from both parties to the collective bargaining must be obtained.

The hearing, if required, for Turbot was scheduled to take place on Friday, June 25th, 2021. On May 26, 2021, at the request of both parties, the Panel agreed to move the hearing date, if required, to June 4, 2021. At the time, the Panel noted that to advance the hearing date would mean that no market report would be available to the parties and the Panel. This was not the Panel's preference but given both parties were asking to proceed and, understanding the importance of the fishery starting on schedule, the Panel would accommodate the change.

The Panel convened its hearing for the species Turbot at 10:00 a.m. on Friday, June 4th, 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 did have the benefit of data on landings and production information provided by the Department of Fisheries, Forestry and Agriculture. DFFA also provided monthly and annual export data (export volumes and value) by product type and country receiving the exports. However, the Panel was heavily reliant on information contained in the submissions and presentations by both parties.

At the hearing, the FFAW made a final offer of $1.70/lb. which represents a rollover of the 2020 price to harvesters. The FFAW claim that processors used the threat of COVID-19 on markets to unfairly reduce the price to harvesters in 2020. The price in 2021 should be relative to 2019 pricing as prices did not drop in 2020 as forecasted. They contend that harvesters' share of export values dropped significantly in 2020 as a result of the inshore price reduction without any concomitant drop in Turbot export values.

The FFAW maintain that turbot prices have been stable and there is no reason to forecast a decline in 2021. Inventory is not an issue and the decline in the USD/CAD exchange rate is not a material consideration as the majority of Turbot exports are directly to China and/or Japan. They contend that royalty payments for Turbot 'sold-in-the-water' have increased in 2021. They claim Quebec fisherman are being paid $1.95/lb. for the same turbot as landed in Newfoundland. They also point to strong export values thus far in 2021 as evidence of a strong market. They contend the ASP claim that the export values for Turbot products from the inshore are lower than for frozen at sea product is unfounded. They maintain that ASP members have the actual data for both products but have not put the evidence on the table to support their claim.

The FFAW also repeated their contention that there is increased corporate concentration in the processing sector and processors hold significant leverage over harvesters through financing agreements. This has reduced port market competition and processors have demonstrated in the past couple years (i.e., in Crab) that the minimum price is the actual price that will be paid as bonus payments are now non-existent.

At the hearing, the ASP made a final offer of $1.50/lb. which represents a 12% reduction from the 2020 price to harvesters. They are forecasting a reduction in export prices in 2021 due to indications of weaker markets and the worsening USD/CAD exchange rate as Turbot exports are all sold in USD. They point to data from Norway and Iceland that suggests a 12% to 7% decline in their export values to support their contention that Turbot markets are soft.

The ASP also maintain that processors overreached by paying $2.00/lb. in the 2017 to 2019 period, prior to collective bargaining of Turbot. This was due to price competition for raw material and the need to secure Crab from Turbot harvesters. The ASP provided an illustrative analysis of processing costs to demonstrate that processors were not making money on Turbot.

The ASP purport, as they did last year, that Turbot export values reflect a blended price of frozen-at-sea product and product landed by inshore vessels. They contend that frozen-at-sea products fetch a significant premium, so the export values of the inshore derived product are lower than the overall average export values. They also maintain that export values thus far in 2021 reflect the higher values for offshore products. They also provided a couple of receipts from inshore processors showing actual market settlements in March 2021 which were for prices lower than the export data. The ASP contend that the FFAW comparison to Quebec prices is invalid as Quebec processors are selling fresh fillets in central Canada.

The Panel reviewed in detail the submissions of the parties and the limited information available. As noted earlier, there are no specific market studies so the Panel must rely on the evidence presented by the parties, along with published export data, to assess the potential Turbot market in 2021.

The Turbot export markets are quite diverse. Prior to 2020, the majority of product went to Asia (China, Taiwan and Vietnam). In recent years, China has increasingly become the dominate market. In 2020, there was a significant increase of exports to Japan. Japan and China equally shared approximately 80% of the value of all exports. A review of Newfoundland Turbot export data shows that the average annual export prices for Turbot have increased since 2014 and has been consistent at around $3.00/lb. CAD during the past four years. This remained the same in 2020. Thus far in 2021, export values are up slightly. The Panel feels this likely reflects offshore product which enjoys some premium due to its characteristics of being frozen-at-sea.

Overall, the multi-year stability in Turbot markets appears to be continuing. In the absence of any market studies, it is extremely difficult to forecast Turbot prices for the remainder of the year. The Icelandic and Norwegian data points to some weakening of their export values but it is difficult to assess the relevance of this to Newfoundland markets. In the end, markets may face some downward pressure, but no major decline can be forecasted.

In terms of currency impacts, the Panel feels that while Turbot exports are denominated in USD, the key consideration is the relative strength of the currencies in countries for which the product is destined. It is the relative strength of those currencies to Canada that will determine buying power and the flow through of Canadian dollars. The principal currencies of concern appear to be the Chinese Yuan and Japanese Yen. The Yuan, while off slightly, does not appear to be a significant consideration. On the other hand, The Japanese Yen has weakened significantly against the CAD and USD and will likely impact CAD export returns. The impact is difficult to quantify and will depend on the percentage of Newfoundland product sold to Japan versus China. In 2020, 39% of the value of exports was to Japan. At this level, the impact of the devalued Yen would be to depress overall CAD export values by approximately 5% to 6%.

Last year, the Panel reviewed ASP's claim that frozen-at-sea prices are at a premium and noted it accepts this as a reasonable assertion. However, despite having the data, processors offered no factual evidence to quantify what the level of the premium is (i.e., 5%, 10%, etc.) or the impact of the premium on the question of inshore pricing. Again, the only reasonable assumption is that the relative values of frozen-at-sea versus inshore Turbot would have a consistent impact on average export prices year over year. While the value for inshore landings may be lower, the average export values still reflect market trends and relative sharing.

In terms of sharing of returns, the Panel notes that during the 2017 and 2019 period, and prior to collective bargaining of Turbot prices, prices were approximately $2.00/lb. to harvesters. Export values were shared based on approximately two thirds to fish harvesters and one third to processors. This was established based solely upon port market competition. This changed in 2020 with the harvesters' share dropping to 56% of the export value, with a price of $1.70/lb. At the ASP offer of $1.50 and any reasonable projection of the market in 2021, sharing will again be at a significantly reduced level for harvesters. At $1.50/lb. and two thirds sharing to harvesters, the average export value would need to be at $2.25 CAD which would represent a 26% drop from 2020 export values. Nothing in the market and currency outlook would suggest a market drop approaching that level. Therefore, the key question for the Panel is whether the evidence exists for the Panel to find that a significant recalibration of port market pricing and sharing is now required.

As noted, historical sharing was based upon the independent pricing of landed Turbot by processors based upon competition for raw material. Given the consistent pricing and sharing, this competitive market appears to have been reasonably consistent year over year. The ASP contends that processors bid up prices to maintain relationships with harvesters and secure other species such as Crab. As a result, they have compromised their ability to turn a profit on Turbot.

The Panel is pleased to see ASP provide actual market receipts on Newfoundland exports. It is also helpful to be provided with quantitative analysis to support their claim that margins are non-existent in Turbot. However, the Panel finds that this analysis is only illustrative and not built on actual Turbot processing data from processors. Thus, it is difficult to accept it as complete and compelling evidence on an imbalance in sharing.

Considering this, the market outlook, and the submissions of the parties, it is the decision of the Panel to accept the final offer of the FFAW. Effective immediately, the minimum price for the species Turbot is set at $1.70/lb. of landed weight.

This price will form a collective agreement or part of a collective agreement binding on all processors that process the species Turbot.

Dated the 8th day of June 2021.

Wayne Follett	Bill Carter	Brendan Condon