

**STANDING FISH PRICE-SETTING PANEL  
RECONSIDERATION DECISION  
SNOW CRAB FISHERY - 2019**

**In the matter of the *Fishing Industry Collective Bargaining Act*, hereinafter referred to as the “Act”, and an application by the Association of Seafood Producers requesting that, pursuant to Section 19.14 of the Act, the Standing Fish Price-Setting Panel reconsider its decision of April 3, 2019, setting price and conditions of sale for the species Snow Crab.**

The Panel received an application from the Association of Seafood Producers, hereinafter referred to as “ASP”, dated May 13, 2019, requesting that the Panel reconsider its decision dated April 3, 2019, concerning the price and conditions of sale for Snow Crab in 2019. The application is based on the assertion that current market prices are significantly lower than were known and anticipated at the time of the initial Panel decision on April 3, 2019.

The Panel conducted a preliminary review of the market and production information available on short notice. The parties were advised by the Panel on May 14, 2019, that because of the softening market prices, particularly for Crab sections 5-8 oz., the Panel was prepared to reconsider its earlier decision. The parties were requesting to meet, with the assistance of the Facilitator, to exchange perspectives on the market and positions on pricing, going forward in 2019.

In the event the parties were unable to agree on a common position through negotiation, a Crab hearing was scheduled to take place at 12:30 p.m. on Thursday, May 16, 2019, at the Ramada Hotel, 102 Kenmount Road, St. John's.

The Panel, pursuant to Section 19.14(1) of the Act also requested the FFAW, hereinafter referred to as the “FFAW” and the ASP, the parties to the decision of the Panel on April 3, 2019, to provide their price positions for Final Offer Selection by 10:00 a.m. on Thursday, May 16, 2019.

The Regulations made pursuant to the Act state at Section 3(3):

*“A decision respecting reconsideration shall be made by the Panel within 96 hours from the time the Panel has acknowledged receipt of the application for reconsideration.”*

The Act and Regulations also stipulate that in making a decision under Section 19.14(2) of the Act:

*“...final offer selection shall be the only form of arbitration used.”*

The Panel convened its hearing on the application at 12:30 p.m. on Thursday, May 16, 2019. Appearing before the Panel were representatives of the parties who supported their written submissions (copies attached) in argument and rebuttal. The Panel and parties had the benefit of a number of reports compiled by the Department of Fisheries and Land Resources including Urner Barry price reports, Crab production statistics to date in 2019 and recent articles on Crab markets. There was also an updated market report from Seafood.com authored by Mr. John Sackton, hereinafter referred to as “Sackton”.

At the hearing, both parties agreed that Crab market prices had declined in recent weeks, particularly for 5-8 oz. sections, which comprise an important segment of the Crab business in Newfoundland and Labrador. The Urner Barry index shows a steady decline over the past four weeks from \$8.75 US to \$7.95 US. In his market update, Sackton attributes this weakening market to a number of factors including the fact the brine frozen market in Japan is currently very slow, which has resulted in increasing volumes being redirected for sale into the US market. Consequently, inventories are building. The Gulf fisheries, which have increased quotas and no current issues with right whales, are proceeding at a good pace bringing additional supply into the market. This has resulted in some buyers holding off on their buying activity, unlike last year, which saw a strong presence of Japanese buyers which stimulated early buying by all. Sackton also notes that past years’ pricing, trends suggest that when prices go down in April and May, it generally means flat pricing for the rest of the year and lower prices the following year. On the positive side, Sackton notes, that the demand and prices for Japanese raw product and for Crab of sizes larger than 8 oz. remains quite strong supporting continued high prices for these products at this point in the season.

At the hearing, the FFAW made a final offer of \$5.05, down from its March position of \$5.38, which was accepted by the Panel on April 3, 2019. The ASP made a final offer of \$4.90, down slightly from its March position of \$4.95. The FFAW, while acknowledging the weakening US market for 5-8 oz. products felt that the continuing strength of the market for raw frozen and larger sizes, will significantly mitigate the impact of the softening market. It also feels that the Japanese market for brine frozen will improve and market prices will stabilize in the coming months. On the other hand, the ASP feels that the brine frozen market in Japan has declined significantly and this will continue to exert pressure on the US market as it absorbs additional production that would otherwise go to Japan. ASP makes the point that Newfoundland producers’ sales are very slow with growing volumes accruing into inventory. This is putting pressure on their ability to hold out for improved prices.

On April 3, 2019, the Panel decided to accept the FFAW position and set the 2019 crab prices at \$5.38 for Crab of 4" carapace and up. At that time, the Panel noted that crab markets were in uncharted territory with record prices and there was a lack of 2019 pricing information to gauge the levels at which markets will open. However, market factors were such that it was reasonable to consider that 2019 prices could follow similar levels observed in 2018.

While in an historical context the market remains quite strong, it appears to be lower than last year. With approximately 50% of the Crab quotas already landed at \$5.38/lb., producers have high priced inventories to sell into this weaker market in 2019. Given the final offers presented by the parties the average minimum prices over the full year will be either \$5.14 (with the ASP offer) or \$5.21 (with the FFAW offer). Either of these will be a record price and reflects a need for a continuing strong Japanese and US market for Crab in 2019. Our ability to forecast market prices the remainder of the year is limited. While we expect markets to remain strong, we know the current trajectory is downward. There is a risk this may reflect a growing resistance in world markets to the record high prices for Crab products as being observed with brine frozen in Japan. While markets may stabilize, there is uncertainty.

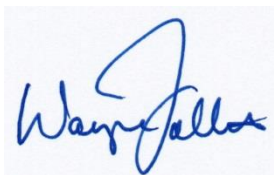
On the final offers of price, it is the decision of the Panel to accept the position of the ASP.

The minimum prices for the species crab effective midnight Saturday, May 18, 2019 will be:

- \$4.90/lb. – 4" carapace and up.
- \$4.60/lb. - for legal size under 4".

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

Dated the 17<sup>th</sup> day of May 2019.



Wayne Follett



Brendan Condon



Bill Carter