

## Inshore Shrimp Fishery – Spring Price 2010

On March 30, 2010, the Standing Fish Price Setting Panel issued an interim report on the Spring Shrimp Fishery for 2010. The Panel declined to set a price at that time since it was preferable, in its opinion, to: “*Step aside to allow the Parties time to engage in discussions.*” There were no reliable market prices available to the Panel in the opinion of the market reviews received from Gemba and Sackton. The FFAW also supported a position that it was preferable under the circumstances, that raw material prices be resolved before processors finalized market prices.

The Panel requested that ASP and the FFAW make an attempt to define an overall market return that would support a specific price to harvesters for a spring shrimp fishery – it was a price to be based on raw material cost and exchange rates.

The Panel was also influenced by the fact that shrimp quotas were likely to be reduced by the Department of Fisheries and Oceans. As well, the Brussels Seafood Show presented an opportunity for exporters and importers to meet and exchange views on prices for cooked and peeled coldwater shrimp.

The FFAW and ASP did not meet prior to the Brussels Seafood Show, they did meet twice in the past week. The discussions were held on a “without prejudice” basis. There were no exchanges of positions on a price to harvesters for the spring shrimp fishery. Following the meetings, the FFAW requested an informal meeting with the Panel which occurred on Friday, May 7, 2010. The Panel extended an invitation to ASP to have a similar discussion. The invitation was declined. This is unfortunate, given the gravity of the situation, as the Panel is left without the perspective of the processing sector throughout this process. The position of both ASP and the FFAW was that the Panel should issue a decision on price.

The FFAW did not provide any market price information to the Panel. In fact, the FFAW and the position of harvesters can best be summed up by the statement at p.7 of their submission of March 26, 2010: “*...simply accepting what the market offers and using a calculator to determine raw material prices is a road to oblivion for our shrimp fleet and crew members...*”

The Panel is fully mindful of the challenges facing harvesters and processors in all fishing sectors in the current economic climate. The realities of the current climate and market conditions are not the fault of any one group involved in the Newfoundland and Labrador fishing industry. The industry is currently experiencing the material consequences of the worst economic recession since the 1920s and cannot be expected to be immune from the fallout of this major recession.

The Panel is fully cognizant that 2010 may in fact be the year where the economic realities of the fishing industry make it uneconomical for harvesters to engage in shrimp fishing because the raw material price they must have to sustain their fishing enterprises cannot be absorbed by the processing sector due to market and currency factors.

As the Panel has previously stated, this is not the fault of anyone engaged in the fishing industry. The harsh realities of the current situation will likely lead to lost fishing enterprises and the closure of some processing facilities in 2010. While the *Fishing Industry Collective Bargaining Act* mandates the Panel to put a price in place, it does not mandate harvesters or processors to operate their respective enterprises at a loss.

In 2009, the Panel had to select between either the position of ASP or the FFAW under Final Offer Selection. At that time both parties advised the Panel, that regardless of the position it selected, there would be no fishery. If ASP position was chosen, harvesters would not fish, if the FFAW position were chosen, processors would not buy. In 2009, the facts precluded the possibility of setting a price that would have been satisfactory to processors and harvesters for the summer shrimp fishery.

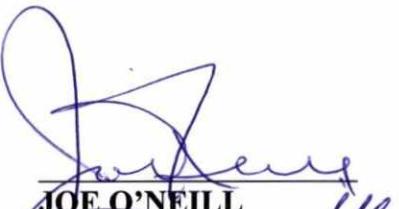
In 2010, despite having a reportedly amicable discussion of the situation, the parties did not exchange positions, much less arrive at an agreement. The Panel is in no better position than it was in 2009. The entire cooked and peeled cold water shrimp industry is in a crisis. Demand is declining, markets are shrinking, product substitution is occurring. Plants in Norway and Iceland have discontinued shrimp operations and harvesters have diverted to other species. Losses were prevalent in 2009 throughout the supply chain in our established outlets in Europe.

Our industry is in no better position, neither side can carry the other. Oversupply to the market from our fishery is not likely to be an issue in 2010. Given the late start in the crab fishery, and the absence of a price, the spring shrimp fishery should one materialize, will not produce any significant volume. Quota cuts in the order of 30 per cent are predicted for Area 6. Catch rates are reportedly declining. Higher market prices may be available in 2010 for smaller volumes, which will inevitably be the case. Summer shrimp prices are traditionally lower than spring prices, no one can reasonably expect a summer shrimp fishery should current conditions continue to prevail. The Panel strongly recommends, and for good reason, that should a spring fishery commence, the parties should continue the fishery for as long as it is practical.

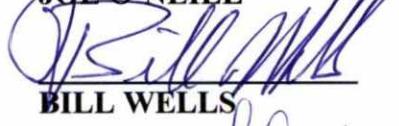
The Panel must by law, regardless of the situation within the fishery, set a price. It is the decision of the Panel that the price for the spring shrimp fishery be a weighted average of 48¢ lb., based on the size distribution of 2009, which the ASP has now supplied to the FFAW. Shrimp trucked to the plant will be paid 3¢ lb. less.

The FFAW is to provide the Panel with a copy of the Spring Price Table. This Table, and the combined Master Collective Agreement and Shrimp Schedule as determined by the Panel in its decision dated March 9, 2010, is binding on all processors that process the species shrimp in the province and will form a collective agreement, or part of a collective agreement, with the FFAW.

Dated at St. John's, May 10, 2010.



JOE O'NEILL



BILL WELLS



MAX SHORT