STANDING FISH PRICE-SETTING PANEL
FALL SHRIMP 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, September 5, 2019, as the date by which collective agreement(s) binding on all processors in the province that process Fall Shrimp 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 Fall Shrimp. As a result, under Section 19(11) of the Act, should a hearing be required for Fall Shrimp, 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 Fall Shrimp was scheduled to take place at 10:00 a.m. on Friday, September 6, 2019, at the Ramada Hotel, 102 Kenmount Road, St. John’s.

The Panel convened its hearing for the species Fall Shrimp at 10:00 a.m. on Friday, September 6, 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, (copies attached) supported their submissions in main argument and rebuttal.

The parties and the Panel have the benefit of one market update report, provided by the Department of Fisheries and Land Resources, from GEMBA Seafood Consulting, as well as data on landings and export value also provided by the Department of Fisheries and Land Resources.

GEMBA points out in its report to a declining market in the UK, the primary market for cooked and peeled cold water shrimp. As indicated on page 1:

> *“The price of single-frozen 150-250 pcs/lb. CWS has declined to approximately 69 DKK/kg in September following the decline in the GBP’s value and uncertainties regarding trade logistics between the UK and EU market, following the potential hard Brexit from the 31st of October.*

The price for CWS is expected to decline further the coming months for the same reasons."

It reiterates on page 7 that:

"The shrimp prices in August 2019 shows that the 150-250 pcs/lbs. are traded around 69 DKK/kg. The price decline since July is primarily due to the uncertainty surrounding the trade logistical patterns to the UK market following a potential hard Brexit."

With respect to currency, the GBP has lost value compared to the CAD, while the EUR and USD have been more stable. GEMBA states on page 1:

"The UK market is uncertain and slow due the hard Brexit concerns and decline in the GBP. The fears of an economic recession are causing traders to be more reluctant with large and long run orders. Cold water shrimp is a seafood category that is traded in GBP and fluctuations in this currency, regardless of the reasons, has an impact on the global CWS industry."

In terms of inventory levels, GEMBA states on page 4:

"Inventories are being filled up with all sizes, and particularly Greenland has had a good start to the fishery has led to a surplus in supply. The fishery in the Barents Sea is also able to supply an inventory of the large-sized CWS, while small-sized CWS are scarcer this year."

Both parties acknowledge that markets in the UK have declined and will continue to decline in the coming months. The price offers of both parties reflect this decline.

ASP takes the position that their Average Weighted Material Price (AWMP) supports a price offer of $1.52, however, they believe a further reduction in price is necessary in order to adjust or recalibrate the 'distorted' pricing of Shrimp over the past few years. While they support the FOS model, they believe that price negotiations and arbitrations since 2016 under the FOS regime have distorted the pricing of raw material. They feel now is the time to recalibrate with lesser impact in terms of the volume to be harvested this fall. They maintain that the best and highest prices for Shrimp, in relation to the AWMP was in 2016, when the price was 21.2% of the AWMP. ASP also maintains that the market uncertainty around Brexit points to a need to further lower prices. Their current offer ($1.42) is 21.2% of the AWMP for this fall.

The FFAW believes that the price decline suggested by the ASP offer is not signaled in any trade publications and is beyond any market decline discussed in the GEMBA report. The requested price decline is an overreaction to a fluid situation and claim ASP provided no evidence during negotiations to justify such a decline. The FFAW downplays the potential impacts of Brexit. While they concur with the GEMBA assessment of price decline and concerns about trade logistics in case of a hard Brexit, they maintain that it is important to keep in mind that Brexit, as it currently stands, is a political crisis. It is not a market crisis where there are fundamental issues that require a reassessment. No one knows how this will play out in the coming months. The FFAW also claim the case for recalibration is unfounded as is the assertion that the current price should be set at 21.2% of the 2016 AWMP. They claim that there have been a number of agreements reached in the past couple years and that the prices agreed to by ASP were much higher than 21.2% of the AWMP at the time. Each time the parties agree there is, in effect, a recalibration.

The FFAW position is a price of \$1.58. They contend that a rollover price, with this summer's price table against last year's fall distributions, would produce a price of \$1.62. Therefore, the FFAW offer is a 4¢ decline from the summer even though fall yields are better than the summer yields. This is an acknowledgement of the price declines noted by GEMBA in its report. To support their position, they presented fall over fall and summer over spring price tables. They contend that for fall over fall, the price range is between \$1.54 and \$1.57, while the summer over spring range is \$1.56 to \$1.57. The summer over spring price makes no account for the improved yield in the fall.

At the time of the hearing, there was approximately 6%, or 1.4 million pounds, of the 2019 shrimp quotas to be caught. The FFAW maintains that a significant portion of this will be uncaught and they have made a request to DFO for approximately 700,000 pounds to be carried over to next year. The FFAW contends that given the relatively small volumes left to be landed, now is not the time to discuss recalibrating the price. The ASP takes the opposite view in that a fall recalibration will not affect a significant volume of landings.

The Panel notes that the weighted average price tables of both parties produce similar results which appear to be more aligned with the FFAW offer (ASP is at \$1.52 and the FFAW are in the range of \$1.54 to \$1.57). In preparing these tables, both parties have incorporated the price declines as noted in the GEMBA report.

The Panel reviewed the pricing and Panel decisions of the past three years in an attempt to further assess the ASP claim of distortion by FOS. The Panel notes that since the fall 2016 decision there have been eight separate prices implemented in the shrimp fishery. One in each of the spring, summer and fall sessions in 2017 and 2018, as well as, the spring and summer prices this year. During this period, the Parties have reached agreement on the price on three occasions including during the recent spring of 2019. On three other occasions, the Panel accepted the position of ASP. This included the spring of 2017 when the Panel accepted the ASP offer of \$0.95 versus the much higher FFAW position of \$1.45. On only two occasions did the Panel accept the position of the FFAW, including in the fall of last year when there was only \$0.07 separating the two positions.

The GEMBA report documents a recent decline in markets and prices which has been accounted for in the price tables of the Parties. There is also much uncertainty in terms of how Brexit will evolve in the coming weeks and further impacts on the market in UK. This will be better known in the winter and spring of 2020 when prices will need to be set for the spring 2020 fishery. The parties will have the benefit of two comprehensive markets reviews at that time.

The Panel acknowledges that given the inherent pressure of FOS, ASP may on occasion reach higher than it feels the market can support. Likewise, the FFAW may go lower than it feels is warranted by the market. This aspect of FOS could result in a misalignment of the price to market and from time to time recalibration of prices may be required. However, given the review of pricing agreements and decisions over the past 3-4 years, and the available market information, the Panel does not believe that an adequate case exists for a recalibration, as presented by ASP.

After careful consideration of the submissions of the Parties, it is the decision of the Panel to accept the FFAW offer. Effective midnight on September 7, 2019, the average price for the species shrimp will be:

- $1.58/lb. as per the fall size distribution.

- Prices for trucked shrimp are 3¢/lb. less.

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

Dated the 13th day of September, 2019.

Wayne Follett	Bill Carter	Brendan Condon