Inshore Shrimp Fishery – Spring Price 2009

The Standing Fish Price Setting Panel, hereinafter referred to as "the Panel" issued its Schedule of Hearings for 2009 on February 13th, 2009. Pursuant to Section 19 of the *Fishing Industry Collective Bargaining Act"* hereinafter referred to as "the Act", the Panel set Friday, March 20th, 2009, 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 and Aquaculture that the Association of Seafood Producers, hereinafter referred to as "ASP" represented processors that process the majority percentage of the species shrimp. Accordingly, 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, hereinafter referred to as "FFAW", and ASP. Section 19.11(1) of the Act and regulations made pursuant thereto required 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 submissions 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 for shrimp, if required, was scheduled to take place at 2:00 pm, Saturday, March 21, 2009, at the Labour Relations Board Hearings Room, Beothuck Building, 20 Crosbie Place, St. John's.

The parties requested and the Panel agreed to move the date of the hearing for shrimp, if required, to Monday, March 23, 2009 at 2:00 pm. The venue remained as noted.

The parties met in negotiations on Thursday and Friday, March 19th and 20th, 2009. Offers and counter offers were exchanged between the parties up to and including Sunday, March 22, 2009. The parties having exchanged their final positions (copies attached), the hearing commenced at 2:00 pm, March 23, 2009. The written submissions of the parties were supported by oral representation in main argument and rebuttal.

The parties in negotiations and the Panel have had the benefit of a presentation on the market outlook for shrimp by Mr. John Sackton of Seafood.com on March 11, 2009. They and the Panel have also received market reviews from Gemba Seafood Consulting and Lozowich Market Research (copies attached).

It is obvious to everyone that the current global economic downturn is far more serious than had been generally anticipated. This is reflected in the marketing reports received by the Panel and the parties and, as well, reflected in the submissions received by the Panel. The parties appear to have made a genuine effort to achieve an agreement on price for the 2009 spring shrimp fishery. This is reflected in the fact that their final offer positions are closer than they have ever been previously in the Panel's experience. Both sides accept the fact that the markets are in decline, the difficulty is in quantifying the declines in respective markets.

Market returns bottomed in 2006, following five years of decline. The improvement in market returns since then to 2008 and improvements in the tariff regime in the European Union, offset to some extent the precipitous increases in fuel prices experienced in 2008 and the strength of the Canadian dollar.

This year the decline of the Canadian dollar, especially against the United States currency, coupled with lower fuel prices, help to offset the full impact of market declines, and changing circumstances in the market, such as the disappearance of Russia as a major consumer of cold water shrimp. The bottom line however, is the uncertainty of what will unfold as the year progresses and whether or not current price levels will stabilize. The volume of cooked and peeled shrimp available to the most important market outlets, given the economic uncertainty and the credit crunch, will be a critical factor in 2009. The most important markets are Europe and the United States where the economic decline is most serious. In the United States the foodservice sector is in a steep decline. The extent to which sales volumes are maintained or increased in that market is dependant on retail sales.

Generally, it is not expected that current market prices will increase, the issue is, can they be maintained or will they fall. The risks in this instance are borne by the producer. Harvesters currently have the benefit of lower fuel prices, especially in comparison to 2008, this will assist in coping with price declines to a point. The parties are substantially in agreement with respect to the current situation and not that far apart on what the prices to harvesters should be at this time.

It is impossible to make a precise calculation as to what the price should be at a moment in time. The situation is complex during the best of times and in 2009 is far from the best of times. Volatility in exchange rates, market pressures and the effect of competitive forces dictate a cautious approach.

The current market trend is down and no one is capable of making a reliable prediction even for the short term. There is abundant cause for concern about the cold water shrimp market for 2009, it is a dramatically different market from the market of 2008. In previous decisions in selecting the more appropriate price proposal, harvesters have been the beneficiaries of the benefit of the doubt in a rising market. Such is not the case at this time. The parties were, as we have indicated, very close in their assessment of the market which is reflected in their final offers. At this time, the benefit of any doubt should reflect the current uncertainty. Spring prices will terminate on June 20, 2009, when the parties will have a further opportunity to assess the situation going forward assisted by their own experience and updated market reports.

It is the decision of the Panel to accept the final offer of ASP dated March 23, 2009 at 11:00 am as attached. By virtue of the Act, this Spring Price Table, together with the Shrimp Schedule 2009, is binding on all processors that process the species shrimp in the province and will form a collective agreement as part of a collective agreement with the FFAW.

Dated the 30th day of March, 2009.

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