

## STANDING FISH PRICE-SETTING PANEL

### FALL 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 Fall Shrimp fishery. At the request of the parties, the Panel set Thursday, September 9, 2021, as the date by which a collective agreement binding on all processors in the province that process Fall Shrimp was to be in place.

The hearing, if required, for Fall Shrimp was scheduled to take place at 10:00 a.m. on Friday, September 10, 2021. The Panel convened its hearing for the species Fall Shrimp at 10:00 a.m. on Friday, September 10, 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 report prepared by Gemba Seafood Consulting, hereinafter referred to as “Gemba”, as well as information provided by the Department of Fisheries, Forestry and Agriculture, including data on NL landings, production and export statistics and recent published articles related to shrimp markets.

Gemba presents a somewhat improving outlook on the overall shrimp market for the Fall 2021. In respect to prices, Gemba states on page 2:

*“The forecast for December 2021 is an expectation that the price will increase as suppliers will attempt to move the price equilibrium in the market. The prices in December 2021 are forecasted to around 63-64 DKK/kg. for 150-250 pcs/lbs”.*

Gemba reiterates the pricing trend on page 6:

*"The shrimp prices in August 2021 shows that the 150-250 pcs/lbs. are traded around 60 DKK/kg. The price forecast for the CWS is that the prices will increase in the coming months to 63-64 DKK/kg. This price increase is not purely driven by the market, but by suppliers and traders who are testing the market to see if a new price equilibrium can be found. Also, the currency development between GBP and CAD may explain a small part of the increase this time."*

In previous market reports Gemba has noted Canada's advantage in UK markets with Canada having a UK trade agreement while a post-Brexit trade agreement between the UK and Greenland is still not settled. In respect of the UK market, on page 2, Gemba states:

*"The UK market is despite the increased prices picking up sales in both retail and food service.....The inventories are under rebuilding with the new 2021 season production – some traders seem to be bolstering for the Christmas season. Only small amounts of the 2020 season production are still in the inventories. New import regulations caused by Brexit will be in force from October, and it is expected that it will result in further challenges and barriers for the UK – EU trade flow."*

On page 12, Gemba comments on demand in the UK:

*"Demand in both retail and foodservice is picking up speed and is getting back to a more normal situation. The price increases have not scared consumers and restaurants to buy shrimp..."*

Gemba further notes on page 2 in respect of Denmark:

*"The Danish market has been silent over the summer – and non or only few campaigns have been run.*

- *The prices have seen an upward tendency and seems to follow the trend in the UK market.*
- *Due to Brexit the UK market is increasingly served directly from Canada and less shrimp are going through Denmark to UK today."*

With respect to currency considerations, Gemba states on page 2:

*"The GBP and USD has gained exchange rate since June 2021 compared to the CAD, while the EUR maintains its rate against the CAD."*

In its submission, the ASP offer is for a rollover of the summer prices by size category which will result in an average fall price of \$1.14/lb. The ASP maintain that Gemba is wrong in its market assessment. Newfoundland export prices in July (the latest month export data is available) have not shown the price increases claimed by Gemba. There is no longer a dedicated UK market report and Gemba doesn't properly address that market.

The ASP claims that the shrimp industry has changed with an increasing percentage of landings now occurring in the summer when raw material characteristics are worse (i.e., lower yields, smaller sizes, warmer water). Processors no longer have the benefit of significant spring and fall fisheries that present some recovery from the summer processing. They note that up to 95% of 2021 landings will be during the summer season. The ASP claims inventories are slower to move, and the industry is increasingly non-viable. Despite agreements and several Panel decisions in ASP's favour in recent years, they feel there is a need for a recalibration of prices.

The FFAW offer is \$1.30/lb. which represents a 14% increase over summer prices. The FFAW maintain that the market information available (i.e., Gemba report, trade articles, Urner Barry) show an improving market situation over the past few months with increasing prices in the primary markets in the UK and Denmark. The FFAW also reiterates that Canada has a significant advantage in UK markets via the post-Brexit trade agreement.

The FFAW discounts ASP's claim that export values up to July are a good indicator of market outlook given the time lag in the data and the fact the Newfoundland shrimp fishery did not start until July. The FFAW also points to a drop in prices since 2019 (i.e., from \$1.65 in summer 2019 to \$1.10 in 2021) as evidence that price re-calibration has already happened. They feel the Panel should price the remaining fall landings in the context of the current improving market trajectory and the improving characteristics of Fall Shrimp. The FFAW supported their offer with weighted average price calculations comparing Fall 2019 and 2020 to Fall 2021.

Under the Final Offer Selection, the Panel can only pick one of the minimum price offers presented by the Parties. In making its decision, the Panel has carefully reviewed the submissions of the parties and reviewed the market and industry data currently available. In June 2021, the Panel selected ASP's final offer based upon summer-to-summer comparisons while noting that the shrimp market was stable and flat. The Panel acknowledged the possibility of an upward

tendency in the fall but the appropriate time to explore any future changes in the market would be at that time.

In reviewing the current market information, the Panel notes that market conditions in late summer have shown improvement. Prices have increased since the spring and inventories appear to be at more normal levels. Gemba forecasts that prices will continue to strengthen in the fall. The Canadian industry also appears to be exporting shrimp directly to the UK which likely reflects its competitive advantage in the post-Brexit environment. As Gemba notes, the USD and GBP currencies have improved since June 2021 while the Euro has maintained its rate against the CAD.

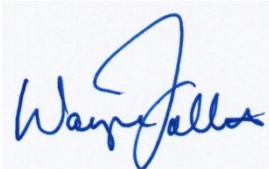
The Panel has considered ASP's commentary on the non-viability of the shrimp industry and its claim for a pricing reset. The Panel shares the concern that the shrimp fishery is increasingly concentrated in the summer period which results in sub-optimal value extraction from the resource and likely adds to marketing challenges. However, the current case for price recalibration is not supported by sufficient evidence for the Panel to abandon its normal approach to pricing market trajectory based upon seasonal comparisons.

In consideration of this and a review of the submissions, it is the decision of the Panel to accept the FFAW offer. Effective midnight Saturday, September 11, 2021, the average price for the species Fall Shrimp, will be:

- \$1.30/lb. for Shrimp landed at the plant.
- \$1.27/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 Fall Shrimp.

Dated the 15<sup>th</sup> day of September 2021.



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Wayne Follett



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Bill Carter



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Wayne Fowler