

STANDING FISH PRICE SETTING PANEL

SQUID 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 Thursday, July 14, 2022, as the date by which collective agreement(s) binding on all processors in the province that process Squid 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 Squid. As a result, under Section 19(11) of the Act, should a hearing be required for Squid, 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 Squid was scheduled to take place at 10:00 a.m. on Friday, July 15, 2022. The Panel convened its hearing for the species Squid at 10:00 a.m. on Friday, July 15, 2022, via WebEX virtual meeting capabilities. Appearing before the Panel were the FFAW and ASP. The parties, having previously exchanged their final offer submissions, and filed copies with the Panel, supported their submissions in main argument and rebuttal.

The parties and the Panel had the benefit of one market report prepared by TriNav Fisheries Consultants Incorporated (TFC), hereinafter referred to as “TFC”, as well as, information provided by the Department of Fisheries, Forestry and Agriculture, including data on NL Squid and bait imports, production and export statistics and one recently published Undercurrent News article related to Squid markets.

The TFC report suggests that the opportunity for NL Squid this year is favourable for a number of reasons, including its lower price compared to Argentinian Squid, the significantly improved quality of NL Squid in recent years and the recently announced moratorium for Herring and Mackerel fisheries in the Gulf of St. Lawrence.

With respect to the moratorium, TFC notes on page 3 of its report:

“The closure will likely have serious ramifications on the market for bait. While inventory of frozen product is sufficient to supply harvesters for this year’s fishing activity, it will be difficult to replenish the inventory for next year.”

Relative to its Argentinian competitor, TFC explains on page 12 that:

“The squid harvested in Newfoundland and Labrador has been such that there has been no need for any Atlantic Canadian harvesters to purchase squid from Argentina this year. In past years, Argentinian squid was preferred due to its availability, low cost and perceived quality. However, interview participants have reported that the quality of Newfoundland and Labrador squid was good in 2021 and 2022. Additionally, the Argentine squid harvest was well below average over the past year, so prices were higher than average. As a result, Newfoundland and Labrador squid was significantly easier and less expensive to obtain.”

Table 2, presented on page 11 of the TFC report, notes that NS processors and harvesters have switched to purchasing squid from NL. Argentine squid was historically viewed as higher quality, however, the abundance and recent increase in quality of NL Squid has changed this opinion.

The FFAW believes that both the export and bait markets for NL Squid are in a strong position for 2022 and 2023. They believe Squid sales have been resilient to market pressures and that significant growth in the NL and Atlantic Crab fisheries in recent years has increased the demand for NL Squid as bait. They maintain that the price for Squid bait in NL has remained the same over the past three years at \$1.75/lb., while price paid to harvesters has declined. They believe Squid and other bait species caught this year will be a valuable commodity in 2023, particularly in light of the moratorium on Herring and Mackerel fisheries in the Gulf of St. Lawrence, and that Squid will be required to fill the void. Furthermore, they claim there was, and still is, a very high demand for NL Squid due to its improved quality, abundance and favourable costs compared to imports.

The FFAW takes the position that NL Squid export volumes, prices and overall value have increased considerably since 2019. Export pricing for 2022, has increased over the average export price in 2021 and that speaks to the stability of the NL Squid export market.

They reference Squid fisheries in other jurisdictions, particularly Argentina and the US. They believe that NL Squid has significantly improved in quality in recent years and will be preferred over the more expensive Argentinian product. They note the increase in the value of Argentinian export product. They point to the fact that prices paid to harvesters for Squid landed in California, have remained flat for the past three years, while prices to NL harvesters have declined from \$.88/lb. to \$.66/lb. over the same period.

They do not support the argument put forward by ASP, that lower Squid prices this year are justified because of a likely decline in Crab prices in 2023. They claim that harvesters have been historically charged high prices for bait, even when Crab prices were in the \$3-\$4 range. They further maintain that the price charged to harvesters for Squid bait, has remained steady at \$1.75, even last year when all Squid bait was caught locally.

The FFAW is seeking a price of \$.70/lb. for all Squid, which represents a 6.1% increase over the 2021 price paid to harvesters.

The ASP takes the position that 2022 continues to be a challenging year for producers. They claim that the Panel has selected the FFAW price position on all species with the exception of Summer Shrimp, and this has left fisheries either delayed or stopped altogether. They maintain that cold storage capacity is a huge challenge in the industry this year because of Snow Crab and that there is limited space to store Squid.

While they concur with the FFAW on bait prices over the past three years at \$1.75/lb., they noted that export pricing in 2021 was down 23% from 2020, YTD pricing is down 17% from 2020 and up just 8% over 2021. They maintain that Squid is unique in that they buy from harvesters and hold for extended periods at high costs; they have high collection costs from multiple points, added expenses of packaging and labour, increased financing costs and redistribution costs in the following year, all combined with yield losses due to discards and poor quality Squid. ASP explained that in the absence of cash flow from Crab sales, credit lines and other sources of financing would have to be used to finance Squid purchases this year.

The ASP expresses concern about the ongoing risks associated with, what they refer to as, an 'opportunistic' species that could appear in large volumes, overwhelm the bait market and result in product being sold in the lower value, export food market or not sold at all. They reference the 20% increase in Argentinian landings in 2022 compared to last year and note that NL landings increased 220%. ASP argues that they will likely have to sell Squid bait to harvesters at lower prices given the risks in Crab that will carry over into 2023. They also challenge the relevance of comparisons to fisheries in Argentina and California, noting that California is a purse seine fishery for loligo (a different species from the NL Illex) while Argentina is an industrial fishery for Illex using larger, deep sea fishing vessels.

ASP is proposing a tiered pricing model that takes into account seasonality (before and after September 10th) and landing location (wharf or plant). Combinations of these variables could result in reductions in prices paid to harvesters ranging from 9.1% to 54.6% compared to 2021.

The Panel is disappointed and concerned with respect to how the 2022 Squid negotiations unfolded, noting that ASP refused to engage in meaningful discussions on price and conditions of sale, despite

a request by the FFAW to do so. The Panel believes that this undermines the Final Offer Selection process, which is designed to bring parties close together in their offers prior to a hearing, even if an agreement is unattainable. In this case, the initial and only offers exchanged represented an increase in price of 21% over 2021 proposed by the FFAW, and a decrease in price of 62% over 2021 proposed by ASP. While the final offers presented at the hearing were somewhat closer, there was obviously a significant gap in initial offers.

The Panel also takes issue with the assertion made by ASP in its submission, that the Panel, so far in 2022, has selected FFAW pricing on all species with the exception of Summer Shrimp. As is well known, but to confirm, the Panel selected the position of ASP in the initial Snow Crab hearing as well as in the Reconsideration hearing for Snow Crab requested by ASP. These are the two decisions in which the Panel had to deal with the largest gap in the overall value of the respective offers of each party.

The Panel acknowledges that bait prices have been consistent at \$1.75/lb. over the past three years. It also notes that export market prices have increased by 8% from 2021 to 2022. There is no evidence in the market report prepared by TFC to suggest either local bait or export markets for Squid are at risk of collapse. In fact, with Mackerel and Herring subject to moratoria in the Gulf, one would expect that this could only be beneficial for the NL Squid fishery.

The proposal by ASP provides for a significant, unilateral change to include a pricing model going back to a two-tier system with price differentials based on seasonality and landing location, albeit different than the two-tier price model in place up until 2019, which was solely based on a landings threshold of 4,500 tonnes. The Panel believes that it is legitimate for ASP to explore a new, two-tier price model, given the substantial increase in landings in recent years and to reflect differences in value of bait markets compared to export markets. However, it is of the opinion that, such widespread changes should be thoroughly discussed during negotiations between the parties to determine the implications the proposed price structure and conditions of sale may have on the conduct of the Squid fishery, rather than seeking these changes exclusively through Final Offer Selection.

In its Lobster decision of 2018, the Panel stated (2nd paragraph, page 3), *“In making its decision, the Panel is aware that there was no real negotiation between the parties on the wording of the changes This places the accountability on the Panel to ensure the proposed schedule is technically sound and will work effectively if implemented. The burden is on SPONL (ASP in this case) to convince the Panel of the legitimacy and veracity of its proposed schedule.”* It further states, (last paragraph, page 3), *“In respect of process, the Panel is of the view that no one party can thwart attempts to achieve change by refusing to participate in the change process.”*

Similar to the position taken with Lobster in 2018, the Panel is not convinced that enough has been done to support a decision to implement a unilateral redesign of the current pricing regime. (The

current regime being comprised of a single minimum price paid for all Squid landed). In light of this, and following a review of the TFC market report, and the submissions of the parties, it is the decision of the Panel to accept the final offer of the FFAW. Effective immediately, the minimum price for the species Squid will be \$.70/lb. for all Squid landed.

This price will form a collective agreement or part of a collective agreement binding on all processors that process the species Squid.

Dated at St. John's, NL, this 21st day of July, 2022.



Bill Carter



Earle McCurdy



Michael Dewling