STANDING FISH PRICE-SETTING PANEL
SNOW CRAB FISHERY 2019

The Standing Fish Price-Setting Panel, hereinafter referred to as “the Panel”, issued its Schedule of Hearings for 2019, on February 5, 2019. Pursuant to Section 19 of the *Fishing Industry Collective Bargaining Act*, hereinafter referred to as the “*Act*”, the Panel set Thursday, March 27, 2019, as the date by which collective agreement(s) binding on all processors in the province that process Snow Crab must be in effect.

The Panel also noted at that time, that it had been advised by the Department of Fisheries and Land Resources that the Association of Seafood Producers, hereinafter referred to as “ASP”, represented processors that process the majority percentage of the species Snow Crab. As a result, under Section 19(11) of the Act, should a hearing be required for Snow Crab, 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 Snow Crab was scheduled to take place at 10:00 a.m. on Thursday, March 28, 2019, at the Ramada Hotel, 102 Kenmount Road, St. John’s.

The Panel convened its hearing for the species Snow Crab at 10:00 a.m. on Thursday, March 28, 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 have the benefit of one key market report, provided by the Department of Fisheries and Land Resources, that being from Seafood.com, authored by Mr. John Sackton, hereinafter referred to as “Sackton”. The parties and Panel were also provided with additional market update information from The Daily Minato, hereinafter referred to as “Minato”, and the Canadian Trade Commissioner in Japan, as well as data on Snow Crab production provided by the Department of Fisheries and Land Resources. The Sackton report and market updates all provide information on Snow Crab markets, primarily in the US and Japan.

In terms of the outlook for the coming year, Sackton notes on page 40 of his report:

> *"It is important to remember that no prediction can be made about where market prices will settle for Newfoundland Snow Crab in 2019".*

However, he identifies several key indicators that may influence how markets may react and where prices may fall.

On page 5 of the Sackton report, he notes:

> *"There is a lack of inventory, so those buyers who need crab to fill orders will want to buy right away".*

On page 6 of the Sackton report, he notes:

> *"Alaska crab was initially sold on contract at prices around $8.00 C&F Japan and $8.05 FOB Seattle. Since then demand has strengthened, and Alaska crab in the spot market is now selling around $8.35 - $8.45 on 5-8's".*

The update from Minato confirms this stating: "… the price for Alaskan Opilio has been settled at USD $8.00/lb. (5-8 ounce cooked section, brine bulk) for the Japanese market this year." Sackton also notes on page 5, that there are "no substitutes available".

On page 40 of the Sackton report, he notes:

> *"One of the strengths of snow crab is that it does not have many substitute items that are readily available in quantity".*

On the overall supply, Sackton notes on page 6 of his report:

> *"Global snow crab supply is likely to increase, offsetting any reductions in Newfoundland". "There will be more snow crab from the Gulf, with a 34% increase in area 12".*

Sackton also points out on page 6 of his report:

> *"Japanese demand for raw frozen is still strong … driven by the tourist trade to crab restaurants".* With respect to size, he notes on page 6: *"there appears to be an increasing price spread between 8-10's, 10 ups and 5-8's. Prices for the larger crab are well above prices for 5-8 ounce sections".*

In his Seafood News article dated February 12, 2019, Sackton writes, "But more telling, the spread between 5-8 ounce sections, and 8 up, and 10 up sections has widened to as much as $2.00". With respect to the size variation expected out of Alaska, he further explains "… the Alaskans are fishing on an incoming cohort, most of what they are catching is barely minimum size, just above 5 ounces. So, the Alaskan fishery, normally a source of large crab, will not produce much this year. Reports are that harvesters are seeing very few 8 ups, less than 10%". He makes a similar prediction with respect to the Gulf quota indicating "the volume of large crab may be small".

The economy continues to be strong in the US, leading to good foodservice sales in general. Sackton states on page 11 of his report:

> *"Overall, US restaurant sentiment in 2018 continued to be positive. In January of 2019, about half of restaurant operators expected to see improved traffic and sales over the next six months, which is the highest level of optimism seen in 9 months…".*

Finally, Sackton notes on page 17 of his report:

> *"One favorable factor for Canadian exporters is the current exchange rate, where the Canadian dollar is weakening. The current US dollar exchange rate is the weakest for Canada in two years, and forecasts are for a continued weakening".*

Both parties share the view that the market for crab in 2019 is strong and prices will again be high. This is reflected in the final positions of $4.95 for ASP and $5.38 for the FFAW, both at record levels. However, factoring in the Canadian currency decline year-over-year, the ASP position represents an effective 3% decrease from the ASP position of $4.90 in May 2018, as accepted by the Panel. The FFAW position represents a currency adjusted increase of 5.5% over the 2018 minimum price of $4.90.

Where the parties disagree, is on where market prices will settle out in 2019. The ASP believes that prices will soften in light of growing global supply and an expected fall announcement of further quota increases in Alaska. It feels buyers will take a reserved approach to purchasing crab in light of the improved supply prospects for 2020. It points to the recent Alaska prices as indicative of what will occur here.

In its submission, the FFAW believes the 2019 global supply is still quite low relative to past years, which will keep prices at record levels. It notes that workers compensation costs have declined significantly, reducing one of the significant cost factors contributing to the lower harvester prices in Newfoundland and Labrador versus other areas of Atlantic Canada. It also points to the increasing share of Newfoundland product going into premium market packs (raw and larger sizes) thereby increasing average pricing. The FFAW also repeated its assertion that harvesters have never fully benefited from yield improvements due to technological advancements over the past several years. It also submits that the harvesters' share of market returns lagged the improving market in 2018 and this needs to improve in 2019.

Last year, in making both its initial decision and during reconsideration, the Panel took the view that crab prices would be higher in 2018, but was not able to confidently forecast a significant price increase throughout the year, as had occurred in 2017. The Panel noted risks associated with price resistance as crab would become very expensive leading to possible product substitutions or the dropping of crab by certain sectors of the market. We now know that prices in 2018 did subsequently increase and remained strong to year-end.

The Panel recognizes that crab markets are in uncharted territory with record prices and there is a lack of 2019 pricing information to gauge the levels at which markets will open. However, market factors are such that it is reasonable to consider that 2019 prices could follow similar levels observed in 2018. A summary of positive market factors for the 2019 season include:

- Positive US restaurant segment outlook, highest level in the past 9 months according to Sackton,
- Strong US economy in the short term, albeit there are emerging concerns the economy may soften later in the year,
- Weakening Canadian dollar currently down about 5% from last year this time,
- Only a marginal increase in global supply in 2019, keeping it at a much lower level than the recent past,
- Heavy recruitment in the Alaskan fishery keeping harvestable crab in the smaller sizes reducing competitive supply to the premium sized markets,
- Growing price appreciation for crab sections of sizes greater than 8 ounce and 10 ounce and a significant price spread relative to 5-8 ounce products,
- Continuing strong Japanese demand for raw products and large sizes with Newfoundland processors increasing their percentage of production to these products,
- Few substitute species being available due to supply shortages and their prices being higher than snow crab,
- No inventory carry-over from 2018, and
- Reduction in quotas in Newfoundland and Labrador in 2019 (possibly by 15% overall) will further improve market leverage for Newfoundland processors.

As is always the case, the Panel must choose one of two positions that on the balance of probabilities it feels is closer to the expected reality. In doing so, the Panel recognizes that the ‘right’ price is likely somewhere in between the two positions. Also, as explained in the previous decisions, the Panel cannot consider other wharf (bonus) payments in its decision.

Considering the overall positive outlook for crab markets in the coming months, the favorable CAN/USD exchange, the increasing prices for raw crab and the larger size products, appropriate sharing of market increases and; following a review of the market reports and the submissions of the parties, it is the decision of the Panel to accept the final offer of the FFAW. The prices for the species crab will be:

- $5.38/lb. — 4” carapace and up.
- $5.08/lb. — for legal size under 4”.

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

Dated the 3rd day of April 2019.

Wayne Follett	Bill Carter	Brendan Condon