

## STANDING FISH PRICE-SETTING PANEL

### FALL SHRIMP FISHERY – 2022

The Standing Fish Price-Setting Panel, hereinafter referred to as “the Panel”, issued its Schedule of Hearings for 2022, on March 18, 2022. Pursuant to Section 19 of the *Fishing Industry Collective Bargaining Act*, hereinafter referred to as the “Act”, the Panel set May 2, 2022, as the date by which collective agreement(s) binding on all processors in the province that process Shrimp 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 Shrimp. As a result, under Section 19(11) of the Act, should a hearing be required for 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 9, 2022. The Panel convened the hearing for the species Fall Shrimp at 10:00 a.m. on Friday, September 9, 2022, via WebEX virtual meeting capabilities. The parties appearing before the Panel were the FFAW and ASP. The parties having previously exchanged written submissions, copies attached, supported their positions in argument and rebuttal. The parties and the Panel had the benefit of a market update prepared by Gemba Seafood International, hereinafter referred to as “Gemba”, as well as data provided by the Department of Fisheries, Forestry and Agriculture on landings and export value and recently published articles related to shrimp markets.

The Gemba report indicates that to date the 2022 shrimp fishery has seen overall landed volumes which are similar to 2021 levels.

In terms of Greenland:

*“The Greenlandic fishery for the first part of 2022 has been good and a little above the 2021-level. The first quarter of 2022 for the larger offshore vessels was good, while the first half of 2022 for the ‘indhandling’ (mainly smaller inshore vessels) was at the same level as 2021.”* (Page 2)

Norwegian landings have also been a little higher in 2022:

*“Norwegian landings for the first six months of 2022 were 19,200 tonnes and a little higher than 2021 (18,800 tonnes) and 2020 (16,600 tonnes).” (Page 6)*

Icelandic landings in 2022 have declined to date:

*“Icelandic landings have been very low for the first part of 2022 and has resulted in a total of 1,100 tonnes compared to 2,400 over the same period in 2021.” (Page 6)*

To date, Canadian landings have been lower in 2022:

*“Canada has had a very late start of the shrimp fishery with catches that are below normal for the first seven months of 2022 ... there are indications that the shrimp quota will not be emptied this year.” (Page 6)*

Gemba also indicates that the Russian fishery is expected to be more orderly in 2022, due to its recent MSC certification and requirement for quota management, and is likely to be focused mainly on domestic sales:

*“The Russian shrimp fishery got MSC certified late 2021 and will in 2022 need to live up to various quota and management requirements to continue to be certified. This means that from 2022 the fishery will be based on a quota system that was not in place in previous years. Due to the quota system the fishery in Russia did not start before August 2022. The Russian shrimp fishery will primarily serve the domestic market in 2022.” (Page 6)*

In terms of inventories, Gemba notes that current inventory levels are depleted:

*“Inventories are low and catches from the 2022 season are reaching the market. There is very little, or no 2021 shrimp left in the inventories. It is expected that traders start to bolster their inventories during the fall of 2022 to meet the Christmas season in the European market.” (Page 4)*

Gemba also points out that inflationary pressures are also having an impact on shrimp prices in 2022:

*“The inflation rate has increased from approx. 0.5% in February 2021 to almost 9 % in EU27 and UK in July/June 2022. Inflation at this high level has become a real issue that has an influence on the shrimp price. There are great variations in the inflation rate depending on the type of goods or commodity that is extracted/fished and traded. The main source of inflation currently comes from the high energy prices and the larger the share of energy costs are for the product, the more severe the inflation is. Raw material (such as shell-on shrimp) that carries a larger share of energy costs in the price is more susceptible for inflation than more processed products.” (Page 13)*

Gemba cautions that the strengthening Canadian dollar may slightly weaken the competitiveness of Canadian shrimp exporters in 2022:

*"The exchange rate between currencies and especially the interaction between the Canadian Dollar (CAD), British Pound (GBP), Euro (EUR) and US Dollar (USD) is central for shrimp prices. Over the first seven months of 2022 the CAD has gained approximately nine percentage points on the GBP and eight percentage points on the EUR. The USD and CAD since March 22 follows a similar development, however with a small gain of the USD during spring and summer. The strengthening of the CAD means that if you were to buy Canadian shrimp for e.g., 100 EUR in January 2022 you would need to pay 108 EUR by May 2022 to get the same amount. From a Canadian export perspective, the strengthening of the CAD means that it becomes slightly more difficult to sell the shrimp leading to slightly weakened competitiveness for Canadian shrimp exporters." (Page 11)*

Gemba also states that the continued lack of a trade agreement between Greenland and the UK will likely result in Greenlandic shrimp producers facing a 20% tariff on product destined for the UK this Fall, creating a significant competitive advantage for Canada.

*"The lacking Greenlandic-UK trade has caused importers to search for other sources and there has been an increased trade between the UK and Canada." (Page 14)*

*"The lack of a trade agreement between the UK and Greenland is creating challenges for the UK trader to secure enough shrimp for the fall and Christmas season." (Page 4)*

UnderCurrent News also notes the tariff challenges faced by Greenland and indicates that North American exports may supply the UK for the remainder of 2022:

*"European coldwater shrimp traders have been concerned that the autonomous tariff quota (ATQ) covering Greenlandic shrimp shipped to the UK will run out before a free trade deal enters into force later this year. This will mean tariffs of 20% come in on sales of cooked and peeled shrimp on top of prices which are already steadily rising to pre-COVID levels. Canada still has free trade with the UK, and Royal Greenland said exports from its North American operations would supply the UK "for the rest of 2022".*

August 16, 2022.

Taking the above factors into account, Gemba anticipates some further strengthening of shrimp prices during the remainder of 2022:

*"The shrimp prices in August 2022 shows that the 150-250 pcs/lbs. are traded around 72 DKK/kg (8.3 GBP/kg). The price forecast for the CWS is that the prices will increase slightly to 75-76 DKK/kg (8.6-8.7 GBP/kg). The currency development between GBP/EUR and USD/CAD explains a part of the increase but other factors are also important." (Page 8)*

*“It is expected that the price will increase slowly compared to first part of 2022 and peak around Christmas time 2022. The current price development basically confirms the volatility in food markets in general.” (Page 8)*

*“The late start and the low catches in Canada may have a decisive up-ward impact on the price development in the market for cold water prawns in 2022.” (Page 6)*

ASP submitted a price offer of \$1.00/lb. landed at the plant, which was \$0.10/lb. higher than the Summer Shrimp price of \$0.90/lb. In their submission, ASP contends that Gemba continues to overstate the shrimp price in the UK and Denmark, and that the prices being put forward by Gemba are not being achieved by NL producers. Furthermore, they state that economic conditions in Europe are quite challenging, and Gemba’s suggestion that prices will increase this fall has failed to adequately account for recessionary and currency pressures. To support this contention, they cite a recent Bloomberg article on the UK economy which points to a worsening current account situation, anticipation of a potential recession and negative growth, and a decline in value of the British Pound to the extent that it could potentially fall to parity with the US dollar.

ASP notes that their summer price offer of \$0.90/lb. was accepted by the Panel and did enable a fishery to proceed whereas, in their view, the FFAW price offer would not have resulted in a fishery. They point to this as the value of “minimum pricing”, although acknowledging that in some instances the actual prices paid by producers were higher than the minimum. They contend that a similar approach should be taken to setting 2022 Fall Shrimp prices, using a summer-to-fall price comparison as opposed to the fall-to-fall comparison which is the norm used in most years. They state that this approach would enable the fishery to continue, with producers continuing to pay more than the minimum price where warranted.

The FFAW’s price offer was \$1.25/lb. landed at the plant. To support their submission, they point to the Gemba report and the various factors which Gemba believes will support higher prices this fall. They point out that prices have been rising throughout 2022 and are currently above 2021 levels. They note that inventories are virtually non-existent, and overall supply is similar to last year. Furthermore, they note that Greenland, the largest shrimp producer, is facing a 20% tariff for the remainder of 2022, presenting a strong competitive advantage for Canadian producers selling to the UK, by virtue of Canada’s trade agreement with the UK. The FFAW acknowledges that the strength of the Canadian dollar vis a vis the British Pound and Danish Kroner will somewhat dampen this competitive edge but note that currency exchange rates should not be considered in isolation and are only one of several factors which need to be considered collectively.

The FFAW contends that while the minimum price for Summer Shrimp was \$0.90/lb., most shrimp was sold for significantly higher prices. In their submission, they append four examples of sales receipts to illustrate this point, showing average sales prices of \$1.05/lb., \$1.22/lb., \$1.25/lb., and \$1.28/lb. Furthermore, they contend that some NL harvesters landed in Quebec and the Maritimes, where they received prices in the order of \$1.40/lb. Therefore, they maintain that there is no basis for using summer-to-fall price comparisons with a base of \$0.90/lb. as proposed by ASP. They contend

that the normal fall-to-fall price comparison process should apply, and there is no basis for a minimum price of \$1.00/lb. as proposed by ASP, when it is clear that prices being generally paid are already much higher than that level.

The Panel reviewed and considered the market information available and the submissions of the parties. The Panel noted that the price selected for Summer Shrimp enabled a fishery which saw the majority of available quotas harvested, and it appears in many instances prices paid were well above the minimum price. On balance, taking into account anticipated increases in market prices this fall, as well as the current low inventory levels in Europe, the tariff impacts expected to be experienced by Greenland, and the expected yield improvements for Fall Shrimp, the Panel views the prospects for NL shrimp producers this fall to be relatively positive.

The normal approach to shrimp price comparisons is to compare Weighted Average Market Prices (WAMP) for the same season from year to year (e.g., spring-to-spring, summer-to-summer, fall-to-fall), as this approach avoids consideration of yield variations which shrimp undergo as a result of their biological and other changes throughout the year. In its 2022 Summer Shrimp decision, the Panel noted that its decision should not be construed as a declaration on recalibration of Summer Shrimp pricing or of overall sharing going forward, but rather was a decision to choose one of two disparate offers. In the Panel's view, ASP's position that a summer-to-fall WAMP comparison is warranted this year is an attempt to move from the established norm and carry forward a beneficial decision from the summer. The Panel does not accept this position and continues to hold the view that normal WAMP comparisons are most appropriate for shrimp.

Using fall-to-fall comparisons as put forward by both parties, the Panel does not see a basis for a major price reduction from last fall's price of \$1.30/lb., as is proposed by ASP. In addition, given the actual prices reportedly being paid thus far in 2022 range up to \$1.20/lb. or higher, the price offered by the FFAW of \$1.25/lb. would be more reflective of typical yield improvements experienced in the Fall. The ASP offer of \$1.00/lb. would be a reduction from the average prices reportedly already being paid and would be a move contrary to normal increases expected in the Fall to reflect yield improvements.

Therefore, it is the decision of the Panel to accept the final offer of the FFAW.

The prices for the species Fall Shrimp will be:

- \$1.25/lb. — landed at the plant.
- \$1.22/lb. — trucked.

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

Dated at St. John's, NL, this 16<sup>th</sup> day of September, 2022.



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David Lewis



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Bill Carter



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Earle McCurdy